

COMPARISON OF MARRIOTT INTERNATIONAL AND HILTON HOTELS

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1.0 Introduction

Pandemic disruptions were detrimental to businesses in the hotel sector. Over the last two years, they struggled to adapt to operational limits. Today, they still have not returned to their pre-pandemic levels. Nevertheless, various economic sectors worldwide are increasingly recovering and returning to normalcy. However, the success of these organizations' recoveries is highly dependent on their financial management strategies (Alameri et al., 2021). Financial management evaluates an organization's profitability, costs, cash, and credit to guarantee it can meet its goals (Shim, 2022). It is critical in boosting a particular organization's profitability, value, and economic stability. This report analyzes Hilton Hotels and Marriott International, the top hospitality corporations. The goal is to assess their financial management approaches and anticipate their future performance and viability in a fast-changing sector. Various variables, including financial performance, market position, growth potential, financial commitment to CSR, cash flow, liquidity, and efficiency metrics, will be evaluated to understand how these organizations implement financial management efforts.

1.1 Financial Performance

Hilton Worldwide Holdings, Inc. owns and franchises several hospitality portfolios. From upscale to midscale, the company is known for timeshares and its luxury hotel chains. Over a century, it has changed ownership and structure. However, it remains a major worldwide hospitality company. It maintains its resilience and grows despite the epidemic, demonstrating its tenacity. Hilton operated well until 2020, when the epidemic devastated it. According to Alameri et al. (2021), the corporation lost \$720 million in 2020. Hospitality income has plummeted since the globe opened up. The lack of change in operational measures is hindering the company's success. Although the future for hotel occupancy rates is not promising, other travel patterns have recently increased. According to its latest financial report, the firm's 2022 revenue was \$8.16 billion, up from \$5.78 billion in 2021 to \$4.30 billion in 2020, far lower than Marriot (Rocha, 2022). Hilton has yet to reach its full potential in Asia and Europe despite this. Hilton needs to be more leveraged and has

taken on debt to withstand the epidemic. Besides, it is still reasonably priced compared to its segment peer, Marriott.

Marriott International, Inc. develops, operates, markets residential property, and provides home services. It does not necessarily own them but rather franchises or operates them. It manages, franchises, and licenses approximately 3,900 hotels and timeshare properties in 72 countries (Dhir and Sushil, 2019). It is ranked among the world's top hotel chains. Although its network has been enhanced, the company's recovery has lagged behind its stock price. In the first quarter of 2021, the corporation reported a sharp fall in revenue per available room (RevPAR). Globally, the business added about 23,500 rooms and converted 7,300 (Neves, 2022). The United States, China, and Canada are Marriott's three most significant sectors, and all three were adversely affected by the epidemic (Dhir and Sushil, 2019). The company's profits are up, but a full recovery will take years. Marriott's revenue for 2022 was \$19.296 billion, up 66.59% from the previous year. In 2021, Marriott's yearly revenue was \$13.857 billion, a 31.09 percent increase over 2020 (Neves, 2022). Thus, Marriott is much ahead of its chief rival Hilton in revenue.

1.2 Market Position

A company's profitability is greatly influenced by its financial management. In his book, Shim (2022) states that market share is proportional to a company's revenue and profitability. As market leaders, organizations with a high market share benefit from a vast customer base. In this aspect, Hilton Hotel is a global industry leader, being the second-largest hotel chain after Marriot International. The corporation has a 6.90% market share as of the third quarter of 2022 (Rocha, 2022). This indicates that the corporation has a scale and global presence advantage, enabling it to maximize profits. The business's product portfolio is diverse, with a broad selection of items based on price and quality. The firm also has a focused training strategy that enables it to enter and dominate new markets (Zeng, 2021). The corporation has aggressively pursued its expansion plan to consolidate its global footprint. It also seeks to capitalize on the dynamic hotel, travel, and tourism sector and emerging regions like India, Brazil, and China. Hilton's market

valuation is \$40.07 billion making Hilton the 451st most valuable business by market valuation (Alameri et al., 2021).

Marriott is an international leader in the hotel and tourism industries. For example, as of the third quarter of 2022, the corporation led the market with a 17.95% share (Neves, 2022). It is the world's biggest corporation with a wide geographical footprint. In contrast to Hilton Hotels, Marriott's hotel ownership is unrestricted since it owns less than one percent of its property. This suggests it may prevent market and pricing volatility and small and large economic crises in an area. The market capitalization of Marriott International is \$55.52 billion, making it the 290th most valuable corporation in the world based on market capitalization (Neves, 2022). The firm is focused on pipeline expansion to cement its footprint in new international markets and profit from the rapidly growing hotel, travel, and tourist sectors. The company's powerful and functional website ensures excellent online trade, advertising, and customer communication.

1.3 Growth Potential

By promoting compliance and regulatory adherence and maximizing revenues, financial management systems encourage the growth of a firm. Hilton has significant expansion potential. This is shown by the company's tremendous sales growth and expanding margins ([csimarket.com](https://www.csimarket.com), n.d.). Besides, the pent-up travel and leisure demand boosts growth expectations. Compared to 2021's \$881, its operational revenue is \$1.73 billion (Rocha, 2022). Furthermore, the majority of its divisions surpass original estimates. The current RevPAR is 80.5% more than the comparable period. Its fees, which account for many earnings, grew by 79% (Zeng, 2021). The numbers are still lower than pre-pandemic, but the gap continues to diminish, indicating its ongoing recovery. Now, RevPAR exceeds 80% of its 2019 value (Alameri et al., 2021). It is much more than the average of the previous two years. Its hotels and timeshares are rebounding from the 2020-2021 recessions. Moreover, expenses and costs continue to be manageable. It proves that growth and asset management go hand in hand in the company. Profitability grows as a result of rising income and well-managed costs. Compared to the first quarter of 2021, the operating margin has increased to 21% (Zeng, 2021). Compared to the sales

growth of Marriott, its 97% sales growth is greater. It maintains a 13% market share, placing it second on the list. It significantly increased over the previous quarter's rate of 10.4% (Alameri et al., 2021). Therefore, its operating margin looks superior to that of several competitors. Thus, the company's growth potential is strong.

Marriott is also rebounding from the epidemic, with revPAR, sales, and earnings rising year over year. Revenues for the first nine months of 2022 are \$14.85 billion compared to \$15.6 billion in 2019, which is still below pre-pandemic levels (Neves, 2022). The firm has initiated initiatives that will ensure its future development. These include a worldwide expansion and a growing hotel brand portfolio to boost market share and revenue. Most of Marriott's hotel items are franchised and generate income through base fees, percentage fees, and franchise fees. In their argument, Dhir and Sushil (2019) posit that expanding their hotel portfolio boosts top-line growth via franchise fees and base fees. Marriott is developing rapidly in fast-growing areas like China, India, and Africa. Marriott Bonvoy, with 160 million members as of 2021, is one of the biggest hospitality reward programs (Neves, 2022). Marriott has also signed several collaborations to allow customers to receive points while buying with partners like Uber that are redeemable at Marriott's almost 8,000 hotels worldwide and cruises like the Ritz-Carlton Yacht Collection introduced last month (Neves, 2022). The endeavor increases Marriott's value proposition, which might attract new members to one of the largest hotel rewards programs, boost stickiness, and motivate spending and income. All of these reflect the firm's great growth potential.

1.4 Financial Commitment to CSR

A high level of financial engagement in CSR may reduce financial risk due to more solid partnerships with the government and financial community. Shim (2022) opines that it may lead to a reduction in the debt-to-assets ratio. Hilton Company has made major corporate social responsibility investments (Labriz, 2021). Hilton has spent over \$3.2 million in disaster assistance and social impact since 2014 and decreased its environmental footprint in half via responsible hospitality throughout its value chain (Alameri et al., 2021). Hilton's global corporate responsibility strategy, Travel with

Purpose™ (ENVIRONMENTAL POLICY STATEMENT, n.d.), underpins its CSR commitment. It integrates global initiatives and business resources that connect, prepare, and engage youth. This positively impacts consumer perception of the company, thus impacting its profitability.

Marriott has also invested extensively in CSR, like Hilton. Serve360, Marriott's CSR program, prioritizes people, the environment, and profit (Dhir and Sushil, 2019). Here, it nurtures the earth, sustains responsibility, empowers individuals via opportunity, and advances human rights. In addition, its activities are aimed at environmental betterment and expansion. Marriott aims to reduce its environmental impact using current technology and critical thinking. In addition, similar to Hilton Hotels, the corporation features several youth-oriented initiatives (Neves, 2022). Opportunities empower young people to participate in Marriott Hotels' operations by applying for education and free training (Marriott International Newscenter (US), n.d.).

1.5 Cash flow, Liquidity, and Efficiency Parameters

Liquidity, efficiency, and cash flow metrics reflect the efficacy of a company's financial management. Hilton, a prominent player in the hotel sector, exhibits some tendencies comparable to those of Marriott, as measured by the cash flow parameter. Between 2011 and 2017, Hilton's growth was quite consistent (Zeng, 2021). However, in contrast to Marriott, Zeng (2022) notes that its cash flow decreased in 2017. Despite being positive until 2016, the net operating cash flow increase for both hotel brands is negative, indicating subpar performance (Neves, 2022). During the decade, however, Marriott implemented its investments more effectively than Hilton, keeping a slightly positive net investing cash flow to sales ratio (Netcials, n.d.).

Additionally, in terms of financing activities, Hilton saw the most significant decline in growth in 2017 (Zeng, 2021). Although Hilton fared comparably, Marriott's performance improvements may still be exceptional. Zeng (2021) indicates that as for liquidity, Hilton's current ratios have not fluctuated considerably over the last decade, remaining between 0.70 and 0.90. In contrast, Marriott's liquidity accomplishments are much subpar (Dhir and Sushil, 2019). Finally, Dhir and Sushil (2019) reveal that Hilton has a superior asset

efficiency parameter than Marriott, implying Marriott's financial results are far less productive. Thus, it is plausible that Hilton is doing relatively better than Marriott's financial performance.

2.0 Recommendations

Hilton should increase its international footprint and capitalize on the need for more foreign enterprises in India, China, Brazil, and South Africa. By 2024, the hotel will generate \$175 million in revenue at a CAGR of 20%. Hilton gets 80% of its income from the U.S. (Zeng, 2021). Consequently, expanding to the global market would reduce revenue risks. Thus, there is a potential to diversify income sources by expanding into other areas, including Asian markets (Marriott International Newscenter (US), n.d.).

Conversely, Marriott should broaden its product line to assist its development and future survival. With the advent of the digital era, satisfying customers requires delivering customized services in addition to meeting their basic needs. Marriott has made a tremendous effort to establish a reputation by owning five-star properties. Nevertheless, there still exists a potential to diversify its activities by growing into related businesses. Marriott should create inexpensive cafés and supply housing via Airbnb for underserved populations. Diversifying its portfolio will help the company grow its consumer base and income.

3.0 Conclusion

Financial management evaluates an organization's profitability, costs, cash, and credit to guarantee it can meet its goals. Sound financial management boosts profitability, value, and economic stability. Based on the evaluation of Marriott and Hilton companies' financial performance, growth potential, market position, CSR commitments, cash flow, liquidity, and efficiency parameters, both companies employ effective financial management approaches as demonstrated by their growth in profitability. Both Marriott and Hilton have high growth potential, given their excellent asset management

techniques. However, Marriott should prioritize diversity, while Hilton should enter international markets to aid growth.

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