**Revenue and Cost Drivers for Marriot Inc. and Johnson & Johnson**

**Introduction to the companies**

Marriott is a renowned global hospitality company headquartered in Maryland, USA. With a wide-ranging portfolio of hotel brands catering to various segments, from luxury to economy. Marriott has a significant presence worldwide offering diverse accommodation options to travellers.

Johnson & Johnson is a global healthcare company operating in pharmaceuticals, medical devices, and consumer goods. The company sells products such as skin and hair products, over the-counter-products, prescription pharmaceuticals, and surgical implants in countries around the world.

**Revenue Drivers**

Marriot Inc.

1. Occupancy Rate:

Marriott’s primary source of revenue is directly proportional to the occupancy rate of its hotel rooms. An increase in the occupancy rate leads to an increase in the revenue as more rooms are being rented out.

1. Average Daily Rate (ADR):

ADR is measured as the average price a guest pays for a room. ADR price is proportional to the revenue generated; such that a higher ADR, contributes to an increase in revenue per occupied room.

1. Revenue per Available Room (RevPAR):

This metric is a combination of both ADR and occupancy rate, resulting in a comprehensive view of how Marriott is utilizing its available rooms to generate income.

1. Brand Mix:

Brand mix describes the spectrum of budget through to luxury brands Marriott uses to cater to different customers. This captures a wide range of customers and drives revenue from diverse sources.

1. Global Expansion:

Franchising and expanding into new markets allow Marriott to develop new customer bases and capitalise on travel trends.

Revenue is driven as RevPAR \* No. Rooms where,

 RevPAR is the function of ADR (price impact) \* Occupancy (volume impact)

Note that for each of the segments, North America (full service, limited service), APAC and Other international, RevPAR, Room count Occupancy and ADR are reported by the company. These will be forecasted based on historical trend analysis.

Large portion of Marriot’s cost is the reimbursed expenses which is directly related to reimbursed revenue. Management and franchise related operating expenses will have be derived as a % of revenue.

Johnson & Johnson

1. Pharmaceuticals Sales:

Johnson & Johnson’s largest revenue drivers come from the sale of their prescription and over-the-counter pharmaceutical products. In addition to this, they can improve their revenue growth through increasing the efficiency of their product development and marketing strategies for new drugs.

1. Medical Devices:

Johnson & Johnson are also able to generate revenue through the sales of their medical devices and equipment, which includes surgical instruments and various diagnostic tools.

1. Consumer Health Products:

Revenue is also generated through the sale their consumer healthcare products, this includes over-the-counter medications, skincare products and other personal hygiene products.

1. Global Expansion:

As with Marriott, Johnson & Johnson can drive larger revenue margins through global expansion into emerging markets. This introduces new client basis through franchising and lateral development.

1. Research and Development:

Increased work in research and development of new products and services is another way in which Johnson & Johnson can drive revenue through new market opportunities.

Each of the three segments, Consumer, Pharmaceuticals and Medical Devices have sub segments with product lines like Remicade, Darzalex , Stelara and Tremfya  or Surgery, Orthopaedics and Intervention solutions. All of these lines have US & International sales. US revenue can be driven by annual growth rates, international revenue growth has two components, organic growth and currency impact.

Cost Drivers – as % of revenue (trend analysis)

* Selling, Marketing and Administrative Expenses
* Research and Development Expenses
* In-process research and development
* Cost of products sold

**Cost Drivers**

Below is a brief overview of some of the potential cost drivers for both Marriott Inc and Jonson & Johnson Inc. Each one of these company’s success is hinged on their ability to manage and mitigate these drivers in order to achieve sustainable growth and profitability.

Marriot Inc.

1. Labor Costs:

One way Marriott manages cost is through their efficient management of labour. Staffing and employee salaries present themselves as significant cost drivers for Marriott as well as the hospitality industry in general.

1. Operating Costs:

Maintenance, utilities and other general operations are grouped under operating costs. Marriott limits the impact of these costs through efficient resource management.

1. Marketing and Advertising:

Another way industries such as the Marriott can mitigate costs is through implementing effective marketing strategies. These strategies help to optimise costs and drive revenue growth. Investing in marketing and advertising strategies also plays a big role in attracting new customers.

1. Real Estate and Property Costs:

Maintaining, acquiring and developing company property is another significant contributor to overall company expenditure.

1. Technology Investments:

Technology use plays an important role in enhancing the customer experience and furthermore driving revenue growth.

Johnson & Johnson

1. Research and Development Costs:

Johnson & Johnson are constantly involved in the development of new drugs and medical devices which requires significant monetary investments in research and development.

1. Regulatory Compliance:

As a pharmaceutical company, Johnson & Johnson are required to maintain regulatory standards. This requires obtaining approvals for pharmaceutical products and significant planning. This is another impacting factor on the company’s overall cost.

1. Manufacturing Costs:

Producing Johnson & Johnson’s consumer products which includes their pharmaceuticals and medical devices entails both manufacturing and quality control expenses.

1. Marketing and Promotion:

Johnson & Johnson can mitigate costs is through implementing effective marketing strategies. These strategies help to optimise costs and drive revenue growth. Investing in marketing and advertising strategies also plays a big role in attracting new customers.

1. Litigation and Liability Costs:

As a major healthcare company, Johnson & Johnson are at risk of facing many legal and liability costs related to lawsuits, regulatory compliance issues as well as potential product recalls. This is another significant cost driver the company faces.