

Strategic Analysis of Marriott International, Inc.

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Executive Summary

Marriott International, Inc. is a leader in the global lodging industry. With more than 3,000 properties in 68 countries and countless achievement awards, they are not only a well-known but also a well-liked brand. The global financial crisis hit the hotel and lodging industry hard because of a sharp drop in business and leisure travel. Regardless of the steep drop in profitability over recent years, Marriott has plans to launch two new brands in 2010, double presence in Europe by 2015, and focus on driving incremental revenue by cutting costs at the property level. The following document discusses these strategic moves. It also addresses opportunities Marriott has to further capitalize on their strengths by extending their expansion plans into the mid-level hotel segment to take advantage of the industry's fastest growing population and by utilizing low-cost, high-impact promotions to allow room rates to remain competitive and continuously evaluate market conditions as the world gradually climbs from this economic downturn.

Company Overview

Marriott International, Inc. (NYSE: MAR) is a global hotel chain dedicated to operating and franchising hotels and other lodging facilities. The Marriott family's first endeavor was a small root beer stand on the streets of Washington, DC in 1927. Marriott's first hotel was the Key Bridge Marriott close to the DC area which is constantly out of date due to its high demand for occupancy because of its still enviable location. From there Marriott has grown to become the leading hotelier that we know today. On October 8, 1993, Marriott International was established as a spinoff of the Host Marriott Corporation and took over the role of managing and franchising hotels.¹ The headquarters, still in close proximity to the original site in Bethesda, MD, now oversees 16 brands worldwide.

(See Appendix I)²

The Marriott Brands

The flagship Marriott brand is their Marriott full-service hotels and resorts. There are over 500 locations worldwide and they pride themselves on their Marriott name and quality. The majority of their market share is still in the United States.

Marriott has a number of brands that strive to capture the luxury segment of the market. The J.W. Marriott brand operates 37 properties that strive to compete with others in the high-end segment. In 1997 Marriott acquired the Renaissance hotel brand which serves a similar audience. Similarly, Marriott has recently acquired the Ritz-Carlton hotel brand and the Ritz-Carlton

¹ Marriott International, Inc. (2010). Web. Retrieved March 2010 from <http://investor.shareholder.com/MAR/faq.cfm>

² Marriott International, Inc. (2010). *2009 Annual report*. Retrieved from http://files.shareholder.com/downloads/MAR/875071027x0x350959/EB876B01-E737-4BBC-9E25-1A91F4163D99/Final_FY_2009_Form_10-K.pdf

Destination Club. The company has also announced, in 2009, the introduction of two new luxury brands known as *Autograph* and *Edition* which have been designed to capture the luxury segment of the population that are looking for more of a boutique hotel experience, something Marriott has previously not been able to offer.

In addition, Marriott operates a number of brands that reach out to the mid-level leisure and business travelers. These include the most popular and widespread Courtyard brand that has over 800 locations. They also feature the Fairfield Inn, Springhill Suites and the Residence Inn, which is specifically designed to have less expensive rates for longer stays. The mid-level brands all highlight amenities such as internet access and complimentary breakfast in the morning that mid-level travelers typically appreciate. Marriott's TownPlace Suites can also be considered mid-level but is specifically designed for extended-stay guests.

Although market conditions are not suitable right now, business travelers typically provide a great deal of revenue to almost every hotel chain and Marriott is no exception. This is why Marriott has a number of brands specifically dedicated to fulfilling the needs of the average business traveler. Marriott Conference Centers, ExecuStay and Executive Apartments are made to suit the needs of corporate travelers whether by hosting a business function or providing longer-term residential facilities for employees that are relocating or working on temporary assignments.

Finally, Marriott operates the global leading timeshare brand known as Marriott Vacation Club International. Marriott Vacation Club has more than 50 resorts where owners can choose to stay, earn points, or exchange property rights through Interval International (a partner timeshare

brand). While MVCI has seen extreme growth from its first introduction in 1984 on a small island in South Carolina, recent economic events have made timeshares somewhat impractical. With so few people that have disposable income, the idea of vacations has been pushed aside and the large initial cost of a timeshare is not fathomable. In addition, those that already own timeshares are utilizing their pre-paid weeks but are skimping on resort-level spending, causing the brand to lose revenue. Because of this, Marriott has halted the expansion of their timeshare brand until further notice and has recently explored the option of renting out unused timeshare weeks to outside guests.³

Family Influence

The Marriott family claims ownership to about 30% of the company and the hotel conglomerate is still run like a family operated business in many ways. J.W. (Bill) Marriott Jr. is the Chairman and CEO of the company and he sees that each extension of the brand is working toward the company's overall vision of creating a specific company culture and becoming the world's lodging leader.

Bill Marriott has led the company for 50 years now and has developed a culture centered on what he calls the "Spirit to Serve." The "Marriott Way" is focused on the company's feeling of responsibility to serve its associates, serve its customers, and serve the community.⁴ These core values infiltrate every aspect of the company's ambition for the future.

Marriott's portfolio includes 3,420 lodging properties in 68 countries consisting of a total 595,461 rooms as of year-end 2009. The corporation operates about 1,000 of its lodging facilities

³ Marriott International, Inc. (2010). Web. Retrieved April 2010 from <http://www.marriott.com/corporateinfo/glance.mi#brand0>

⁴ Marriott International, Inc. (2010). Web. Retrieved March 2010 from <http://www.marriott.com/corporateinfo/culture/heritageJWMarriottJR.mi>

and obtains most of its revenue through leasing agreements and management fees from their property owners.⁵ Marriott International, Inc. properties are operated or franchised under a broad array of Marriott brands and across five differentiated business segments including:

Segment	Percentage of 2009 Total Revenues
North American Full-Service Lodging Segment	44%
North American Limited-Service Lodging Segment	18%
International Lodging Segment	11%
Luxury Lodging Segment	13%
Timeshare Segment	13%
Other unallocated corporate	1% ⁶

Above and Beyond

With their large number of properties, Marriott takes advantage of economies of scale in order to maximize revenue by minimizing their cost per room. They primarily measure performance among comparable properties through RevPAR (Revenue per Available Room) by dividing the total room sales by the total room nights available to guest for that specific period. RevPAR decreased 18.5% from 2008-2009, reflecting weak demand.⁷ Based on this

⁵ Marriott International, Inc. (15 March). Hoover's Company Records,56078. Retrieved March 28, 2010, from Hoover's Company Records. (Document ID: 168211431).

⁶ 2009 Annual Report

⁷ 2009 Annual Report

performance measurement, Marriott strives to continue to cut costs and sustain focus on customer and employee satisfaction in order to retain business.

Marriott also takes a great deal of pride in its intellectual property. They rely on their brand name and reputation in their marketing efforts and leverage this against their competition. Marketing and customer satisfaction are the most crucial areas of operation. Unsurprisingly, then, the most important component to customer retention for Marriott International, Inc. is their loyalty program known as Marriott Rewards which I will discuss in more detail later on in this report.

Going Green

Marriott also attracts customers through their “Spirit to Preserve” environmental strategy which works to green their supply chain by reducing fuel and water consumption on their properties. They also have a number of LEED (Leadership in Energy and Environmental Design) certified buildings and encourage employee initiatives to further contribute to the green movement. The U.S. Travel Association insists that supporting environmentally-conscious companies is still a priority for many travelers, even in an economic downturn.

In 2009 Marriott announced that two of their Courtyard hotels, one in Chevy Chase, MD, and one in Portland, OR, were completely LEED certified. The entire industry within the US has only 20 hotels that are certified with this seal and Marriott has 50 of their own in line to achieve this title in the near future. Marriott recognizes the benefit these moves have both for the environment and for business. They insist it will take them just under two years to recover from the initial costs of this endeavor and begin reaping the energy and cost benefits this change

provides.⁸ This is just another investment in the Marriott brand name that will catapult them ahead of competitors. The green movement is on the rise among consumers now more than ever. When the economy finally redeems itself, green initiatives are going to rise to the top of the list in the consumer's evoked set of brands and Marriott will be rewarded for its sustainability efforts.

Safety Concerns

As a major hotelier in today's times, part of customer service for Marriott is being sure that they have security and emergency policies in place. After the terrorist attacks on September 11 in the United States and subsequent incidents following, including those in Mumbai this past year, Marriott has been working hard to ensure that their business contingency program is up to date. Their security policies are based on a color coded system that mimics that of the US Department of Homeland Security. Further crisis management details are not publicly disclosed due to their sensitive nature and the need for confidentiality regarding their success. A description of their most recent public disclosure of security policy can be found in Appendix VI.⁹

Safety concerns have become a more salient issue in today's day and age of terrorist attacks and economic uncertainty. As companies expand and extend their brands globally they must be conscious of the differences in security measures across the globe. Marriott's security initiatives are yet another reason they are recognized as a trusted brand. Those that are not comfortable traveling internationally may reach for the Marriott brand name because of its

⁸ Marriott International, Inc. (22 September 2009). "Two New Courtyard Hotels 'LEED®' The Way in Eco-Design." Retrieved March 2010 from <http://news.marriott.com/2009/09/two-new-courtyard-hotels-leed-the-way-in-ecodesign-.html>.

⁹ Orlob, Alan. "Lessons from the Mumbai Terrorist Attacks, Part II." The Real Estate Roundtable Hotel and Lodging Association. (28 January 2009).

familiarity and security, which is what Marriott continuously leverages on as they expand. Their recently introduced *Autograph* and *Edition* boutique brand extensions represent the first the company has strayed from this brand standardization and it will be a learning experience. The new brands have the potential to either help or harm the company depending on how closely they relate themselves to their parent company.

Marriott works to be the premier company across all functional areas of business and has received a great deal of recognition because of it. In 2009 alone, Marriott International, Inc. was issued more than twenty awards including *BusinessWeek*'s "Best Places to Launch a Career," *Fortune*'s "World's Most Admired Companies," the U.S. Environmental Protection Agency's "Sustained Excellence Award," DiversityInc's "Top 50 Companies for Diversity," and many more. (APPENDIX V)¹⁰

Marriott Rewards Program

In alignment with a focus on the overall guest experience, Marriott manages an extensive loyalty program to reward faithful customers. The program has more than 32 million members across nine Marriott brands. Frequent guests earn points with their rewards membership that can be redeemed for hotel stays and purchases as well as miles with 31 different airlines.¹¹ Each dollar spent at a Marriott resort earns the member 10 points. There are three different levels of membership: Silver, Gold, and Platinum based on frequency of use. The program has no initial or annual fees associated with it. Roughly 50% of room nights in 2009 were booked by Marriott

¹⁰ Marriott International, Inc. (December 2009). Retrieved 26 March 2010 from <http://www.marriott.com/news/corporateProfile/awardsRecognition.mi>.

¹¹ 2009 Annual Report

Rewards members.¹² Marriott Rewards has earned 9 Freddie Awards (voted on by frequent travelers) in the past year.¹³

(See Appendix IV)

All Marriott Rewards members enjoy benefits such as priority booking, late checkout, periodic room upgrades and promotional discount rates. The real advantage of the Rewards program, however, is that it is mutually beneficial. The customer enjoys being a part of an exclusive program of occasional perks and in return they begin to identify themselves with the company's brand image and add Marriott to their evoked set of brand preferences among lodging facilities.

While many of the Marriott's growth strategies depend largely on third-party owners and operators of their hotels, their Rewards program is a low cost and high impact activity that produces a favorable profit margin solely attributed to the hotelier.

Major Competitors in the Industry

Marriott International, Inc. comes in second with 5.6% market share behind the Hilton Hotels Corporation (7.2% market share). Other major competitors include Starwood Hotels and Resorts Worldwide, Inc. (3.4%), Wyndham Worldwide Corporation (3.4%), Accor (1.7%), and Intercontinental Hotels Group PLC (0.8%).¹⁴

Hilton Worldwide

In order to fully understand where Marriott sits in the market it is important to understand some key characteristics of their major competitors. Hilton Worldwide is Marriott's most direct

¹² Marriott International, Inc. (2010). *Marriott Rewards*. <http://www.marriott.com/rewards/rewards-program.mi>

¹³ Marriott International, Inc. (2010). "Marriott Rewards Program." (11 January 2010). <http://news.marriott.com/marriott-rewards-program.html>

¹⁴ IBIS. (February 2010). *Hotels and Motels in the US*. Retrieved from <http://www.ibisworld.com/>.

competition and is currently the industry leader as far as market share is concerned. Hilton Worldwide currently operates over 3,300 properties across 80 different countries. Their brands also span a number of different segments of the population. They are Hilton, Hilton Garden Inn, DoubleTree, Embassy Suites, Hampton, Homewood Suites by Hilton, and Conrad. Hilton also has its own timeshare brand known as Hilton Grand Vacations.¹⁵

Hilton has been responding to the economic downturn with a revamped image. They recently relocated their headquarters from Beverly Hills to McLean, VA, and they had introduced a new logo and mission to accompany the new space. Hilton's mission statement is, "To fill the earth with the light and warmth of hospitality."¹⁶

Key Initiatives

Hilton Worldwide runs its own loyalty program known as HHonors. Loyalty program members have the opportunity to climb in VIP status based on frequency of stays and stay activity. Their specific levels are Blue, Silver VIP, Gold VIP, and Diamond VIP. This program is very similar to that of Marriott in the way a guest can earn points. However, HHonors members are able to earn both points and miles for the same trips. HHonors points are also transferrable to friends, family and charitable organizations.¹⁷

Hilton has taken on a number of different environmentally conscious efforts as well to maintain their place in the market. Hilton has recently introduced their LightStay program which is designed to reduce energy and water use at their properties. The impact of this program has

¹⁵ IBISWorld pg 25

¹⁶ Hilton Worldwide. (2010). "Hilton Launches New Corporate Identity." (23 September 2009). Retrieved from http://www.hiltonworldwide.com/landing/ww_announcement.htm

¹⁷ Hilton Worldwide. (2010). Web. Retrieved April 2010 from http://hhonors1.hilton.com/en_US/hh/about/index.do?it=Not,TnavAbout

not yet been reported but it has the potential to both save the environment and save the company money at the same time.¹⁸ This is a unique way that Hilton has chosen to address long-term cost cutting initiatives and the demand for support of the green movement.

Hilton has also recently announced a partnership with IBM to enhance property-level technology at in their chain. This means that IBM will manage all of Hilton's data management systems, email systems, and any other technological platform utilized by the company. The idea of this collaboration is to stay on top of industry trends regarding future technological advances.¹⁹

Starwood Hotels and Resorts Worldwide, Inc.

Starwood is a slightly different competitor for Marriott because they operate only in the high-end target market. They do, however, have a timeshare division known as Starwood Vacation Ownership, Inc. Their other brands include St. Regis, Element, Le Meridian, the Luxury Collection, the Westin, Sheraton, W and Four Points. The company is based in White Plains, NY, and operates only a little over 1000 properties but across 100 different countries.²⁰

Key Initiatives

Starwood has not deviated greatly from its luxury positioning despite the drop in the economy. They emphasize their appreciation of strong partnerships that help them to continuously evolve and enter into new markets. Their strategy for everyday growth parallels Marriott's new luxury brand additions in many ways as they partner with boutique hotels in

¹⁸ Hilton Worldwide. (2010). "Hilton Worldwide Unveils "LightStay" Sustainability Measurement System" (20 April 2010). Retrieved from <http://investing.businessweek.com/research/stocks/private/snapshot.asp?privcapId=29470>.

¹⁹ Hilton Worldwide. (2010). "Hilton Worldwide and IBM Announce Global Technology Infrastructure and Solutions Agreement" (13 April 2010). Retrieved from

<http://investing.businessweek.com/research/stocks/private/snapshot.asp?privcapId=29470>.

²⁰²⁰ IBISWORLD pg 31

favorable locations. Starwood takes pride in entering new markets whenever possible and has recently introduced new expansion plans for India by 2013.²¹

Starwood takes eco-friendly initiatives seriously as well and their new brand introduction, Element, is recognized as a global leader in eco-sustainable buildings.²² As an international brand they are also working on environmental sustainability efforts across all of their properties.

Starwood runs a rewards program known as Starwood Preferred Guests that partners with a number of different airlines and travel services. Members are offered targeted marketing benefits as well as rate premiums on many hotel bookings. Starwood declares that, much like Marriott, more than 50% of their bookings typically come from Starwood Preferred Guest members.²³

Wyndham Worldwide Corporation

Although the Wyndham brand only maintains 3.4% market share, they operate over 7,000 properties internationally. Wyndham Worldwide was hurt by recent economic events due to the makeup of their brand portfolio. Wyndham brands include Howard Johnson, Villager, Travelodge, Super 8 Motels, Fairfield Communities, RCI, Ramanda, Knights Inn, Days Inn, Amerihost Inn and Wingate Inns.²⁴ Wyndham also has a loyalty program known as Wyndham Rewards.

Key Initiatives

²¹ Starwood Hotels and Resorts Worldwide. (2010) Web. Retrieved from <http://development.starwoodhotels.com/about/news>

²² Starwood Hotels and Resorts. (2010). Web. Retrieved from <http://development.starwoodhotels.com/about/sustainability>

²³ Starwood Hotels and Resorts. (2010). Web. Retrieved from http://development.starwoodhotels.com/sales_marketing/starwood_preferred_guest

²⁴ IBISWORLD pg 32

Wyndham Worldwide was named in 2009 by Newsweek as one of the greenest companies. They have their company division known as WyndhamGreen which is one of the most extensive sustainability programs in the industry. They work to promote their best practices as they are implementing them in their resorts, they encourage their employees to volunteer and provide some outreach to local communities, and they reach out to kids with their Green Kids program designed to teach the next generation about recycling and water conservation.²⁵

These are only a few specific strategic moves that are being made by major competitors in order to keep up with the industry. Such initiatives in the marketplace can be crucial information for Marriott when gaining market share, recovering from the recession and creating expansion plans are all very important salient issues for the industry as a whole during this time.

Trends within the Hotel Industry

The international economic recession has had a severe impact on travel both within the domestic United States and abroad. Since the hotel industry is linked to property, all chains are being hit twice by the economic downturn both in the decreasing value of their physical assets as well as through declining consumer sales.

Domestic travel has plunged drastically over the past two years but is expected to return to a steady growth rate as the world slowly begins to emerge from this financial instability. However, the lack of a sustained growth rate as of yet has resulted in extreme price-based competition within the industry and has led to cutting costs especially at the property level. (See Appendix II)

²⁵ Wyndham Worldwide. (2010). Web. Retrieved from <http://www.wyndhamgreen.com/about/>

2010 is predicted to see a recovery of business and consumer sentiment and consequently a small growth in traveling, specifically business and holiday travel. Additionally, as of March 4, 2010, President Obama signed legislation to pass what will be known as the Travel Promotion Act. The law was designed as an economic stimulant and plans to create a nonprofit organization that will focus on promoting the United States as a travel destination to international visitors. It will be funded by a combination of private-sector donations and a \$10 fee to Visa holders.²⁶ Regardless of the impact this legislation may have on bringing tourists into the country, domestic unemployment rates will remain high and continue to have an effect on household disposable income. With this being the case, investment in and expansion of hotels and motels will be primarily contingent upon room demand.

Aside from economic conditions, key external drivers of the industry include the value of construction on non-residential buildings, the number of international tourists in the United States, high and increasing gas and food prices, airline disputes, international political instability, global security, and the fear of disease epidemics.²⁷

Marriott's Strategic Plan

Leveraging Strengths

As a result of the economic conditions in most of the world, Marriott suffered from weak consumer confidence and weak demand for lodging in 2009 that was largely out of their hands. Throughout this difficult time, however, the company has made an effort to focus on sustaining the quality and reputation of their brands through superior customer service. Marriott customers

²⁶ Hunter, Marnie. "US Travel Promotion Bill Signed into Law." CNN. (4 March 2010). Retrieved from <http://www.cnn.com/2010/TRAVEL/03/04/travel.promotion.act/index.html>

²⁷ IBISWORLD pg 5

stay at the Marriott because the name is on the front door and they know the quality they are paying for before they arrive. That standardization of quality is what has allowed Marriott to thrive in the marketplace for so long up to this point. With the growth of their brand, however, and their desire to look ahead, Marriott also has expansion plans and has introduced two new luxury brands as well as plans to increase the number of properties they have abroad.

Revamping the Brand to Attract New Customers

At age 77, Bill Marriott may appear to be old-fashioned and traditional in his managing efforts and it is true that Marriott International, Inc. is often playing catch-up when it comes to new industry trends. Just a few years ago Marriott International, Inc. went through a revamp of their marketing efforts in an attempt to realign with their customer-centric industry. They realized that although they had a strong brand reputation with the Boomers, nobody was looking at Marriott as a trendy brand. Competitors' efforts such as the launch of Starwood's W chain of designer hotels brought into perspective Marriott's need to reach out to the younger population if they wanted to avoid losing market share.

The CEO recognized that although he visits nearly 300 hotels a year, in today's day and age a larger number of his customers are constantly surfing the web for their travel and tourism needs. On January 16, 2007, Marriott International launched a blog for their website entitled "Marriott on the Move," to accommodate this online traffic.²⁸ The blog has become extremely successful in promoting news and providing entertaining anecdotes surrounding the company's past, present, and future endeavors. Bill Marriott himself records the posts via tape recorder

²⁸ Rosenwald, Michael. "An Old Dog Learns to Write a New Blog." Washington Post. (16 January 2007). Retrieved from <http://www.washingtonpost.com/wp-dyn/content/article/2007/01/15/AR2007011501348.html>.

proving his dedication and involvement in the growth and success of his brand. The blog has since been followed by social media launches and moderate hotel renovations meant to meet consumer demand for a more “hip” image among Marriott facilities. As with any other industry today, user-generated content is extremely important in hospitality. Companies that do not take advantage of these new-age technologies are either going to miss the boat with young consumers or they are going to spend an exuberant amount of their budget on advertising and public relations effort in comparison to those exploiting these online platforms. Allowing trusted consumers to both announce their praise and cite the company’s shortcomings in the public eye allows the company to be transparent to their market. In doing this they become an even more trusted brand. Also, if used correctly, and Marriott is able to adequately monitor online activity surrounding their brand they can both generate ideas for new opportunities based on their target market’s ideas and perhaps win over new customers or disappointed patrons by showing they are actively concerned and responding to their online criticisms.

Expanding

2010 has led to even more ambitious goals within Marriott International, Inc. Amy McPherson, president and managing director of Marriott International Europe announced at the beginning of this year that the company’s plan was to double their number of hotels in Europe within the next five years. The European market currently offers the highest demand for lodging and with establishments in the majority of the gateway cities; Marriott feels it is favorably positioned to take advantage of this opportunity.²⁹

²⁹ Marriott International, Inc. (2010). “Marriott Plans to Double Presence in Europe by 2015.” (9 March 2010). Retrieved from <http://investor.shareholder.com/mar/releasedetail.cfm?ReleaseID=450368>

In order to do so the company has recently announced two new brands, *Autograph* and *Edition*. They are both aimed at capturing the luxury market and are meant to catapult Marriott's expansion plans.

Autograph

The Autograph Collection has come into the market in late 2009 and is a compilation of distinct luxury resorts and hotels that are meant to keep their individualistic appeals while operating under the trusted Marriott name. The collection is meant to target those travelers who would not typically prefer a branded experience.

The Autograph collection was specifically designed as a way to take advantage of new franchise opportunities during hard financial times when investment capital is scarce. It is made up of a line of independent hotels that have gone into franchise agreements with Marriott based on the idea that it is mutually beneficial for the parties involved. The first additions to the Autograph line will be 7 hotels from the Kessler collection.

Edition

Edition was designed as a collaboration with Ian Schrager, who is in the business of boutique hotels. Boutique hotels are often known for their unique style and trendiness relative to their specific location, quite contrary to Marriott's typical approach of standardization. Edition plans to introduce at least 100 different properties.

Advantages

Both of these endeavors were specifically designed as a way to take advantage of new franchise opportunities during hard financial times when investment capital is scarce. They are

based on the idea that the franchise agreement is mutually beneficial for the parties involved.

The independent hotels that franchise under the Marriott name instantly gain access to the millions of loyal customers that are incentivized to stay in Marriott affiliated properties because of their Rewards programs for room rates and airline travel. They also attract customers that for some reason or another rely on the Marriott brand name and reputation. In return, Marriott collects a percentage of the hotel's revenue and is offered entrance into a new market, allowing them to inexpensively increase their market share during the economic downturn. Each can learn from the other in terms of these specific partnerships. Marriott can further develop its efforts to reach out to a trendier audience and the respective partners can learn quality standards and efficiency from one of the world's leading hotel chains.

Challenges

Challenges to these partnerships must also be addressed. One is that these joint ventures are not paying Marriott the same percentage of revenues that a typical franchise would offer. Kessler, for instance, agreed to pay only 5-6%, as opposed to 10-12% of other Marriott franchises. Another is that the hotels desire to keep some degree of the individualism that they were built off of. This means that Marriott will lose out because of an unwillingness of the properties to plaster their logo all over their signage. In this way, they lose some marketing benefits and brand recognition.³⁰

Focusing on Cutting Costs

³⁰ Berzon, Alexandra. "Independent Hotels Sign on with Marriott." Wall Street Journal. (24 January 2010) .

Despite these new expansion plans, however, Arne Sorenson, COO of Marriott International, stresses the company's need to shift focus away from high investments in an effort to keep the balance sheet strong. Newly appointed Sorenson encourages a focus on driving incremental revenue through increased attention on the company's cost cutting techniques and marketing and communication channels.³¹

Advantages

Cost cutting at the resort level increases marginal profit per property without increasing their room rates. With competition in the industry so heavily focused on price at this point, raising room rates is not an option. Instead, the company has focused on cutting down on employees, restaurant hours, water and fuel consumption, and other utilities on the property level. This way they are able to save some money without sacrificing their competitive pricing.

Challenges

The problem with cutting costs at the resort level is that it puts a strain on the customer service standards on which Marriott relies so heavily in their marketing efforts. Staff reductions can eventually result in less optimal service and with the high return on word of mouth recommendations within the hotel industry, Marriott cannot afford to take such a hit.

Recommendations

While Marriott International, Inc. has built quite a reputation around their brand and operations thus far, their strategic decisions as the world begins to recover from the financial instability of recent times will be crucial in determining whether they emerge as the industry leader in the future. Analysis of their current and proposed efforts suggests that ambitious

³¹ "The Changing Face of Marriott." (31 May 2009). Retrieved from http://www.hotelsmag.com/article/359258-The_Changing_Face_Of_Marriott.php.

attention should be drawn to both investments in existing properties via inexpensive franchise agreements much like those of recently introduced *Autograph* and *Edition* brands and utilizing strengths in brand loyalty and reputation to run promotions in an effort to increase occupancy rates and overall property profitability.

Expanding on the Mid-Level

Current expansion plans both domestic and abroad are primarily focused on the luxury segment of the market and makes little to no mention of mid-level or business lodging. Marriott should look into franchise agreements with existing mid-level hotel brands in much the same way as they attacked the luxury market. The business segment is predicted to be the fastest recovering post-recessionary segment as companies gently begin to increase budgets for traveling. Marriott already has experience with the mid-level market through their existing Courtyard brand. By reaching out to mid-level properties that would be interested in potential partnerships, Marriott can further extend their brand reach and increase market share with little capital investment as they ride the wave out of an economic downturn.

These partnerships serve to be mutually beneficial much like similar recent brand extensions. By franchising with existing hotels Marriott can gain access to new markets, specifically from a geographical prospective if they continue to focus on Europe which currently holds the highest growth rate for the industry. In return, the entities they partner with can gain all the previously described benefits of being under the Marriott umbrella of brands. This includes access to their frequent Rewards guests as well as those seeking a trusted and reputable brand name.

Run Promotions to Increase Occupancy

By using their strong reputation and network of loyal Rewards members to run promotions, Marriott can counteract currently low market demand and work to increase occupancy across all brands. High customer service standards mean nothing if rooms are not booked with customers.

The Rewards program is an easy way for Marriott to reach out to its most loyal customers that can be major influencers in its future growth. If the company can build a higher customer base by converting and committing customers to their brand choice they will be able to create a sustainable demand based on brand preference. They can then leverage this loyalty and customer satisfaction to make their guests their brand advocates as well, reaching out to an even broader audience. According to the most recent industry report, good word of mouth recommendations are often the most successful promotional tool in the hospitality industry.³²

Marriott currently runs promotions periodically such as offering a free third night on a weekend booking, double membership points for certain off-season times of the year, and bonus points and stays based on their Refer a Friend program. It is suggested that Marriott continue these efforts and introduce even more promotions, especially targeted at their Rewards members. Lowering room rates for members right from the start is also a viable option. Marriott should reach out to specifically those that have stayed in a Marriott property within the past two years and they should run short-term promotions only. This will allow them to see instant results with the only goal to be increasing the number of guests in any given property at any given time.

³² IBISWORLD

A recent study of the hotel industry has concluded that 52.3% of revenue for hoteliers comes from non-room revenue.³³ This, combined with recent on-site cost cutting efforts, provides an opportunity for Marriott to increase its marginal profit per guest and overall RevPAR. Because guests will spend less money on their room they will likely be more inclined to make purchases on-site. This is an especially good promotion for business travelers as well who may not be paying for the room out of their own pocket.

By targeting these audiences, Marriott's loyal customer base can continue to grow and therefore populate their hotels domestically and support their growth abroad. Increasing the profitability of individual properties will increase the overall liquidity of the company and allow them a greater budget for expansion options.

The overall objective is to ensure that Marriott is able to cater to the preferences of customers as the global economy recovers so that when disposable income rates and business travel budgets increase their brand is top of mind. Running short-term promotions is a low-cost and high impact strategy that will allow Marriott to continuously monitor the market conditions while still generating revenue and not halting progress.

The goal is to push those people that would be on the fence to recognize the Marriott difference. Once the guest is inside, Marriott International, Inc. can leverage their strengths in customer service and their award winning loyalty program to keep them coming back for more.

Conclusion

³³ Lindt, M. (2006). "Square footage serves as more consistent benchmark option." *Hotel & Motel Management*, 221(14), 14. Retrieved from Business Source Premier database.

The global lodging industry is a competitive one, especially given the recent economic downturn. However, as the economy begins to pick up, budgets for business traveling and disposable income among American households are set to increase. While it is important for Marriott to focus on expansion, sustainability, and cost cutting in order to keep up with their competitors, they cannot forgo the opportunities to capitalize on their inherent strengths. By extending their expansion plans into the mid-level hotel segment they will be well positioned to take advantage of the industry's fastest growing population. Additionally, by utilizing low-cost, high-impact promotions they can allow room rates to remain competitive while continuously evaluate market conditions.

Grown from a small family business, Marriott has been a global leader in its industry for many years now. With the right strategic moves during this transitory period for the world economy, the hotelier has the opportunity to pull through the hard times and come out on top.

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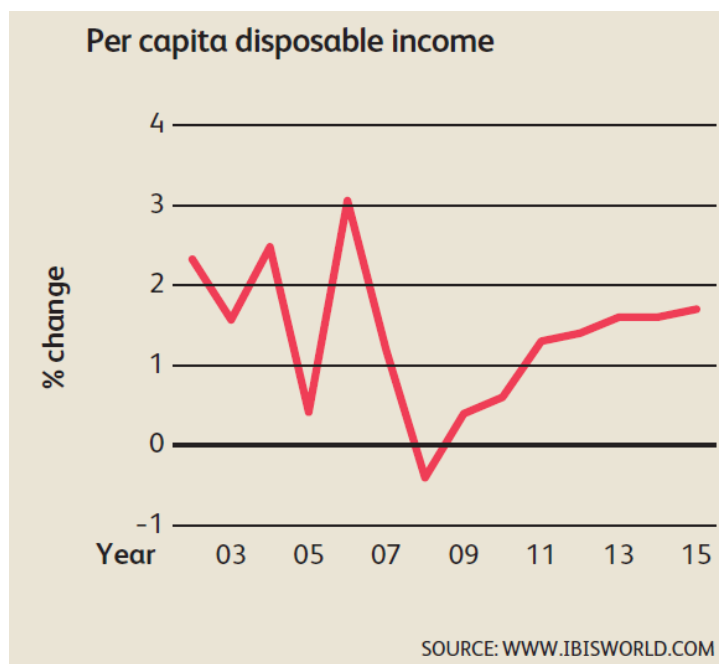
APPENDIX I

Marriott International, Inc. Brands³⁴



³⁴ <<http://www.marriott.com/corporateinfo/glance.mi>>

APPENDIX II



APPENDIX III**MARRIOTT CORPORATE FINANCIAL STATEMENTS³⁵**

		Stock Price		Cash Dividends Declared Per Share ⁽¹⁾
		High	Low	
2008	First Quarter	\$ 37.59	\$ 31.17	\$ 0.0742
	Second Quarter	37.89	28.33	0.0866
	Third Quarter	30.27	22.12	0.0866
	Fourth Quarter	30.24	11.88	0.0866

		Stock Price		Cash Dividends Declared Per Share ⁽¹⁾
		High	Low	
2009	First Quarter	\$ 22.12	\$ 12.22	\$ 0.0866
	Second Quarter	25.23	15.97	-
	Third Quarter	25.49	18.94	-
	Fourth Quarter	28.50	24.14	-

³⁵ 2009 Annual Report

MARRIOTT INTERNATIONAL, INC. ("MARRIOTT")
CONSOLIDATED STATEMENTS OF INCOME
Fiscal Years 2009, 2008, and 2007
(\$ in millions, except per share amounts)

	2009	2008	2007
REVENUES			
Base management fees ⁽¹⁾	\$ 530	\$ 635	\$ 620
Franchise fees ⁽¹⁾	400	451	439
Incentive management fees ⁽¹⁾	154	311	369
Owned, leased, corporate housing, and other revenue	1,019	1,225	1,240
Timeshare sales and services (including net note sale gains of \$37 in 2009, \$16 for 2008, and \$81 for 2007)	1,123	1,423	1,747
Cost reimbursements ⁽¹⁾	7,682	8,834	8,575
	<u>10,908</u>	<u>12,879</u>	<u>12,990</u>
OPERATING COSTS AND EXPENSES			
Owned, leased, and corporate housing-direct	951	1,088	1,062
Timeshare-direct	1,040	1,334	1,397
Timeshare strategy-impairment charges	614	-	-
Reimbursed costs ⁽¹⁾	7,682	8,834	8,575
Restructuring costs	51	55	-
General, administrative, and other ⁽¹⁾	722	803	773
	<u>11,060</u>	<u>12,114</u>	<u>11,807</u>
OPERATING (LOSS) INCOME	<u>(152)</u>	<u>765</u>	<u>1,183</u>
Gains and other income (including gain on debt extinguishment of \$21 in 2009 and \$28 in 2008) ⁽¹⁾	31	38	97
Interest expense ⁽¹⁾	(118)	(163)	(184)
Interest income ⁽¹⁾	25	39	38
Equity in (losses) earnings ⁽¹⁾	(66)	15	3
Timeshare strategy-impairment charges (non-operating) ⁽¹⁾	(138)	-	-
(LOSS) INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	<u>(418)</u>	<u>694</u>	<u>1,137</u>
Benefit (provision) for income taxes ⁽¹⁾	65	(350)	(441)
(LOSS) INCOME FROM CONTINUING OPERATIONS	<u>(353)</u>	<u>344</u>	<u>696</u>
Discontinued operations, net of tax	-	3	(1)
NET (LOSS) INCOME	<u>(353)</u>	<u>347</u>	<u>695</u>
Add: Net losses attributable to noncontrolling interests, net of tax	7	15	1
NET (LOSS) INCOME ATTRIBUTABLE TO MARRIOTT	<u>\$ (346)</u>	<u>\$ 362</u>	<u>\$ 696</u>
EARNINGS PER SHARE-Basic			
(Losses) earnings from continuing operations attributable to Marriott shareholders ⁽²⁾	\$ (0.97)	\$ 1.01	\$ 1.83
Earnings from discontinued operations attributable to Marriott shareholders	-	0.01	-
(Losses) earnings per share attributable to Marriott shareholders	<u>\$ (0.97)</u>	<u>\$ 1.02</u>	<u>\$ 1.83</u>
EARNINGS PER SHARE-Diluted			
(Losses) earnings from continuing operations attributable to Marriott shareholders ⁽²⁾	\$ (0.97)	\$ 0.97	\$ 1.73
Earnings from discontinued operations attributable to Marriott shareholders	-	0.01	-
(Losses) earnings per share attributable to Marriott shareholders	<u>\$ (0.97)</u>	<u>\$ 0.98</u>	<u>\$ 1.73</u>
CASH DIVIDENDS DECLARED PER SHARE	<u>\$ 0.0866</u>	<u>\$ 0.3339</u>	<u>\$ 0.2844</u>

MARRIOTT INTERNATIONAL, INC. ("MARRIOTT")
CONSOLIDATED BALANCE SHEETS

Fiscal Year-End 2009 and 2008
(\$ in millions)

	2009	2008
ASSETS		
Current assets		
Cash and equivalents	\$ 115	\$ 134
Accounts and notes receivable ⁽¹⁾	838	898
Inventory	1,444	1,981
Current deferred taxes, net	255	186
Other	199	207
	<u>2,851</u>	<u>3,406</u>
Property and equipment	1,362	1,443
Intangible assets		
Goodwill	875	875
Contract acquisition costs ⁽¹⁾	731	710
	<u>1,606</u>	<u>1,585</u>
Equity and cost method investments ⁽¹⁾	249	346
Notes receivable ⁽¹⁾	452	830
Deferred taxes, net ⁽¹⁾	1,020	727
Other	393	566
	<u>\$ 7,933</u>	<u>\$ 8,903</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Current portion of long-term debt	\$ 64	\$ 120
Accounts payable ⁽¹⁾	562	704
Accrued payroll and benefits	519	633
Liability for guest loyalty program	454	446
Other ⁽¹⁾	688	630
	<u>2,287</u>	<u>2,533</u>
Long-term debt	2,234	2,975
Liability for guest loyalty program	1,193	1,090
Other long-term liabilities ⁽¹⁾	1,077	914
Marriott shareholders' equity		
Class A Common Stock	5	5
Additional paid-in-capital	3,585	3,590
Retained earnings	3,103	3,565
Treasury stock, at cost	(5,564)	(5,765)
Accumulated other comprehensive (loss) income	13	(15)
	<u>1,142</u>	<u>1,380</u>
Noncontrolling interests	<u>-</u>	<u>11</u>
	<u>\$ 7,933</u>	<u>\$ 8,903</u>

MARRIOTT INTERNATIONAL, INC. ("MARRIOTT")

CONSOLIDATED STATEMENTS OF CASH FLOWS

Fiscal Years 2009, 2008, and 2007

(\$ in millions)

	2009	2008	2007
OPERATING ACTIVITIES			
Net (loss) income	\$ (353)	\$ 347	\$ 695
Adjustments to reconcile to cash provided by operating activities:			
Depreciation and amortization	185	190	197
Income taxes	(167)	101	(152)
Timeshare activity, net	146	(398)	(155)
Timeshare strategy-impairment charges	752	-	-
Liability for guest loyalty program	103	116	122
Restructuring costs, net	16	51	-
Asset impairments and write-offs	80	62	13
Working capital changes and other	106	172	58
Net cash provided by operating activities	868	641	778
INVESTING ACTIVITIES			
Capital expenditures	(147)	(357)	(671)
Dispositions	2	38	745
Loan advances	(65)	(53)	(31)
Loan collections and sales	20	36	106
Equity and cost method investments	(28)	(25)	(40)
Contract acquisition costs	(39)	(133)	(59)
Sale of available-for-sale securities	16	22	43
Partial surrender of life insurance policy cash value	97	-	-
Other	75	(11)	32
Net cash (used in) provided by investing activities	(69)	(483)	125
FINANCING ACTIVITIES			
Commercial paper/credit facility, net	(544)	384	258
Issuance of long-term debt	-	17	820
Repayment of long-term debt	(238)	(275)	(153)
Issuance of Class A Common Stock	27	51	203
Dividends paid	(63)	(115)	(105)
Purchase of treasury stock	-	(434)	(1,757)
Other	-	16	(28)
Net cash used in financing activities	(818)	(356)	(762)
(DECREASE) INCREASE IN CASH AND EQUIVALENTS	(19)	(198)	141
CASH AND EQUIVALENTS, beginning of year	134	332	191
CASH AND EQUIVALENTS, end of year	\$ 115	\$ 134	\$ 332

MARRIOTT INTERNATIONAL, INC. ("MARRIOTT")
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
Fiscal Years 2009, 2008, and 2007
(in millions)

		Equity Attributable to Marriott Shareholders								
Common Shares Outstanding		Total	Class A Common Stock	Additional Paid-in- Capital	Retained Earnings	Treasury Stock, at Cost	Accumulated Other Comprehensive Income (Loss)	Equity Attributable to Noncontrolling Interests		
393.3	Balance at year-end 2006	\$ 2,651	\$ 5	\$ 3,617	\$ 2,860	\$ (3,908)	\$ 44	\$ 33		
-	Impact of adoption of ASC 860-50-35 ⁽¹⁾	1	-	-	1	-	-	-		
-	Impact of adoption of ASC 740-10 ⁽²⁾	(155)	-	(121)	(34)	-	-	-		
393.3	Opening balance fiscal year 2007	2,497	5	3,496	2,827	(3,908)	44	33		
-	Net income	695	-	-	696	-	-	(1)		
-	Other comprehensive income	7	-	-	-	-	7	-		
-	Dividends	(107)	-	-	(107)	-	-	-		
8.6	Employee stock plan issuance	146	-	35	(84)	195	-	-		
-	Other	1	-	-	-	-	-	1		
(41.0)	Purchase of treasury stock	(1,777)	-	-	-	(1,777)	-	-		
360.9	Balance at year-end 2007	1,462	5	3,531	3,332	(5,490)	51	33		
-	Impact of adoption of ASC 360-20-40 ⁽³⁾	(3)	-	-	(3)	-	-	-		
360.9	Opening balance for fiscal year 2008	1,459	5	3,531	3,329	(5,490)	51	33		
-	Net income (loss)	347	-	-	362	-	-	(15)		
-	Other comprehensive loss	(66)	-	-	-	-	(66)	-		
-	Dividends	(118)	-	-	(118)	-	-	-		
4.4	Employee stock plan issuance	147	-	59	(8)	96	-	-		
-	Other	(7)	-	-	-	-	-	(7)		
(11.9)	Purchase of treasury stock	(371)	-	-	-	(371)	-	-		
353.4	Balance at year-end 2008	1,391	5	3,590	3,565	(5,765)	(15)	11		
-	Net (loss) income	(353)	-	-	(346)	-	-	(7)		
-	Other comprehensive income	28	-	-	-	-	28	-		
-	Dividends	(33)	-	-	(125)	92	-	-		
4.8	Employee stock plan issuance	113	-	(5)	9	109	-	-		
-	Other	(4)	-	-	-	-	-	(4)		
-	Purchase of treasury stock	-	-	-	-	-	-	-		
358.2	Balance at year-end 2009	\$ 1,142	\$ 5	\$ 3,585	\$ 3,103	\$ (5,564)	\$ 13	\$ -		

APPENDIX IV

MARRIOTT REWARDS PROGRAM PARTICIPATORS

Participating hotel brands:

- Marriott Hotels and Resorts
- JW Marriott Hotels and Resorts
- Renaissance Hotels and Resorts
- Marriott Vacation Club International
- Courtyard by Marriott
- SpringHill Suites by Marriott
- Fairfield Inn by Marriott
- Residence Inn by Marriott
- TownePlace Suites by Marriott

Hotel Partners include:

- Ritz-Carlton Hotels (awards only)
- ExecuStay by Marriott (points only)
- Marriott Executive Apartments (points only)

Participating airline programs:

- | | |
|-----------------------------------|------------------------------------|
| • Aeromexico Club Premier | • Lufthansa Miles & More |
| • Air Berlin TopBonus | • Mexicana Airlines Frecuenta |
| • Air Canada Aeroplan | • Qantas Frequent Flyer |
| • Air China PhoenixMiles | • Singapore Airlines KrisFlyer |
| • Air France/KLM Flying Blue | • Southwest Airlines Rapid Rewards |
| • Alaska Airlines Mileage Plan | • TAP Air Portugal Navigator |
| • Alitalia MilleMiglia | • United Mileage Plus |
| • American Airlines AAdvantage | • US Airways Dividend Miles |
| • ANA Mileage Club | • Varig Brazil Smiles |
| • Asiana Club | • Virgin Atlantic Jet Privilege |
| • British Airways Executive Club | |
| • Cathay Pacific Asia Miles | |
| • China Southern Sky Pearl Club | |
| • Continental OnePass | |
| • Delta SkyMiles | |
| • Emirates Airlines Skywards | |
| • Frontier EarlyReturns | |
| • Hawaiian Airlines HawaiianMiles | |
| • Japan Airlines Mileage Bank | |
| • Jet Airways Jet Privilege Miles | |
| • LANPASS Kilometers | |

Elite Membership Overview:

Benefits	<u>Platinum</u> 75 Elite nights	<u>Gold</u> 50 Elite nights	<u>Silver</u> 10 Elite nights
48-Hour Guaranteed Availability	•		
Guaranteed Platinum Arrival Gift	•		
Dedicated Platinum Reservation Line	•		
Guaranteed Room Type	•	•	
Room Upgrade	•	•	
Guaranteed Lounge Access/Free Continental Breakfast	•	•	
Free Local Phone/Fax	•	•	
Exclusive Offers	•	•	
Bonus on Marriott Rewards Base Points	50%	25%	20%
Elite Only Rewards	•	•	•
Elite Reservation Line	•	•	•
Exclusive Guest Services Line	•	•	•
Ultimate Reservation Guarantee	•	•	•
Priority Late Checkout	•	•	•
Weekend Discount	•	•	•
Marriott Gift Shop Discount	•	•	•

APPENDIX V

MARRIOTT AWARDS AND RECOGNITION

Recognition for 2010

DiversityInc - 'Top 50 Companies for Diversity' - ranked #7

Bill Marriott honored with **Lifetime Achievement Award** at the 13th annual International Hotel Investment Forum (IHIF) in Berlin, Germany. The IHIF Lifetime Achievement Award is presented to a business leader who, over his or her lifetime, has made a significant difference in the hospitality industry.

National Associate for Female Executives (NAFE) - 'Top 50 Companies for Executive Women'
Women's Business Enterprise National Council (WBENC) - 'America's Top 20 Corporations for Women's Business Enterprises'

Black Collegian magazine - 'Top 100 Employers for the Class of 2010'

FORTUNE – '100 Best Companies to Work For' - 'Most Admired' lodging company.

Recognition for 2009

Washingtonian – '50 Great Places to Work'

Working Mother - '100 Best Companies' Hall of Fame

The Human Rights Campaign Foundation's Corporate Equality Index Report – Marriott earned a perfect score of 100 percent.

Newsweek - 'Greenest Big Companies in America'

BusinessWeek - 'Best Places to Launch a Career'

LatinaStyle - '50 Best Companies for Latinas to Work for in the U.S.'

Black Enterprise - '40 Best Companies for Diversity'

Computerworld – 'Best Places to Work in IT'

Cornell University School of Hotel Administration honored Bill Marriott with the the first Icon of the Industry Award, recognizing his lifelong leadership in the hospitality industry and his extraordinary civic and philanthropic contributions.

CIO Magazine – '2009 CIO 100 Award'

Washington Business Journal named Bill Marriott a CEO Leadership finalist for the 2009 Business Philanthropy Awards.

FTSE4Good Index - Member company.

World Travel and Tourism Council (WTTC) – ‘2009 Tourism for Tomorrow Award for Sustainability’ in the Global Tourism Business category.

Ethisphere Institute – ‘World's Most Ethical Companies’

NAFE (The National Association for Female Executives) – ‘Top 50 Companies for Executive Women’

The U.S. Environmental Protection Agency (EPA) – ‘Sustained Excellence Award’

Alliance for Workplace Excellence (based in Montgomery County) – ‘2009 Workplace Excellence and Health & Wellness Trailblazer Award’

DiversityInc – ‘Top 50 Companies for Diversity,’ ranked number 4.

Hispanic magazine - ‘Top Ten Companies Working for Hispanics’

Sunday Times – ‘20 Best Big Companies to Work For,’ fourth place for Marriott Hotels in the UK.

FORTUNE - ‘World's Most Admired Companies’ and ranked the most admired company in the lodging industry for the 10th consecutive year.

FORTUNE - “100 Best Companies to Work For”

APPENDIX VI

MARRIOTT'S SECURITY GUIDELINES AND EMERGENCY PLANS

Safety & Security Position

- One of Marriott International's top priorities is the safety of associates and guests worldwide.
- We have developed security procedures at all of our hotels around the world.
- The Marriott security guidelines for NALO hotels parallel the color coded threat conditions of the U.S. Department of Homeland Security threat conditions (Green, Blue, Yellow, Orange and Red). International hotels use a combination of intelligence services, including Department of State Overseas Security Advisors Council, to determine appropriate threat levels.
- As the threat level increases, each hotel is required, at a minimum, to take certain additional steps in an effort to protect the safety of associates and guests.
- Hotels may take additional steps above the minimum steps at their discretion.
- Due to the nature of terrorist threats, Marriott International's security procedures are proprietary and confidential.
- At the same, Marriott recognizes the need for meeting planners, groups, and certain other third parties to gain comfort with Marriott's security procedures.

Emergency Plans

- All of Marriott-managed hotels around the world are required to have updated emergency plans.
- Hotel emergency plans must, at a minimum, address the following items:
 - Fire protection systems and procedures
 - Natural disasters
 - Procedures for handling immediate evacuation of the hotel
 - Emergency reporting procedures
 - Power failures
 - Terrorism
- Again, due to the need to protect the safety of associates and guests, these plans are proprietary and confidential.
- At the same time, Marriott recognizes the need for meeting planners, groups, and certain other third parties to gain comfort with a hotel's emergency plans.
- Accordingly, the general manager of the hotel in question (or his or her designee) is available to address specific questions and concerns of guests.

APPENDIX VI

MARRIOTT'S NEW PROJECTS

Autograph Collection.

In November 2009, we announced the launch of the Autograph Collection, a new brand within the Company's global portfolio that will be comprised of upper-upscale and luxury, independent hotels located in major cities and desired destinations worldwide. The Autograph Collection will take the innovative approach of grouping these iconic hotels according to the unique experience that guests are seeking whether it is a resort, historic hotel, boutique arts, or urban-edge hotel in a dynamic gateway city. Each hotel will be unique and distinct with its own identity, appealing to a growing segment of our customers who are looking for an experience that an independent hotel can deliver. We expect to sign contracts to add approximately 25 or more existing hotels to this portfolio through 2010, with locations throughout the world.

Current Autograph Hotels:

1. *The El Monte Sagrado, Taos, NM*
2. The Grand Bohemian Hotel, Asheville, NC
3. *The Mansion on Forsyth Park, Savannah, GA*
4. The Bohemian Hotel Riverfront, Savannah, GA
5. The Casa Monica Hotel, St. Augustine, FL
6. The Grand Bohemian Hotel, Orlando, FL
7. The Celebration Hotel, Orlando, FL³⁶

EDITION.

In 2007, we announced that we had entered into an agreement with hotel innovator Ian Schrager to create next-generation lifestyle boutique hotels to be designed by Schrager and operated by Marriott. \ The EDITION brand will offer a personal, intimate, individualized, and unique lodging experience on a global scale. The first EDITION hotel is expected to open in 2010.³⁷ It will be at the Ilikai hotel in Honolulu.

³⁶ www.Marriott.com/brands

³⁷ 2009 Annual Report

APPENDIX VII

“MARRIOTT on the MOVE”—excerpts from Bill Marriott’s Blog³⁸

Marriott Welcomes the First Hotels to the Autograph Collection

Posted: March 18, 2010 02:05:21 PM



I was recently in Orlando, Florida, and had the chance to stop by one of the iconic, independent hotels in our new Autograph Collection and meet with the owner, Richard Kessler. He took me on a great tour of his Grand Bohemian hotel and, boy, was I impressed.

Richard is an avid art collector and the lobby has a gallery with original paintings by local artists. Throughout the hotel, Richard showcases his vast art collection, including many great sculptures from Rome and bright, modern classic art. Like me, Richard loves deep red and the hotel is filled with plush, red furniture.

The hotel design is dramatic with Italian mosaic vaulted ceilings and Parisian accents in the bar and lobby. The pool is really sharp with great views of downtown Orlando.

I can’t begin to tell you how excited I am about the launch of the Autograph Collection, which will one day be comprised of upscale, independent hotels and resorts from many countries around the world. They will all operate within the Marriott system, but maintain their own unique identities.

My thanks to Richard Kessler, who is our first partner. Seven hotels from his iconic Kessler Collection, including the Grand Bohemian, will be joining the Autograph Collection as of today.

I hope you’ll check them out and let me know what you think. I know you’re going to love them.

³⁸ www.blogs.marriott.com/

I'm Bill Marriott and thanks for helping me keep Marriott on the move.

Statement Related to Jakarta Explosion

Posted: July 16, 2009 11:18:15 PM

Our deepest sympathies go out to the victims of the tragic bombings that took place earlier today in Jakarta, Indonesia. Immediately following the incident, police and hotel security responded and sealed off the area. Our guests at both properties were evacuated and moved to other nearby hotels. Injured guests and hotel employees were taken to the hospital for treatment. Both hotels sustained damage, but it does not appear to be structural. At the time of the incident, extensive security procedures were in place at the Ritz-Carlton and the JW Marriott. We continue to work closely with the authorities and hope to reopen the hotels soon. As always, the safety and security of our guests and associates is our top priority.

For guest information, please contact the Marriott Family Assistance Hotline at or 402/390-3265.

Visiting Our Beautiful Hotels and Resorts in the Caribbean

Posted: March 2, 2010 02:34:41 PM



I was recently in the Caribbean to visit some of our beautiful hotels in that region. It was a great change from the snow storms in Washington, D.C. I was only there for a few days, however I managed to make it to three different islands!

My first stop was Aruba where I met with the new Prime Minister, Mike Eman, to talk about our exciting new Ritz-Carlton property that is coming to his island. It will provide 700 new jobs and lots of opportunity to an island that has struggled with the economic crisis, along with the rest of us. It will be the island's first Ritz-Carlton and major luxury hotel and I know it will become one of our most popular resorts.

My next stop was Curacao where I saw the beautiful new Renaissance hotel, located on the beach, right

next to the downtown shopping area, with its own shopping center. It's a very creative and beautifully designed hotel.

And finally, I made my way to Puerto Rico where I celebrated the opening of a brand new tower of rooms at the Renaissance La Concha, a shining example of our Renaissance brand and a landmark hotel in San Juan. Hugh Andrews, the owner, has a real ability to determine what a Renaissance should be, and this one has it all. While there, I also met with Governor Fortuno to talk about the future of tourism in Puerto Rico, the gateway to the Caribbean.

It was a whirlwind trip, but it was great to spend some time outside of Washington and see what is going on with our fabulous hotels in this part of the world. I made it to 11 different properties while I was there and was impressed with them all.

We have great products in the Caribbean and if you're looking to beat the winter blues or get away for a spring break, we have a fantastic selection of hotels and resorts to choose from. I hope you'll take a visit!

I'm Bill Marriott and thanks for helping me keep Marriott on the move.

Great News - President Obama Signs the Travel Promotion Act

Posted: March 5, 2010 01:44:07 PM



Thank you, Mr. President! President Obama [signed the Travel Promotion Act](#) into law this week, representing a great victory for our business and the U.S. economy. We've been working on this for years and the credit goes to Senators Reid, Dorgan and Ensign and Congressmen Blunt and Delahunt for a job very well done. They had great bipartisan support—which is hard to come by these days!

I've [blogged](#) about the Travel Promotion Act – or TPA, as we call it – before, and thanks to all of you who weighed in with Congress. It sure paid off. TPA is historic. For the first time in our nation's history we'll have a promotional campaign to attract international visitors to the United States, and, boy, do we need it. In 2009 the U.S. welcomed 2.4 million fewer visitors than we did in 2000, while 46 million more

travelers were taking long-haul trips.

A new study from Oxford Economics has quantified this “lost decade” for the industry. In the [report](#), it shows that failure to keep up with this growth in global travel has cost the US economy nearly 70 million visitors, \$500 billion in lost revenue, and over 440,000 jobs! We sure need those jobs back, and the Travel Promotion Act will help bring more visitors here by marketing “brand America” and explaining U.S. security policies. There is no cost to U.S. taxpayers, and the Congressional Budget Office reports TPA will reduce the deficit by \$425 million dollars in the next 10 years.

While TPA is certainly important, we still have work to do to improve our visa and entry processes so that as we welcome more visitors, we ensure they have a positive experience. Commerce Secretary Locke will be getting the program up and running, so good luck Mr. Secretary, and know the industry is behind you and willing to help where we can.

At Marriott, we’re looking forward to welcoming more travelers to our hotels. We’re open for business and finally we will be able to tell the world that the United States is open for business, too!

I’m Bill Marriott, and thanks for helping me keep Marriott on the move.

APPENDIX VIII**MARRIOTT'S STOCK PRICE HISTORY****PRICES**

Date	Open	High	Low	Close	Avg Vol	Adj Close*
Mar-10	27.23	31.98	26.52	31.78	4,929,600	31.78
17-Feb-10	\$ 0.04 Dividend					
Feb-10	26.39	27.50	25.63	27.11	4,242,900	27.11
Jan-10	27.61	29.88	26.14	26.23	3,569,800	26.19
Dec-09	25.92	28.25	25.39	27.25	2,949,900	27.21
Nov-09	25.13	27.80	24.47	25.72	3,387,700	25.68
Oct-09	27.40	28.50	24.64	25.06	5,866,400	25.02
Sep-09	23.84	27.79	22.06	27.59	5,974,500	27.55
Aug-09	21.73	25.49	21.54	23.90	4,807,800	23.86
Jul-09	21.35	22.18	18.94	21.54	6,448,100	21.51
Jun-09	23.69	25.23	20.57	22.07	4,439,900	22.04
May-09	23.40	24.69	20.89	23.36	6,455,700	23.33
Apr-09	16.17	24.50	16.06	23.56	8,919,800	23.53
30-Mar-09	\$ 0.088 Dividend					
Mar-09	13.90	18.13	12.22	16.36	6,573,700	16.34
Feb-09	15.93	16.58	13.66	14.16	7,123,900	14.07
Jan-09	19.52	22.12	15.85	16.31	4,911,300	16.20
Dec-08	16.34	19.63	14.71	19.45	4,114,300	19.32
26-Nov-08	\$ 0.088 Dividend					
Nov-08	20.83	21.45	11.88	16.79	4,809,800	16.68
Oct-08	26.09	26.11	15.80	20.87	7,696,500	20.61
9-Sep-08	\$ 0.088 Dividend					
Sep-08	28.68	30.24	23.62	26.09	5,714,100	25.76
Aug-08	26.21	29.96	25.70	28.21	3,427,600	27.77
Jul-08	25.89	29.82	22.12	25.91	6,591,500	25.51
24-Jun-08	\$ 0.088 Dividend					
Jun-08	31.74	32.80	25.91	26.24	4,906,700	25.84

May-08	34.20	37.29	32.61	32.91	2,608,000	32.30
Apr-08	34.62	37.89	31.71	34.30	3,091,100	33.66
1-Apr-08	\$ 0.075 Dividend					
Mar-08	34.13	36.30	31.50	34.36	2,999,700	33.65
Feb-08	36.16	37.59	33.95	34.10	3,109,700	33.39
Jan-08	34.10	36.72	31.17	35.96	3,834,000	35.21
4-Dec-07	\$ 0.075 Dividend					
Dec-07	37.81	37.81	31.34	34.18	3,412,300	33.47
Nov-07	40.84	40.87	33.05	37.50	3,363,500	36.65
Oct-07	43.50	45.10	38.92	41.11	3,604,300	40.18
Sep-07	44.27	45.00	41.59	43.47	2,207,200	42.48
4-Sep-07	\$ 0.075 Dividend					
Aug-07	42.03	44.74	39.70	44.42	2,926,000	43.34
Jul-07	43.40	48.85	39.89	41.55	4,367,600	40.54
19-Jun-07	\$ 0.075 Dividend					
Jun-07	46.11	49.48	42.99	43.24	2,815,800	42.19
May-07	45.19	46.28	43.90	46.05	2,703,500	44.85
Apr-07	48.81	52.00	45.21	45.21	3,297,000	44.04
28-Mar-07	\$ 0.063 Dividend					
Mar-07	47.40	50.40	46.43	48.96	2,247,900	47.69
Feb-07	48.15	51.50	46.36	47.91	2,771,600	46.61
Jan-07	47.70	48.31	44.79	48.14	2,543,900	46.83
5-Dec-06	\$ 0.063 Dividend					
Dec-06	45.23	48.31	44.81	47.72	1,636,700	46.42
Nov-06	41.90	46.87	41.46	45.15	2,281,300	43.86
Oct-06	38.85	42.25	37.88	41.77	2,627,800	40.58
Sep-06	37.57	39.74	36.27	38.64	1,975,500	37.54
30-Aug-06	\$ 0.063 Dividend					
Aug-06	35.19	37.91	34.30	37.66	1,770,100	36.59
Jul-06	38.12	38.36	34.59	35.18	3,255,100	34.12
20-Jun-06	\$ 0.063 Dividend					

12-Jun-06	2 : 1 Stock Split					
Jun-06	72.37	74.95	34.71	38.12	2,263,500	36.97
May-06	73.00	76.76	71.11	72.33	2,231,900	35.01
Apr-06	68.65	74.59	68.57	73.07	2,463,500	35.37
29-Mar-06	\$ 0.0525 Dividend					
Mar-06	68.65	70.69	67.40	68.60	1,801,800	33.21
Feb-06	66.44	69.96	64.63	68.40	2,360,400	33.06
Jan-06	67.12	70.00	66.28	66.64	2,418,500	32.21
13-Dec-05	\$ 0.0525 Dividend					
Dec-05	66.30	68.32	65.99	66.97	2,629,500	32.37
Nov-05	59.65	66.10	58.80	64.61	2,248,200	31.18
Oct-05	63.36	65.11	58.01	59.62	2,933,700	28.77