Marriott International’s New Midscale Full Service Brand

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Abstract

Marriott International has been operating in the hotel and motel industry in the United States since 1957. They are currently the leader in the industry but because of the competitive nature of the industry and related industries, it is constantly attempting to expand and improve its operations and offerings. This project explores the hotel and motel industry in the United States and its trends and goes into detail about the brands that Marriott owns and the operations that they currently work under. It proposes that Marriott International form a new partnership with AmericInn, a private U.S. company with over 200 hotels mostly in the mid-west where Marriott is less concentrated. The idea of this new partnership is a re-styling of the existing line so that it fits into the market segment of midscale full-service hotels that Marriott does not currently compete in. In order for the company to continue to have a competitive advantage, it needs to stay proactive in its selections and with an adjusted design AmericInn can be a good starting point for the company’s expansion.

The Hotel and Motel Industry in the United States

The hotel and motel industry in the United States is a $126.6 billion a year industry, annually making $7.6 billion. Globally, the tourism industry generates $850 billion.  

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billion in sales each year, according to the United Nations World Travel Organization.\(^2\) The annual growth of the industry fluctuated between 2007 and 2012, averaging on 0.2% growth each year. This was the result of the economic crisis that hit the U.S. in 2009, when domestic trips within the United States fell to about 625 million from the more than 750 million in 2008. This was also reflected in the 1.9% decrease in consumer spending in the country as a whole. As was the trend previously, recreational activities are the first expenditures cut when consumers become more selective in their spending.\(^3\)

Despite the recession, the forecast for the industry is good, with a projected annual growth of 2.6% between 2012 and 2017. Revenues in 2010 grew by 4.4% and in 2011 by 6.0%, indicating that the industry is regaining ground after the crisis.\(^4\) The biggest threats to the industry include geopolitical instability and actual or threatened terrorism and competition with the technology and entertainment industries in the share of disposable income consumers spend. The hotel and motel industry is viewed as “one of the least protected and most competitive.”\(^5\)

The key external drivers of the hotel and motel industry include number of travelers, amount of spending, and consumer sentiment. Domestic travel by those in the U.S, especially those travelling for business, conferences, or seminars, drives a part of the industry. In 2012, it is predicted that this driver will increase by 3.3%, providing a possible opportunity for those companies in the industry. Also, consumer spending and the number of travelers from foreign countries visiting the United States influence the performance of the industry. Both of these factors are also predicted to increase in 2012,


\(^3\) Samadi, 2012, 4-5

\(^4\) Samadi, 2012, 4-5

\(^5\) Samadi, 2012, 6
international travel by 5.4%. The fourth driver of the industry is the consumer sentiment index, which especially affects the travel and entertainment industries, is also predicted to increase in 2012, though its history of volatility, especially recently with the economic recession, makes it a potential threat instead of an opportunity.\(^6\)

There are many issues and challenges that face the industry’s performance and health. As seen in 2009 with the effects of the recession on the industry, personal income and corporate revenues affect the amount and frequency of travel. The luxury segment appears to be an exception to this, but for most of the industry, the economy of the country can be an issue in their success.

Sustainable practices are being increasingly pushed by consumers but those consumers are still price sensitive, so companies have to find a balance between energy savings and sustainable improvements that don’t push the price of a stay to a non-competitive level that makes consumers go to another hotel. Another issue faced by hotels, especially those who have been in existence for a significant amount of time, is the constant need for refurbishing and repair because consumers will choose somewhere else if a hotel is seen as rundown.

Employee attraction and retention is another top concern of those in the industry because of the high employee turnover rate of 60% for low-level employees. The relatively low-waged industry provides training and management-track programs, which all cost the company a significant amount of money. This is part of the cost of hiring new employees, so when the turnover is high, they have to continuously spend this to make their new employees ready to work.

\(^6\) Samadi, 2012, 4-5
The final major issue affecting the industry is pricing and revenue management. Pricing needs to be constantly monitored to reflect the state of the market, even if that means diminishing profits by decreasing rates to drive up demand. The fact that the industry is such a volatile one and serves a group of price-sensitive consumers, means that manager constantly need to adjust their prices and practices and be constantly paying attention to the economy and the competitive environment in the industry. All of these issues combine to make the hotel and motel industry relatively volatile.\(^7\)

**History of the Industry**

The hotel and motel industry in the United States is classified as mature\(^8\) because of its history and the number of competitors that now exist in it. Hotels first started in the United States in the 1790s as a replacement for taverns. At the time of their erection, hotels were “impressive structures, readily distinguishable as major public institutions.” As different forms of transportation in the country became popular, new surges of hotel development occurred. Stem navigation and the canal age starting in 1820 and then railroads in 1840 each began new generations of hotels.\(^9\)

Differentiation in types began at this time as well, with urban luxury hotels, resorts, and commercial accommodations for the traveler being developed, the start of the different brands that are now parts of chain companies in the hotel industry today. With the rise of the automobile came a new surge to the industry that expanded to motels as well. Because of this growth E.M. Statler started the first hotel chain in 1908.\(^{10}\)

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\(^7\) Hotels, Motels & Resorts, 2011  
\(^8\) Samadi, 2012, 11  
\(^9\) Sanoval-Strausz 175  
\(^{10}\) Sanoval-Strausz, 175-6
Along with the baby boom after World War II was the travel and hotel development boom for the three decades after the war. The reasons for this included new inter-state highways, better air travel, and an expansion to international travel by Americans. With the economic prosperity of the 1980s and 1990s the industry was able to grow and has continued that growth into the twenty-first century.\textsuperscript{11}

\textit{The Market}

In relation to those using the hotel and motel industry in the United States, 83.3\% are domestic travelers and 16.7\% are international. There are four major market segments into which consumers in this industry classify. Personal or family travelers comprise 20.8\% of the market, vacation travelers 25.7\%, conference travelers 25\%, and business travelers 28.5\%. In relation to international business, the U.S. is the third most popular destination in the world for international travelers, behind France and Spain.\textsuperscript{12}

The industry expectation is that international and domestic travel will both increase in the next ten years, with international travel amounting for a larger percentage of growth. This will especially be true in those areas classified as “new growth markets” which include Latin America, Russia, Eastern Europe, China, India, and the Middle East. The segments of hotels that are predicted to continue to grow are those classified as extended-stay, boutique hotels, resorts and spa, and health retreats. The forecasted growth in number of establishments is 1.4\% annually.\textsuperscript{13}

Across the United States, the concentration of hotels and motels follows the spread of the population. When split into regions, the proportion of the population is

\textsuperscript{11} Sanoval-Strausz, 176-7
\textsuperscript{12} Samadi, 2012, 14-15
\textsuperscript{13} Samadi, 2012, 9
similar to the proportion of the hotels. Different states’ proportion differences are the result of the attractions and international recognition that the state offers. Past migration is also a driver of location because of the need for accommodations by those visiting friends and relatives. California, Florida, New York, and Texas are the top states for attracting travelers and have the highest percentages of revenue in the industry.\textsuperscript{14}

\textit{Industry Trends}

The current trends in the industry that are affecting hotels and motels across the country are the rise of new technology and the internet, increased competition leading to more services needing to be provided, extended-stay hotels, different ownership structures, and an increased focus on brand recognition and innovation.

Technology has resulted in decreased labor costs and better customer service in the industry. With the internet, consumers can make their own reservations online. Also, hotels are now able to book unfilled rooms for a special price at the last minute using special sites that attract those customers looking for the most recent deals in stays.\textsuperscript{15} Though this trend is a improvement for those making the reservation, it has become an issue for some hotels because it is now necessary that they access at least one of these systems for fear of their prices being undercut and losing out to competitors who do use the systems.\textsuperscript{16} Along with reservations, technology and loyalty programs have made targeted promotions possible to promote repeat visits and attract the attention of the right market segments for the hotels.\textsuperscript{17}

\textsuperscript{14} Samadi, 2012, 16-17
\textsuperscript{15} Samadi, 2012, 6
\textsuperscript{16} Hotels, Motels & Resorts, 2011
\textsuperscript{17} Samadi, 2012, 6
Different designs for ownership have also been a recent trend seen in the industry. The recession of 2009 made some hotel companies wary of more building, creating a restructuring of some operations to from ownership to providing expertise in hotel management to generate high profit margins.\(^{18}\) Acquisitions of existing hotels have also been seen by many of the larger companies in the industry. Instead of buying new properties and building, these large companies have bought existing hotels to add to their own lines.\(^{19}\) Extended-stay hotels are also becoming more popular because of the lower guest turnover and operating costs, as well as boutique hotels that are known for their quality of service and attention to detail.\(^{20}\)

For existing properties, switching costs and decreasing budgets are not often possible, so an increased emphasis is being put on attracting first-time customers and repeat business. Differentiation has become very important between the brands and companies in this highly competitive industry. In 2010 data, buyers’ tendency to switch was measured as being moderate, as well as the view that within the industry there were undifferentiated products. The strongest drivers of buyer power were buyer independence and low-cost switching.\(^{21}\)

Within the hotel and motel chains, one trend that is continuing is the diversification of offerings they provide to customers. Packages and value-added services are being offered to attract more people. These promotions include free breakfast and parking, or a free third night. Lifestyle hotels are also becoming more popular because of those who are attracted to eco-friendly practices, social responsibility,

\(^{18}\) Samadi, 2012, 6
\(^{19}\) Hotels, Motels & Resorts, 2011
\(^{20}\) Hotels, Motels & Resorts, 2011
and affordable styles.\textsuperscript{22} On the corporate level this is also being seen, with services such as technical support for meetings or catered functions. Customized meeting packages are often arranged to draw more business groups and conventions to a specific hotel.\textsuperscript{23}

The most important amenity provided by properties in this industry today is Wi-Fi. It has become “the No. 1 amenity [hotels] need to stay competitive.” In the JD Power and Associates Hotel Customer Satisfaction Survey, the availability and quality of the access has a large impact on guest satisfaction levels. According to the study, only 13% of guests who report having connectivity problems return to a hotel, while 28% return if they have no problems with the internet.\textsuperscript{24} This finding places pressure on hotels to not only provide access to Wi-Fi for their customers but to also do as much as they can to prevent users from having problems while using the internet.

\textit{Industry Opportunities}

The industry also has four major opportunities available to help its growth. These include loyalty programs, time-share resorts, rescaling and rebranding, and mobile media and social networking.

Though many of the major companies in the industry have started loyalty programs, there is still growth opportunity for the programs in existence, especially the capitalization of them. These programs are meant to give incentives to repeat travelers and keep track of information about each of the customers in the programs. The data can

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\item \textsuperscript{22} Datamonitor, 2011, 21
\item \textsuperscript{23} Hotels, Motels & Resorts, 2011
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be analyzed to assess what characteristics of customers make them the most profitable, learning about the company’s target market with real data and not just the hypothetical. Promotions can be tailored to specific customers and brand loyalty can be tracked.25

Time-share resorts are also an opportunity for companies to sell parts of their hotel to owners who pay for the right to use the room for one week each month. This is guaranteed business, the profits coming whether the owners use the space or not. The time when the rooms are not owned the resort manages the rental like any other room.26

For those companies in the industry that are not competing well, rescaling or rebranding is a way for them to earn more by completing renovations and changing the look of the company or their position in the market.27

Finally, marketing can be enhanced by the use of mobile media and social networks. With about 40% of cellphone users in the United States having access to the internet through their phones, companies are now making applications and mobile websites that allow for booking reservations from a smartphone. Social media is also a way for the companies to try to connect to customers in yet another way.28 The information age is expanding the opportunities for marketers in all industries to research potential customers in a variety of ways.

Marriott International

The History of Marriott

The Marriott company began on May 20, 1927 in Washington, DC as an A&W Root Beer stand with just nine stools, known as “The Hot Shoppe.” It was opened by J.

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25 Hotels, Motels & Resorts, 2011
26 Hotels, Motels & Resorts, 2011
27 Hotels, Motels & Resorts, 2011
28 Hotels, Motels & Resorts, 2011
Willard Marriot and his wife, Alice. The stand evolved into a chain of restaurants and an airline catering business. In 1957 the company opened its first hotel in Arlington, VA, the Twin Bridges Marriott Motor Hotels. When Marriott’s son, Bill Marriott, Jr. took over the presidency of the company he strived to accelerate its growth, concentrating on the lodging segment. He separated the company into three segments with different presidents in 1971, one for food operations, another for in-flight services to airlines, and a third for hotels and specialty restaurants.

In April of 1990, the company sold its airline catering division and restaurants. In October of 1993, the Marriott Corporation was split into two publicly traded companies, with Host Marriott Corporation owning lodging properties and airport and turnpike concessions, while Marriott International, Inc. was created for Marriott’s hotel brands, senior living communities, and food and services management business. In early 1998, a new company with the same name, Marriott International, Inc. spun off from the old company to only be lodging operations. The rest of the company merged with Sodexho Alliance SA and is now known as Sudexho Marriott Services. This Marriott International, Inc. is what the company is today.²⁹

The Company Today

Marriott International, Inc. is a publicly traded company on the New York Stock Exchange. Its headquarters are located in Bethesda, Maryland. Throughout 68 countries across the world, Marriott owns 3,362 properties and has a total of 586,515 guest rooms. In the hotel and motel industry in the United States, Marriott makes up 5.9% of the

market share, the most of any one company in the industry.\textsuperscript{30} Their hotel offerings throughout the 14 brands that they own span over most of the segments of accommodation in the market, including luxury, full service, and limited service.

The strengths of Marriott include their technical innovations, higher brand recognition, their presence globally and throughout different market segments, and their ranking among top companies for workplace environment and social responsibility.

Fortune Magazine ranked Marriott the 57\textsuperscript{th} best company to work for in 2011. The defining factor for the magazine is the opportunities the company provides to current workers to move up in the company. They only have an 11% voluntary turnover rate among employees per year and they provide onsite fitness centers and childcare. The company provides an average of 118 hours per year of training for their salaried employees and 89 hours per year for hourly employees.\textsuperscript{31}

The current business model that the company is working under, with their diversified offerings in a variety of locations, with a range of price points, make it an appealing investment. Marriott also does not own most properties, but uses a combination of franchising, licensing, and joint venture programs, along with company-operated properties. Marriott only owns six properties, meaning that they do not have most of the risk that comes with actual ownership of land and buildings and equipment.\textsuperscript{32}

In 2011 the company was also named one of the World’s Most Ethical Companies by Ethisphere, which recognizes companies “for demonstrating real and sustained ethical

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\item [\textsuperscript{30}] Samadi, 2012, 22
leadership within their industries.” Those companies chosen for the list have leading ethics and compliance programs. Marriott International was one of four named for the Hotels, Travel, and Hospitality industry, three of which are headquartered on the United States.33

The weaknesses of the company include its broad scope and large number of properties, which could dilute the brand perception, its ownership structure in relation to potential revenue, and its high debt burden.

The lack of ownership on the part of the company limits the amount of revenue that they are able to earn, even when the business is doing well. This limits the potential for revenue growth because of the contracts that are in place. The potential for the dilution of the brand is also because of this business model. It does shield from some risk, but it also meant that if the quality service that the company talks about and touts is not delivered at one of the many locations carrying the Marriott name, it could hurt the reputation of the company as a whole and have a negative impact on other brands and hotels in the company’s collection.34

The capital structure of the company is also showing some faults because of the high debt that Marriott holds. Their total debt increased by a half of a billion dollars in the year 2009 and the interest expense for the company in 2010 was more than a quarter of the total operating profit for the company, a significant amount of money. The debt-equity ratio of the company is 1.8. All of this means that Marriott is currently limited in its ability to attain additional funding because they are already high in debt.35

34 Datamonitor, 2011, 22
35 Datamonitor, 2011, 23
The opportunities that the company has include the growth of the hotel and motel industry, the improving hospitality market in the United States, and brand innovations and expansion.

The emerging markets around the world, including China and India, have the potential to produce more travelers from those countries, with the growth of GDP and disposable incomes. More business and leisure travelers have resulted; raising the revenue of the industry in these markets, which grow at a faster rate than in the more established markets of the world. Marriott currently has over 50 properties open in China, but still has the opportunity to use these emerging markets to their advantage, with the travelers and the location possibilities.36

The hospitality industry in the United States is also slowly returning to a stable state, returning to normalcy after the recession in the national economy. The industry is showing improvement in the areas of occupancy, rates, and revenue per available room.

The last opportunity that the company has in the current environment is with its brand expansions and innovations. Through the expansion of some of its brands and the addition of locations to be more worldwide, the Marriott company has been adjusting to provide what business and leisure travelers both want and need. The advances that they are putting in place now are setting up the company to expand their customer reach and take advantage of opportunities to fully exploit their growth potential within these new and diversified markets.37

36 Datamonitor, 2011, 24
37 Datamonitor, 2011, 24
Lastly, the threats that could affect the company include the vulnerabilities of locations to terrorist attracts and the subsequent security and safety concerns that follow and the competitive environment of the hotel and motel industry.

There is no way for Marriott or any other hotel company to ward against the threat of terrorist attacks and other safety concerns that travelers are inevitably going to have. Being located internationally makes some Marriott locations more likely to be in dangerous places than some other locations. In 2002 there was a car bombing outside a Marriott Hotel in Karachi and in 2003 there was an attack on a Marriott hotel in Jakarta, Indonesia. Unfortunately incidents such as these cannot be completely avoided, as they do happen all over the world in some of the world’s most visited cities. Security concerns and decreased consumer confidence in the ability of the hotel to ensure the safety of its guests have hurt the company in some areas, especially with lower rates of check-ins and feelings of doubt and fear that remain in the minds of some potential customers of the hotel company.\(^{38}\)

The second large threat that has the potential to disturb the hotel industry as a whole is the competitive nature of the industry and the environment that hotels function in. There are several large competitors in the market, including other big chains, but there are also independently owned hotels that work in certain markets. The large number of companies competing in this industry results in higher demand for property space, raising the price of it and requiring companies to make significant capital outlay in order to acquire the increased asset prices. There is also a sensitive price war that results from this level of competition.\(^ {39}\) Marriott especially has to worry when it comes to its

\(^{38}\) Datamonitor, 2011, 24
\(^{39}\) Datamonitor, 2011, 25
development of new hotels and properties, since in 2011 it had rooms in development at 16% of its existing rooms while Hyatt and Starwood both had over 25% rooms in development.\textsuperscript{40} To stay competitive, Marriott will have to continue its development of new rooms and properties.

\textit{Marriott International Financial Analysis}

In May of 2011, Marriott was ranked number 210 in the Fortune 500, higher than any other publicly traded company in the hotel, casinos, and resorts industry. This was an improvement from 2010 when the company was ranked number 213.\textsuperscript{41} Though the company has improved in its ranking, it has still had some financial issues in the last few years, trying to recover from the recession and expand its offerings to continue to be competitive in the hotel and motel industry.

Between 2010 and 2011, the net income for the company dropped $260 million from $458 million to $198 million. Because of that loss, the earning per share for the company also decreased in 2011, changing from $1.21 to $0.55 per share.\textsuperscript{42} Part of this change was due to the impairment charge from the sale of Marriott’s time-share business. Marriott split the time-share part of the business from the rest at the end of 2011 because of the weakened performance of the subsidiary due to the recession.\textsuperscript{43} With the timeshare business no longer on the books for Marriott International, the company’s inventory also

\textsuperscript{40} Mollman, Chad (2012, February 15). Marriott reports decelerating revPAR growth in the fourth quarter; shares overvalued. \textit{Morningstar}.


dropped significantly, from $1.489 billion to $11 million. Because of the company’s structure, they do not own most of the hotels in the company. The inventory amount recorded consists of the operating supplies for the limited number of properties that the company does own. The spin-off of the time-share property also accounts for the decrease in the property and equipment under Marriott’s assets. The amount of land, buildings and leasehold improvements, and furniture all decreased, but so did their total depreciation, making it a less dramatic change than might have been predicted. The company also had less construction in progress in 2011 as opposed to 2010.\textsuperscript{44}

An asset account that increased for the company in 2011 was “contract acquisitions.” The account changed from $768 million to $846 million. Approximately $51 million of that increase was because of the acquisition of intellectual property and about 50\% of the interest in the new joint venture AC Hotels by Marriott that they entered into with AC Hotels.

The liability for the guest loyalty program increased by $28 million in the current section and by $121 million long-term in 2011.\textsuperscript{45} According to the footnotes of their financial statements these numbers are estimates of the fair value of the future redemption obligation the company owes to those loyalty club members, which is calculated using formulas based on past levels.\textsuperscript{46} This increase implies that the loyalty program was still in strong use by customers throughout 2011. Had the redemption of points from the program been equal to the points earned, the liability accounts would have remained the same but because customers overall earned more points than they used, it can be implied that the program is being used as intended.

\textsuperscript{44} Annual Report, 2012, 90-1
\textsuperscript{45} Marriott International, 2012, 67
\textsuperscript{46} Marriott International, 2012, 73-4
As part of what would appear to be investor relations, possibly because of the large decrease in net income for the year, Marriott did issue cash dividends to stockholders in 2011 for the amount of $0.4582 per share, about four times as much as their dividends in 2010, which were $0.1146 per share.\textsuperscript{47} They spent a total of $134 million in cash on the dividends in 2011, as opposed to the $43 million they spent in 2010.

The company also repurchased some of their stock in 2011, leading to a cash disbursement of $1.245 billion for the treasury stock that is recorded in their stockholder’s equity section on the balance sheet at cost.

\textit{Competitors}

The major competitors of Marriott International in the hotel and motel industry are Hilton Hotels Corporation, Starwood Hotels & Resorts Worldwide Inc., and Wyndham Worldwide Corporation. Together with Marriott, these hotel companies only make up 16.6\% of the business in the hotel and motel industry, the other 83.4\% being other smaller companies or independent hotels and motels. Most of the competition within the industry is from a large number of small operators. The factors that have been found to most affect competition are location, the star rating of the establishment, and whether the quality matches the expectations when it comes to guests’ perceptions of the amenities and services available and provided. The barriers to enter the industry are low, though high start-up costs, the frequency of technology change, and regulations and policies are at moderate level of disturbance. The competition in the industry is high, but leasing, franchising, or management agreements can lower some of these moderate

barriers even farther. The globalization of the companies in the U.S. now is low, but that trend is quickly changing because of the increased presence of international owners and managers in the hotel segment.\(^\text{48}\)

Hilton Hotels Corporation is a privately owned company, headquartered in McLean, Virginia, that makes up 5.1% of the hotel and motel industry market share. The company has more hotels than Marriott, with 3,500 worldwide, partially due to a merger done with Hilton International in 2005 and a merger with the Blackstone Group, a real estate and corporate private equity firm in 2007. Hilton operates the brands of Hilton Hotels & Resorts, Hilton Garden Inn, Doubletree by Hilton, Waldorf Astoria by Hilton, Conrad Hotels & Resorts, Embassy Suites, Hampton Inn/Suites, Homewood Suites by Hilton, and Hilton Grand Vacations. In 2007 the company became privately held, meaning that it does not disclose financial information, but the company revenue in 2011 was estimated to be $9.2 billion, which is a 4.5% change from 2010.\(^\text{49}\)

Starwood Hotels & Resorts Worldwide Inc. holds 3.0% of the market share in the hotels and motels industry. It only operates in the luxury and upscale segments, meaning that the recession hit the revenues of the company more than other companies in the industry, dropping 11.1% in 2008 and 16.5% in 2009. It took longer for the company to bounce back from the hit, finally increasing its revenue in 2011 by 6.5% to $3.5 billion. Occupancy has been better-than-expected, mainly because of their business traveling customers. Starwood owns 1,041 properties in over 100 countries. Its brands include St.

\(^{48}\) Samadi, 2012, 20-2
\(^{49}\) Samadi, 2012, 23-4
Regis Hotels & Resorts, The Luxury Collection, Sheraton Hotels & Resorts, Westin Hotels & Resorts, W Hotels, and Four Points by Sheraton.\textsuperscript{50}

The last major competitor of Marriott in the hotels and motels industry is Wyndham Worldwide Corporation, which holds 2.6% of the market share of the industry. Wyndham was created as a separate company in 2006 when it split from Cendant. The company owns over twice as many properties as Marriott and Hilton, with 7,210 worldwide. Wyndham focuses on the lower-end segments of the market, mainly covering the economy and mid-scale markets. In 2011, revenues for the company totaled $3.2 billion, a 10.9% increase from 2010. The brands of Wyndham include Wyndham Garden Hotels, Wyndham Hotels & Resorts, Amerihost Inn, Wingate Inn, Days Inn, Knights Inn, Ramada Inn/Plaza, RCI, Fairfield Communities, Super 8 Motels, Travelodge, Villager, Howard Johnson Express/Inns, and Howard Johnson Hotels/Plaza. More than half of the properties owned by the company are Super 8 Motels and Days Inns.\textsuperscript{51}

\textit{Market Segments, As Divided by Marriott}

Marriott owns fourteen different brands of properties that range from the typical hotel to extended stay residences, both domestically and internationally located. Each brand is classified by one of the six “ tiers” that Marriot has divided their company brands into.

Under their luxury brand tier, Marriott includes their Ritz-Carlton, JW Marriott Hotels & Resorts, and Bulgari Hotels & Resorts. These brands are mostly located

\textsuperscript{50} Samadi, 2012, 25  
\textsuperscript{51} Samadi, 2012, 25
internationally, with domestic locations existing, but not the major focus of the segment. The competitor brands in this segment among the top companies in the industry include Starwood’s W Hotels, St. Regis Hotels & Resorts, and The Luxury Collection; and Hilton’s Conrad Hotels & Resorts and Waldorf Astoria by Hilton.

The collections tier has just one brand, the Autograph Collection, and the target guests in this category are those looking for an upscale, luxury vacation in landmarks throughout the world or adventurous retreats. The Autograph Collection is a combination of hotels in the luxury and upper upscale segments.

The lifestyle and boutique tier is about the sophisticated traveler who wants an energetic environment with attentive service. The brands in this tier include Edition Hotels, Renaissance Hotels, and AC Hotels. The signature tier of the company is only Marriott Hotels & Resorts, the flagship, original brand in the company’s line. Together these two categories combine to serve the upper upscale segment of the market. Their competitors in the other large companies in the industry include Hilton’s Embassy Suites, Hilton Hotels & Resorts and Doubletree by Hilton; and Starwood’s Westin Hotels & Resorts and Sheraton Hotels & Resorts.

The select service tier is for those cost-conscious travelers looking for an efficient, comfortable, and convenient stay. Within Marriott International, the Courtyard

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54 Marriott Hotel Brands, 2012
55 Marriott International, 2012, 9
56 Marriott Hotel Brands, 2012
57 JP Power and Associates Reports, 2011
by Marriott, SpringHill Suites by Marriott, and Fairfield Inn & Suites by Marriott brands fit into this category. The main competitors in this mid-scale limited service segment include the Hilton’s Hilton Garden Inn, Starwood’s Four Points by Sheraton, and Wyndham’s Wyndham Hotels & Resorts.  

The last segment is extended stay, which includes Residence Inn by Marriott, TownePlace Suites by Marriott, and Marriott Executive Apartments. These facilities are meant to provide guests with the comforts of home when they are traveling for long periods of time. Most are located within the United States. In the extended stay segment, the competitor brands include Hilton’s Homewood Suites and Wyndham’s Hawthorn Suites by Wyndham.

Each of these brands has a unique set of characteristics and travelers that makes it distinct within the eyes of the company. What follows is an analysis of each of the brands in Marriott’s portfolio.

*Ritz-Carlton*

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58 JD Power and Associates Reports, 2011
59 Marriott Hotel Brands, 2012
60 JD Power and Associates Reports, 2011
Ranking as the highest provider of customer satisfaction in the luxury hotels segment, the Ritz-Carlton “enlivens the senses, instills well-being, fulfills unexpressed wishes and needs.”\(^{61}\)

There are currently 81 locations located mostly in North America with select locations in Europe, the Middle East, China, and South-East Asia.\(^{62}\) The company began in Boston in 1927 with the construction of a hotel that “set out to create luxury in the heart of Boston.” It was revolutionary at the time of its creation because of the setting that it created with the private baths in each room, lighter fabric that was able to be washed more often, fresh flowers throughout the public areas, choices in dining and gourmet cuisine, and smaller lobbies allowing for more personalized service. In 1983, the owner and manager of the hotel at the time sold the hotel and name to William B. Johnson, who established The Ritz-Carlton Hotel Company.\(^{63}\) In 1995, Marriott International acquired the company, making it an independently functioning limited liability corporation under Marriott.

Today that striving for better service that was started with the Boston hotel is exemplified in the company motto, which states, “We are Ladies and Gentlemen serving Ladies and Gentlemen.”\(^{64}\) Each location is unique, but does have an array of spa

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\(^{64}\) About Us, 2012
amenities, restaurants, bars, and offers services to plan and organize meetings and weddings. They also now have world-class golf at 15 of their locations.\textsuperscript{65}  

The range of room rates is from $200 to $15,000 per night. According to the 2011 financial statements filed by the company with the SEC, the average daily rate per room was $302.31 for North American locations and the average revenue per available room was $209.11, making the profit margin for the brand 69.2\%.\textsuperscript{66} The stated guest profile includes those who are “well-traveled, educated and informed, discerning, confident, and connected.”\textsuperscript{67}

\textit{JW Marriott Hotels & Resorts}

The JW Marriott brand, named after the founder and former CEO of the company, is a second brand under the luxury segment of Marriott. In 1984, the brand opened its first location in Washington, DC. In 1989 it expanded to Asia, then the Middle East and Europe in 1993, and Latin America in 1996. Currently, the brand has 53 open locations and 25 more in development.\textsuperscript{68} The hotels currently announced as in development are being located internationally, including three in India and one in South Korea.\textsuperscript{69} The locations all include cities and resort locations.

The amenities provided by the brand include fitness centers, spas, restaurants, and bars at each location. They also offer 24-hour access to executive business centers for

\textsuperscript{66} Marriott International, 2012, 39
\textsuperscript{67} The Ritz-Carlton: Brand Overview, 2012
work or meetings. The JW Marriott brand has recently had trouble being recognized as different than the signature brand of Marriott Hotels and Resorts, according to Mitzi Gaskins, the Vice President of JW Marriott. To work out this confusion, the brand is forming partnerships to enhance their luxury image to differentiate the experiences at the two brands. The company has established partnerships with experts who provide information about different pursuits that the guests may be interested in, such as wine, fine art, and food and nutrition. The information is dispensed on the website and through a quarterly magazine available in each hotel room.

The guest profile of the JW Marriott brand is described by the company as those who are “discriminating, disciplined, and grounded” and looking for a culturally authentic experience with connoisseur service and leading edge fitness. The room rates range from $150 to $1,500 per night.

In the J.D. Power and Associates Report on customer satisfaction, JW Marriott ranked fourth in the luxury segment, scoring just above the average ratings in the segment on the customer satisfaction index and being ranked as “about average” in the Power Circle ratings.

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73 JD Power and Associates Reports, 2011
Bulgari Hotels & Resorts

Bulgari Hotels and Resorts is a partnership between Marriott and Bulgari S.p.A., the Italian luxury goods and jewelry retailer. The joint venture began in 2001 with the construction of a high-end resort in Milan, Italy that opened in 2004. In 2006 a property in Bali opened. The London location is set to open in May of this year, being available to occupants during the Summer Olympics and the Queen’s Jubilee.

The brand boasts its distinctive style, which focuses on personalized service in a relaxing atmosphere. There are wellness centers, an Italian restaurant and bar, and meeting spaces to try to meet the needs of the high-end customers that are the hotels’ clients. The profile of the typical guest of these hotels is described as “cosmopolitan, sophisticated and focused on achievement,” someone who “has the means and desire to experience only the finest.” The range in room price per night is between $700 and $7,000. During the third quarter of 2011, the average daily rate per room was $742.78 and the average revenue per available room was $512.80, making the profit margin 69.0%. The brand was classified as appealing to the upper upscale segment of the market.

77 Bulgari Hotels & Resorts: Brand Overview, 2012
*Autograph Collection*

The Autograph Collection began in 2010 and has already acquired 32 hotels. Most of these are licensed properties, with the others being part of unconsolidated joint ventures.\(^78\) Since the close of their financial statements in 2011, they have already added five hotels, two being in Miami Beach, Florida and one in New Orleans, Louisiana. By the end of 2012, the company is hoping to have a total of 60 hotels in the Collection in various key markets around the world.\(^79\)

The hotels are independent and do not follow the traditional predictability of chains. Some of those in the collection include the theme of artistic getaway, others indulgent escape, and others culinary delight. Interests that are focused on at different hotels include architecture, cooking classes, nature, ski/snowboarding, spa, wine tasting, hiking, and others. On the brand website, a potential guest can find a theme, chose a location, and then see what interests are listed for the hotel. The price per room per night ranges from $250 to $600. The target for this brand is like the luxury brands, the upper-upscale guests.

To further the engagement of their guests, in January of this year the brand began the publication of a new lifestyle magazine that is available to guests in every room of each hotel in the Collection and on the website. The magazine will be released twice a

\(^{78}\) Marriott International, 2012, 5
year and is meant to cover a variety of topics, providing original articles to entertain and inform guests.\textsuperscript{80}

\textit{EDITION Hotels}

As of the 2011 financial statements, Edition Hotels only had one location in Istanbul, Turkey. The brand began in 2007 as a partnership with a boutique hotel pioneer, Ian Schrager. In 2010 it opened its first location in Waikiki, Hawaii that was recently taken over by the owners who then filed for bankruptcy, complicating the matter and making Marriott drop the hotel from its ownership list. In 2011, the still-owned Edition Hotel in Istanbul, Turkey was opened. The new London hotel is set to open later this year, followed by Miami Beach in 2013, and New York and Bangkok in 2015.\textsuperscript{81}

The goal of the new hotels is to offer a never-experienced-before level of customized service that provides an approach and attitude that are right for the modern lifestyle, with unique event space options, retails boutiques, one-of-a-kind restaurants, and more.\textsuperscript{82} Along with emphasizing a modern service, the brand also promotes its initiative to be environmentally responsible.\textsuperscript{83} Edition is another brand under Marriott that is targeting the high-end consumers; the rates range between $250 and $7,500 per night in the Istanbul location.


\textsuperscript{82} EDITION Hotels, 2012

**AC Hotels by Marriott**

AC Hotels by Marriott is the most recent expansion of the company. It was established in 2011 by a joint venture with AC Hotels of Spain. This co-branding effort was designed to attract the upper-moderate guest. The features of the hotels include a signature bed, a fitness center and lounge at each location along with a mini-bar, 24-hour service, Wi-Fi, and laundry service. The hotels are meant to be stylish and urban hotels. There are 75 current hotels in Spain, Italy, and Portugal and nine are in development. The target market for AC Hotels are those conscious, young travelers in both the leisure and business sectors who want to experience the culture of the city that they are staying in. The brand plans to spread throughout Europe and Latin America. In line with this plan, in January the company announced its plans to open an AC Hotel in Nice, France in early 2013.

**Renaissance Hotels & Resorts**

As the largest brand in the lifestyle/boutique segment of the company, Renaissance Hotels & Resorts have 154 currently open locations and 28 that are under development, spanning all across the world. The key features of this brand are its strive to achieve the “wow factor.” Renaissance classifies the guest experience as enriching, bold, imaginative, and

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84 Marriott International, 2012, 9
sophisticated, giving guests the chance to “enjoy a stimulating, fulfilling stay.” The profile of their guests includes those intellectually curious, fun-loving, inspired, adventuresome, exuberant, and engaged.\(^8\) Of the current locations, 80 of them are in the United States and 74 of them are outside of the U.S. in a total of 33 countries and territories.\(^8\) In the U.S. half of the properties are company-operated and the other have are franchised or licensed but outside of the U.S. about 75% of the properties are company-owned and the other 25% is franchised or licensed.\(^9\) In 2011, the occupancy rate for the brand was 69.0%, with an average daily rate of $146.74 and the average revenue per available room at $101.24.\(^9\) The price of a room ranges from $150 to $2,000 per night.

The Renaissance brand focuses on each location independently. Their brand motto is, “No matter where or why you travel, there’s always something wonderfully new to be found.”\(^9\) The brand recently went through a rebranding phase, changing the logo to make a modern and simple visual identity and updating their image and strategies. The new website lets potential guests discover both their possible destinations and hotels. The restaurants at the hotel are now being positioned to appeal to not only guests, but also locals of the area, offering a variety of local dishes. The brand has also partnered

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\(^8\) Marriott International, 2012, 9

\(^9\) Marriott International, 2012, 5

\(^9\) Marriott International, 2012, 39

with companies that align with their image and goals, such as Hertz connect for their car-share and Strida Bike.  

Extending the local experience even farther, “navigators,” as called by the brand, are employees in charge of providing guests with “one-of-a-kind, off-the-radar, micro-level experiences.” “In the Know” fact sheets are assembled to include time-relevant recommendations for places to eat, drink, shop, or see in the city where the hotel is. These recommendations can also be found on the brand’s website so that a guest can explore the possibilities and recommendations before even arriving. The hotels also have gift shops that contain local treasures.

According to JP Power and Associate’s report on hotel guest satisfaction, Renaissance Hotels & Resorts are classified under the upper upscale segment with Marriott Hotels & Resorts, the signature brand of the company. Renaissance ranked as the fifth hotel chain in this segment with a 799 score out of 1,000 on the customer satisfaction index ranking and a 3 in the Power Circle ranking, which means above average. This was a very similar score to the average of the hotels in this segment, making Renaissance not stand out among its competitors in the area of customer satisfaction, but also meaning that they are not lagging behind. Their new changes have to potential to boost this score and increase their perceived value.

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93 Renaissance Hotels Fact Sheet, 2011
94 JD Power and Associates Reports, 2011
Marriott Hotels & Resorts

As the signature brand for the company and the start of the many chains that followed, the Marriott Hotels & Resorts brand contains 504 currently operating properties and 52 that are under development. About 60% of these properties are in the United States, with 138 being company operated and 184 being franchised or licensed. The 40% that are located internationally have 135 locations that are company-operated and 35 that are franchised or leased. The occupancy rate for 2011 was 68.2% with an average daily rate of $149.94 and the revenue per available room at $102.28. The range in room rates is from $100 to $2,000 per night.

The approach of this brand to be “responsive, proactive, fresh, and hi-tech,” providing genuine care and functionality for visitors so that they get the opportunity to recharge. The guest profile for this brand is an achiever who optimizes their time, searches for a balance in life, and is looking for a hotel to help them accomplish their goals. The average household income for a guest of this brand is $169,000 a year, the average age is 43, with 77% of guests being male. The average number of leisure trips for these consumers is four each year, while the average is 18 trips and 45 nights for business travelers.

Each hotel and resort boasts a warm welcome, stylish and destination-inspired interiors, and a lobby or guestroom that can be used for multiple proposes. Restaurants,

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95 Marriott International, 2012, 5  
96 Marriott International, 2012, 39  
lounges, and room service can be found in each location, as well as meetings and events spaces.99

The JD Power and Associates report on hotel guest satisfaction ranked the Marriott Hotels & Resorts brand as the third best in the upper-upscale segment with a customer satisfaction index ranking of 808 out of 1,000 and a Power Circle rating of 3, meaning above average.100

Courtyard by Marriott

Courtyard has the largest distribution of all of those brands in Marriott International. The brand began because of a need for middle-priced hotels, seen by Bill Marriott, Jr. in the early 1980s. After three years of research and planning, the first property was opened near Atlanta, Georgia.101 Courtyard now has 906 properties open and 156 in development. The occupancy rate for the brand was 68.1% in 2011 and the average daily rate of revenue for each occupied room was $113.19, and the revenue per available room was $88.47. The revenue per available room changed the most from 2010, increasing by 7.0%.102 About 60% of the properties are franchised or licensed and the other 40% are company-operated.103 The rate per room per night ranges from $80 to $680.

Being in the select-service segment, Courtyard appeals to both business and leisure travelers who are looking for a place to stay that is both comfortable and has high value. They know what they want and are used to travelling, focused on success and are

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99 Marriott Hotels & Resorts, 2011
100 JD Power and Associates Reports, 2011
101 “Marriott International, Inc.”
102 Marriott International, 2012, 39
103 Marriott International, 2012, 5
seeking somewhere to unwind. The “optimistic achiever” is what Courtyard labels these customers.\textsuperscript{104} The amenities provided at most locations include free Wi-Fi in the lobby of the hotel, free high-speed internet access in guest rooms, casual meeting and workspaces, a business library, a 24/7 market, a Bistro that includes options for grab & go or sit and be served eating options, exercise equipment, a temperature-controlled pool, an outdoor fire pit, comfortable outdoor seating, and more.\textsuperscript{105}

\textit{SpringHill Suites by Marriott}

SpringHill Suites is built on the foundation of “Fresh AIR,” a concept developed by the brand. “AIR” stands for assure, inspire, and renewal. They want to assure the customers that they have made the right choice in hotels, inspire them through the brand’s style and little luxuries that make a difference in their stay, and provide comforts and a sense of calm that will renew travelers.\textsuperscript{106} The focus of this brand is on “business travelers who are looking for extra space and style with a great value.”\textsuperscript{107}

There are 285 properties under this brand in the United States and 2 in Canada. There are 62 properties currently under development.\textsuperscript{108} With larger rooms that are split into spaces for sleeping, working, and relaxing, the suites in this brand have about 25% more space than the typical room. Other amenities provided are internet access in all rooms, a self-serve food store that is open 24 hours a day, a complimentary breakfast,

\textsuperscript{107} Marriott International, 2012, 10
\textsuperscript{108} SpringHill Suite Hotels by Marriott: Brand Overview, 2012
exercises facilities, a swimming pool, and business services such as copying, faxing, and printing. Thirty-four of the properties are company-operated and the other 253 are franchised or licensed. The average occupancy rate is 68.5%, with an average daily rate of revenue per occupied room is $99.2 and an average revenue per available room of $67.98. The revenue rate increased by 8.2% compared to 2010. The rate per night ranges from $89 to $300.

In the JD Power and Associates report, SpringHill ranked number four in the upscale segment, with a 814 score and a Power Circle rating of “better than most.” It was 30 points higher than the average for the segment and ranked two places higher than Courtyard.

*Fairfield Inn & Suites by Marriott*

Fairfield Inn & Suites is the only hotel that the Marriott company currently has competing in the midscale limited service segment. Its target market is the smart business traveler across the United States who needs a place to stay. They are located in all markets of the United States, not only cities, and provide straightforward communication, respect, and a great value for those travelers just looking for a room to use for a night or two. There is free high-speed internet connection in each room, free Wi-Fi in the lobby, a complimentary continental breakfast

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109 Marriott International, 2012, 10
110 Marriott International, 2012, 5
111 Marriott International, 2012, 39
112 JD Power and Associates Reports, 2011
available each morning, a business center so that you can print things while on the road, and a 24-hour market so you can buy food at any time of day.\textsuperscript{114}

There are currently over 675 units open, all but three franchised or licensed and only 13 located internationally. There are over 100 units currently in development. The occupancy of Fairfield Inn averaged 67.0\% in the third quarter of 2011, with an average daily rate of revenue per occupied room of $89.28 and revenue per available room of $59.83.\textsuperscript{115}

Their customer service satisfaction ranking is above average, according to the JD Power and Associates Reports but they do rank fifth among the other competitors in the midscale limited service category.\textsuperscript{116}

\textit{Residence Inn by Marriott}

Residence Inn by Marriott was first brand in the extended stay segment of the hotel and motel industry when the first location opened in 1975. It is their top-scoring brand on customer satisfaction in this segment, getting a “better than average” label and only scoring 2 out of 1000 points lower than the leader of the segment, Hilton’s Homewood Suites.\textsuperscript{117}

“It’s not a room. It’s a Residence.” This motto, along with the brand’s new advertising campaign, emphasize the use of Residence Inn as a place to work, play, and chill.\textsuperscript{118} The target guest for this chain is the “marathon business traveler” who is used to

\begin{thebibliography}{9}
\bibitem{114} Marriott International, 2012, 10
\bibitem{115} Fairfield Inn by Marriott: Brand Overview, 2012
\bibitem{116} JD Power and Associates Reports, 2011
\bibitem{117} JD Power and Associates Reports, 2011
\end{thebibliography}
being on the road and typically takes about 22 trips a year. These apartments try to provide the comforts of a modern home through their design, providing a full kitchen, separate sleeping areas, comfortable seating. A hot breakfast and free Wi-Fi is provided, along with evening social events to give guests a chance to meet others and have conversations in a comfortable setting after a long day at work.\textsuperscript{119}

These hotels are mostly located within the United States, with only 20 foreign locations in Canada, Costa Rica, the United Kingdom, and Germany. They are in 48 out of the 50 states in the country. A little over 20\% are company-operated, most being franchised or licensed properties.\textsuperscript{120} Their occupancy rate is higher than most, with 77.8\% in the third quarter of 2011. Their average daily rate was $115.38 for that period and their revenue per available room averaged $89.82.\textsuperscript{121}

\textit{TownePlace Suites by Marriott}

TownePlace Suites are for those travelers looking for a cheaper option when staying in one place for some time. The brand is “designed for the self-sufficient, value-conscious, extended stay guest.” The locations are meant to give a quiet neighborhood setting, where those staying can get a free cup of coffee and can buy easy meals and snacks. These are studio, one-, and two-bedroom suites that provide a kitchen and flexible space so that the lodger can relax, work, and play. It is kept simple, with no


\textsuperscript{120} Marriott International, 2012, 5

\textsuperscript{121} Residence Inn by Marriott: Brand Overview
frills and a work focus so that guests can stay in their new community for a few weeks or a few months.\textsuperscript{122}

TownePlace Suites have 200 open locations, all in the United States. All but 29 of those locations are franchised or licensed properties, the others being company-operated. They are located in 42 states across the country.\textsuperscript{123} The brand currently has 54 locations under development, which will add 5,361 rooms to its 19,875 rooms already in operation.\textsuperscript{124} There is a pool, fitness facilities, free internet, and laundry services in each location. A free continental breakfast is available for guests each morning.\textsuperscript{125} The occupancy rate for TownePlace was 73.3\% in the third quarter of 2011, with an average daily rate of $83.27 and revenue per available room at $61.01.\textsuperscript{126}

In the extended stay segment of the hotel industry, TownePlace Suites ranks fourth, scoring above the average on customer satisfaction scores and only 15 out of 1000 points behind the leader. They are labeled as “better than most” in the JD Power and Associates survey.\textsuperscript{127}

\textit{Marriott Executive Apartments}

Marriott’s Executive Apartments are located in business, shopping, and entertainment districts and provide upscale studio, one, two, and three bedroom apartments with a fully stocked fridge upon arrival, housekeeping, and grocery delivery services. These corporate rentals are meant

\begin{flushleft}
\textsuperscript{123} Marriott International, 2012, 5
\textsuperscript{124} TownePlace Suites by Marriott: Brand Overview, 2012
\textsuperscript{125} Marriott International, 2012, 11
\textsuperscript{126} TownePlace Suites by Marriott: Brand Overview, 2012
\textsuperscript{127} JD Power and Associates Reports, 2011
\end{flushleft}
to provide the comforts of home for those business people travelling or extended periods of time. The amenities also include washers and dryers, high-speed internet access, and business services centers. Game rooms, saunas, and health clubs set these apartments apart from a typical apartment building. They are meant for those staying in one place for thirty days or longer who need a more comfortable place than the typical hotel room.\textsuperscript{128}

The tagline for the brand is, “A place to call your own.” They are located in fifteen countries throughout Europe, Asia, the Middle East, and South America.\textsuperscript{129} The services and amenities are like those found in the United States, giving the person a stay that they are more familiar with. Marriott Executive Apartments have 20 units currently open, with 2,797 rooms and 11 units with 1,409 rooms total are under development.\textsuperscript{130} All but one location are company-operated.\textsuperscript{131}

\textit{Marriott Rewards}

Apart from their brands, Marriott also has an award-winning loyalty program that is free for any traveler to enter. Marriott Rewards is a free point-earning system that lets travelers accumulate points through dollars they spend at a Marriott brand hotel and can exchange their frequent flier miles with certain airlines. These points can be redeemed at any time and a full list of the possible rewards and the points needed to earn them are listed on the program website.

\textsuperscript{130} Marriott Executive Apartments: Brand Overview, 2012
\textsuperscript{131} Marriott International, 2012, 5
They can also customize their Program page and track their points in comparison to what they will need to earn a dream vacation. Also with the points, Rewards members also receive special offers and discounts and they can set their preferences about for their hotel stay, including letting the company know what floor they prefer to stay on, what newspaper they like to read in the morning, and the version of pillow that they like sleep on. Rewards members also have access to a dedicated customer service line and can receive their hotel bills through e-mail after their stay.

At the end of April of 2012, Marriott Rewards earned the Freddie award for ‘Best Program of the Year, Americas” for the fifth year in a row. This is the most prestigious award in the travel loyalty industry. The program earned four other Freddie awards in 2012 and has in total earned more than fifty in its twelve years of existence.

**Recommendations**

The one major segment of the hotel and motel industry that Marriott International is currently not a part of is the mid-scale full service segment. Hilton has Best Western and Wyndham has Wyndham Garden Hotels and Howard Johnson Hotels/Plaza. Starwood does not compete in this segment either but that is because their focus is only on the luxury and upscale segments of the industry. Marriott’s approach to the industry of diversifying its offerings and expanding over many market segments through a variety of brands has been praised as one of its greatest strengths, but in order to continue this

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advantage, Marriott International has to continue to expand so that they are able to reach every sort of traveler. With a wider array of options, travelers can return to Marriott hotels throughout their whole lives as they move through being part of different market segments.

The midscale segment is currently remaining stagnant after the recession, but according to Greg Meinhold, a hospitality specialist, “Strong-performing upper midscale hotels, particularly those with Marriott and Hilton brands, can attract strong prices.” It is a segment with potential that needs brands by companies that travelers can trust for quality.

The proposal that this paper makes is the expansion of Marriott International into the midscale full service segment through a partnership with the U.S. chain of hotels AmericInn. This company is currently in the midscale limited service segment of the hotel and motel industry and operates under a franchising system. Because this sort of operation aligns perfectly with the setup of other Marriott brands and because the company is located mainly in the Midwest of the United States, markets that Marriott is not currently fully immersed in, a partnership with the management of AmericInn could be beneficial to both companies.

In Appendix F there is a map of where AmericInn hotels are located. Among these states are places with a lower concentration of hotels, such as Wyoming, where there are only five Marriott hotels of any brand, South Dakota, which has eight, Montana that has nine, and Delaware that has ten. There is some overlap in concentration, such as Georgia, where there are 150 Marriott hotels already, but AmericInn is located in Vidalia,

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GA, which is not a city where a Marriott is currently located. There are other overlaps in locations as well. This new chain is not meant to cannibalize the company’s business but instead expand it to include customers who they might not have been able to appeal to in the past. Since the target is different than for that of other brands they should not truly compete with each other in overlapping markets.

What sets the offerings in the full service segment apart from the limited service segment is the array of service options available to travelers. Limited service hotels focus on rooms as their main and often only offering. There is limited or no food and beverage services. Most have a pool and fitness room, but that is it when it comes to amenities. Full service typically means that there is a fitness center, lounge, swimming pool, restaurant or restaurants, and meeting and conference rooms. Full service hotels offer services such as room service, valet service, ad car rentals.¹³⁵

In order to make AmericInn a full service brand, some adjustments would need to be made at each location and a re-picturing of the brand would be necessary. A name change would also need to happen. Because of the resources of an international company like Marriott, the brand has the potential to grow and move to be worldwide, but the name AmericInn does not lend itself to being easily transferable to other countries. To make it universally applicable and to emphasize the roots of the company and give the brand a more homey feeling, the new brand would be named “HotShoppe Hotels by Marriott,” after the root beer stand that gave Marriott its start. This old time feel, along with an atmosphere more similar to a bed and breakfast are meant to combine and give the new brand a feeling of a comfortable getaway, not so far away.

¹³⁵ “The Mass Appraisal of Limited Service Hotels”
The bed and breakfast industry is not as profitable as the hotel and motel industry in the United States, both because of its penetration of the market and its profit margins, so a company entering into the industry itself is less likely, but the concepts that run a bed and breakfast, the values and the amenities that are available, have the potential to be a solid foundation for a new line of hotels ran by Marriott.

The idea here is of a bed and breakfast, but on a larger scale. A luxury hotel in a more approachable area; full-service at a more affordable price. Breakfast included. Intimate setting.

With the thought of the bed and breakfast feel in mind, HotShoppes Hotels will continued to be run and managed by those currently doing so at the AmericInn locations. To help work on the atmosphere that is being created, a consultant who is used to working with smaller hotels that have that getaway kind of feeling that the new brand is going to be striving for will be hired for each region. These regions allocations will depend on how many hotels are close to each other. Each hotel does not need its own consultant, but they do need someone who can help to re-focus and re-brand each location so that it feels even more like a paradise getaway into nature.

A large amount of turnover should not be necessary under this new partnership, though more customer service training will need to take place, depending on how each individual hotel scores in customer satisfaction surveys, because currently AmericInn is operating under the average in customer satisfaction, which is not desirable for any hotel, especially one that is transitioning into the full service segment. There will be an easy-out clause for those franchise owners who do not want to enter into the partnership with
Marriott, but unfortunately the hotel would have to become independent since the AmericInn company would no longer exist.

Full service does mean that more people will be needed on staff, so two or three more staff members for customer service will be hired per hotel so that there are services available to all guests 24-hours a day. There will also need to be an attendant hired for new amenities that are offered, such as any fitness center or restaurants. The goal of the new brand is to change AmericInn from being a place that travelers use to rest their head while they are traveling to their ultimate destination, the place that they want to go on vacation. The full-service aspect will make it appropriate for the hotels to charge a little more per night stay, so the costs of the extra people can be balanced by the increase in revenue.

The environment of the hotel will need to be set as a relaxing one, with comfortable furniture put in the lobbies to make a warm and inviting environment. Some locations already do this, such as Delaware’s Rehobeth Beach where there is a fireplace and leather couches next to the dining area. A way for this location to improve would be to expand their food offerings from just breakfast to also having lunch and dinner. The breakfast that is served is hot, meaning that there are some kitchen facilities already in place. With a few extra staff members, and an environment that lets guests know that they are welcome to stay in, a lunch and dinner menu could be offered to guests so that they never have to leave. This extra offering also has the potential for the hotel to earn more profits. The Rehobeth Beach location is close to the beach, boardwalk, and other restaurants and near Pirates Expeditions of Lewes and Prime Hook National Wildlife
Refuge. There could be shuttle services offered to guests to get to these attractions so that they don’t need to drive. These little changes will make the hotel change from a limited-service to a full-services establishment, allowing the chain to charge a little more money per room and make each guest’s stay a more unique and memorable experience. With more recall comes more loyalty, and with more loyalty comes repeat visits.

The other major change for all of those hotels in the chain now would be for landscaping to be done around the hotels to make them look more like a destination and less like a drive-by motel. The insides have been recently refurbished, with new furniture that is welcoming, but the outsides have large parking lots and big boxes of buildings. By hiring a second grounds person, or by making the current grounds person think about landscaping more, trees and bushes and flowers and nice walkways can be installed to make each hotel’s outside have a little more nature around it and look more like a destination instead of a pit-stop. There is a lot of land around most of the hotels as well, which is nice so that there is no noise, but this land could also be better utilized by including a playground and a nice walking path, so that there is more to do at the actual hotel, making guests more likely to stay in and not leave.

AmericInn is a private company, meaning that their financial statements are not available for review, but with a deeper investigation into the company, Marriott can find more weaknesses than just their customer satisfaction ratings and use those to make a proposal for the company. A partnership can mean more resources and cheaper lines of distribution for products needed at each hotel, such as towels and complimentary mints.

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Back in 2002, during the recession that hit the country in the hotel and motel industry due to the terrorist attacks of September 11th, the midlevel segment of the industry was the only one that was not as affected and experienced the lowest declines of any segment in the industry. This trend is another reason why more expansion into the midscale segment could be good for Marriott, because of that threat in the industry of the effect of terrorist attacks on people’s traveling trends. It is more likely for the guest going to a luxury hotel to be afraid and avoid traveling than it is for those who stay in a midscale hotel. This is possibly because of the personality of those different travelers but also could be because of the nature of their traveling. If you are going to a midscale hotel not as far from home, you could think of yourself as safer than you would be if you were going to a foreign country.

The potential for this brand not only lies with an expansion into other areas of the United States, but also in Europe, where the midscale segment of the market is not being fully attended to. Currently there is more demand in Europe from the Europeans for midscale hotels so a future expansion plan for the brand, once the transition in the United States has proven to be solid and successful, would be to find investors who want to start the franchise of HotShoppe Hotels by Marriott in various countries in Western Europe. With the Marriott name and an established brand character of being reliable and comfortable, the franchise should be able to easily grow abroad.

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The industry opportunity of brand innovations and expansion is being utilized with this plan, along with the potential for more brand loyalty because of the increased exposure to this new market of customers.

The marketing plan for this product would start with the release of the plan and name of the new chain once the partnership is officially established. AmericInn currently has their own loyalty program, so the first step would be to contact those customers and give them a deal on their next stay with the new HotShoppe Hotels, so that they can make a smooth transition of their brand loyalty over to Marriott. These members would also be offered entrance into the Marriott Rewards program, with a transference plan of their accumulated “points” from the AmericInn program to Marriott’s so that the customers aren’t losing anything with this new partnership.

HotShoppe Hotels will be immediately added to the Marriott Rewards program and a reduced number of points would be needed for members to earn a free night at one of HotShoppe’s Hotels so that those already brand loyal customers will try out the brand and stay for a night and hopefully love it enough to return. The marketing process here will be to try to get those customers who are the most likely to visit the hotel in the first place and then start a national advertising campaign to reach potential new customers to the brand and the company.

Conclusion

Back in the 19th century, “hotels were vital centers of local community life in American cities and towns.” That has the potential to still be true today, especially in the smaller cities and locations where AmericInn is located. With locations that are both
quaint and welcoming, the new HotShoppe Hotels by Marriott could be positioned to be these centers again and provide a nice place for guests to “Get away, not so far away.”

Marriott International is currently in good financial and competitive position in the hotels and motels industry, but in order to maintain that position and to acquire new customers, they need to continue to be proactive and expand their offerings. By partnering with the hotel company AmericInn and continuing with their franchising set-up, Marriott can create a hybrid version of bed and breakfasts that will appeal to those cost-conscious travelers who want to stay closer to home for their vacation. By reaching another market segment the company can acquire more brand loyal customers who will be able to find a Marriott offering wherever they travel.
Appendices

Appendix A- Market Share in Hotel and Motel Industry

<table>
<thead>
<tr>
<th>Major players</th>
<th>Market share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wyndham Worldwide Corporation</td>
<td>2.6%</td>
</tr>
<tr>
<td>Hilton Hotels Corporation</td>
<td>5.1%</td>
</tr>
<tr>
<td>Accor</td>
<td>0.7%</td>
</tr>
<tr>
<td>Marriott International Inc.</td>
<td>5.9%</td>
</tr>
<tr>
<td>Starwood Hotels &amp; Resorts</td>
<td></td>
</tr>
<tr>
<td>Worldwide Inc.</td>
<td>3.0%</td>
</tr>
<tr>
<td>Other</td>
<td>82.7%</td>
</tr>
</tbody>
</table>

SOURCE: WWW.3R1SWORLD.COM

Appendix B– Marriott International Brands, by segment

<table>
<thead>
<tr>
<th>Luxury</th>
<th>Collections</th>
<th>Lifestyle and Boutique</th>
</tr>
</thead>
<tbody>
<tr>
<td>BVLGARI</td>
<td>AUTOGRAHP</td>
<td>RENAISSANCE</td>
</tr>
<tr>
<td>HOTELS &amp; RESORTS</td>
<td>COLLECTION</td>
<td>HOTELS &amp; RESORTS</td>
</tr>
<tr>
<td></td>
<td>EDITION</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Signature</th>
<th>Select Service</th>
<th>Extended Stay</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marriott</td>
<td>SPRINGHILL</td>
<td>Residence INN</td>
</tr>
<tr>
<td>HOTELS &amp; RESORTS</td>
<td>COUNTRY</td>
<td>TownePlace</td>
</tr>
<tr>
<td></td>
<td>INN</td>
<td></td>
</tr>
</tbody>
</table>

139 Samadi, 2012, 3
Appendix C- Marriott International Income Statement for 2011

MARRIOTT INTERNATIONAL, INC. (“MARRIOTT”)  
CONSOLIDATED STATEMENTS OF INCOME  
Fiscal Years 2011, 2010, and 2009  
($ in millions, except per share amounts)

<table>
<thead>
<tr>
<th>REVENUES</th>
<th>2011</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base management fees&lt;sup&gt;(1)&lt;/sup&gt;</td>
<td>$602</td>
<td>$562</td>
<td>$530</td>
</tr>
<tr>
<td>Franchise fees&lt;sup&gt;(1)&lt;/sup&gt;</td>
<td>506</td>
<td>441</td>
<td>400</td>
</tr>
<tr>
<td>Incentive management fees&lt;sup&gt;(3)&lt;/sup&gt;</td>
<td>195</td>
<td>182</td>
<td>154</td>
</tr>
<tr>
<td>Owned, leased, corporate housing, and other revenue&lt;sup&gt;(1)&lt;/sup&gt;</td>
<td>1,083</td>
<td>1,046</td>
<td>1,019</td>
</tr>
<tr>
<td>Timeshare sales and services (including net note securitization gains of $37 in 2009)</td>
<td>1,088</td>
<td>1,221</td>
<td>1,123</td>
</tr>
<tr>
<td>Cost reimbursements&lt;sup&gt;(1)&lt;/sup&gt;</td>
<td>8,843</td>
<td>8,239</td>
<td>7,682</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>12,317</td>
<td>11,691</td>
<td>10,908</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>OPERATING COSTS AND EXPENSES</th>
<th>2011</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owned, leased, and corporate housing-direct</td>
<td>943</td>
<td>955</td>
<td>951</td>
</tr>
<tr>
<td>Timeshare-direct</td>
<td>929</td>
<td>1,022</td>
<td>1,040</td>
</tr>
<tr>
<td>Timeshare strategy-impairment charges</td>
<td>324</td>
<td>—</td>
<td>614</td>
</tr>
<tr>
<td>Reimbursed costs&lt;sup&gt;(1)&lt;/sup&gt;</td>
<td>8,843</td>
<td>8,239</td>
<td>7,682</td>
</tr>
<tr>
<td>Restructuring costs</td>
<td>—</td>
<td>—</td>
<td>51</td>
</tr>
<tr>
<td>General, administrative, and other&lt;sup&gt;(1)&lt;/sup&gt;</td>
<td>752</td>
<td>780</td>
<td>722</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>11,791</td>
<td>10,996</td>
<td>11,060</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>OPERATING INCOME (LOSS)</th>
<th>2011</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Losses) gains and other income (including gain on debt extinguishment of $21 in 2009)&lt;sup&gt;(1)&lt;/sup&gt;</td>
<td>(7)</td>
<td>35</td>
<td>31</td>
</tr>
<tr>
<td>Interest expense&lt;sup&gt;(1)&lt;/sup&gt;</td>
<td>(164)</td>
<td>(180)</td>
<td>(118)</td>
</tr>
<tr>
<td>Interest income&lt;sup&gt;(1)&lt;/sup&gt;</td>
<td>14</td>
<td>19</td>
<td>25</td>
</tr>
<tr>
<td>Equity in losses&lt;sup&gt;(1)&lt;/sup&gt;</td>
<td>(13)</td>
<td>(18)</td>
<td>(66)</td>
</tr>
<tr>
<td>Timeshare strategy - impairment charges (non-operating)&lt;sup&gt;(3)&lt;/sup&gt;</td>
<td>—</td>
<td>—</td>
<td>(138)</td>
</tr>
<tr>
<td><strong>INCOME (LOSS) BEFORE INCOME TAXES</strong></td>
<td>356</td>
<td>551</td>
<td>(418)</td>
</tr>
<tr>
<td>(Provision) benefit for income taxes</td>
<td>(158)</td>
<td>(93)</td>
<td>65</td>
</tr>
<tr>
<td><strong>NET INCOME (LOSS)</strong></td>
<td>198</td>
<td>458</td>
<td>(353)</td>
</tr>
<tr>
<td>Add: Net losses attributable to noncontrolling interests, net of tax</td>
<td>—</td>
<td>—</td>
<td>7</td>
</tr>
<tr>
<td><strong>NET INCOME (LOSS) ATTRIBUTABLE TO MARRIOTT</strong></td>
<td>$198</td>
<td>$458</td>
<td>$(346)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EARNINGS PER SHARE-Basic</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings (losses) per share attributable to Marriott shareholders</td>
<td>$0.56</td>
<td>$1.26</td>
<td>$(0.97)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EARNINGS PER SHARE-Diluted</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings (losses) per share attributable to Marriott shareholders</td>
<td>$0.55</td>
<td>$1.21</td>
<td>$(0.97)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CASH DIVIDENDS DECLARED PER SHARE</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>$0.3875</td>
<td>$0.2075</td>
<td>$0.0866</td>
<td></td>
</tr>
</tbody>
</table>

<sup>(1)</sup> See Footnote No. 22, “Related Party Transactions,” of the Notes to Consolidated Financial Statements for disclosure of related party amounts.

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Appendix D- Marriott International Balance Sheet for 2012

MARRIOTT INTERNATIONAL, INC. ("MARRIOTT")
CONSOLIDATED BALANCE SHEETS
Fiscal Year-End 2011 and 2010
($ in millions)

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and equivalents</td>
<td>$ 102</td>
<td>$ 505</td>
</tr>
<tr>
<td>Accounts and notes receivable (1) (including from VIEs of $0 and $125, respectively)</td>
<td>875</td>
<td>938</td>
</tr>
<tr>
<td>Inventory</td>
<td>11</td>
<td>1,489</td>
</tr>
<tr>
<td>Current deferred taxes, net</td>
<td>282</td>
<td>246</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>54</td>
<td>81</td>
</tr>
<tr>
<td>Other (including from VIEs of $0 and $31, respectively)</td>
<td>1,324</td>
<td>3,382</td>
</tr>
<tr>
<td>Property and equipment</td>
<td>1,168</td>
<td>1,307</td>
</tr>
<tr>
<td>Intangible assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goodwill</td>
<td>875</td>
<td>875</td>
</tr>
<tr>
<td>Contract acquisition costs and other (1)</td>
<td>846</td>
<td>768</td>
</tr>
<tr>
<td>Equity and cost method investments (1)</td>
<td>1,721</td>
<td>1,643</td>
</tr>
<tr>
<td>Notes receivable (1) (including from VIEs of $0 and $910, respectively)</td>
<td>298</td>
<td>1,264</td>
</tr>
<tr>
<td>Deferred taxes, net (1)</td>
<td>873</td>
<td>932</td>
</tr>
<tr>
<td>Other (including from VIEs of $0 and $14, respectively) (1)</td>
<td>261</td>
<td>205</td>
</tr>
<tr>
<td><strong>LIABILITIES AND SHAREHOLDERS’ EQUITY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current portion of long-term debt (including from VIEs of $0 and $126, respectively)</td>
<td>$ 355</td>
<td>$ 138</td>
</tr>
<tr>
<td>Accounts payable (2)</td>
<td>548</td>
<td>634</td>
</tr>
<tr>
<td>Accrued payroll and benefits</td>
<td>650</td>
<td>692</td>
</tr>
<tr>
<td>Liability for guest loyalty program</td>
<td>514</td>
<td>486</td>
</tr>
<tr>
<td>Other (3) (including from VIEs of $0 and $3, respectively)</td>
<td>491</td>
<td>551</td>
</tr>
<tr>
<td>Long-term debt (including from VIEs of $0 and $890, respectively)</td>
<td>2,558</td>
<td>2,501</td>
</tr>
<tr>
<td>Liability for guest loyalty program</td>
<td>1,816</td>
<td>2,691</td>
</tr>
<tr>
<td>Other long-term liabilities (4)</td>
<td>1,434</td>
<td>1,313</td>
</tr>
<tr>
<td>Marriott shareholders’ equity</td>
<td>883</td>
<td>893</td>
</tr>
<tr>
<td>Class A Common Stock</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Additional paid-in-capital</td>
<td>2,513</td>
<td>3,644</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>3,212</td>
<td>3,286</td>
</tr>
<tr>
<td>Treasury stock, at cost (6,463)</td>
<td>(5,348)</td>
<td></td>
</tr>
<tr>
<td>Accumulated other comprehensive loss (48)</td>
<td>(2)</td>
<td></td>
</tr>
<tr>
<td><strong>Total liabilities and shareholders’ equity</strong></td>
<td>(781)</td>
<td>1,585</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>$ 5,910</strong></td>
<td><strong>$ 8,983</strong></td>
</tr>
</tbody>
</table>

The abbreviation VIEs above means Variable Interest Entities.

(1) See Footnote No. 22, "Related Party Transactions," of the Notes to Consolidated Financial Statements for disclosure of related party amounts.

<table>
<thead>
<tr>
<th>OPERATING ACTIVITIES</th>
<th>2011</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income (loss)</td>
<td>$198</td>
<td>$458</td>
<td>$(353)</td>
</tr>
<tr>
<td>Adjustments to reconcile to cash provided by operating activities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>168</td>
<td>178</td>
<td>185</td>
</tr>
<tr>
<td>Income taxes</td>
<td>113</td>
<td>(27)</td>
<td>(167)</td>
</tr>
<tr>
<td>Timeshare activity, net</td>
<td>175</td>
<td>216</td>
<td>146</td>
</tr>
<tr>
<td>Timeshare strategy-impairment charges</td>
<td>324</td>
<td>—</td>
<td>752</td>
</tr>
<tr>
<td>Liability for guest loyalty program</td>
<td>78</td>
<td>86</td>
<td>103</td>
</tr>
<tr>
<td>Restructuring costs, net</td>
<td>(5)</td>
<td>(11)</td>
<td>16</td>
</tr>
<tr>
<td>Asset impairments and write-offs</td>
<td>47</td>
<td>131</td>
<td>80</td>
</tr>
<tr>
<td>Working capital changes and other</td>
<td>(9)</td>
<td>120</td>
<td>106</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>1,089</td>
<td>1,151</td>
<td>868</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>INVESTING ACTIVITIES</th>
<th>2011</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital expenditures</td>
<td>(183)</td>
<td>(307)</td>
<td>(147)</td>
</tr>
<tr>
<td>Dispositions</td>
<td>20</td>
<td>114</td>
<td>2</td>
</tr>
<tr>
<td>Loan advances</td>
<td>(26)</td>
<td>(24)</td>
<td>(65)</td>
</tr>
<tr>
<td>Loan collections and sales</td>
<td>110</td>
<td>18</td>
<td>20</td>
</tr>
<tr>
<td>Equity and cost method investments</td>
<td>(83)</td>
<td>(29)</td>
<td>(28)</td>
</tr>
<tr>
<td>Contract acquisition costs</td>
<td>(74)</td>
<td>(56)</td>
<td>(39)</td>
</tr>
<tr>
<td>Sale of available-for-sale securities</td>
<td>—</td>
<td>—</td>
<td>16</td>
</tr>
<tr>
<td>Partial surrender of life insurance policy cash value</td>
<td>—</td>
<td>—</td>
<td>97</td>
</tr>
<tr>
<td>Other</td>
<td>(11)</td>
<td>20</td>
<td>75</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(247)</td>
<td>(264)</td>
<td>(69)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FINANCING ACTIVITIES</th>
<th>2011</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial paper/credit facility, net</td>
<td>325</td>
<td>(425)</td>
<td>(544)</td>
</tr>
<tr>
<td>Issuance of long-term debt</td>
<td>118</td>
<td>215</td>
<td>—</td>
</tr>
<tr>
<td>Repayment of long-term debt</td>
<td>(264)</td>
<td>(385)</td>
<td>(238)</td>
</tr>
<tr>
<td>Issuance of Class A Common Stock</td>
<td>124</td>
<td>198</td>
<td>27</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>(134)</td>
<td>(43)</td>
<td>(63)</td>
</tr>
<tr>
<td>Purchase of treasury stock</td>
<td>(1,425)</td>
<td>(57)</td>
<td>—</td>
</tr>
<tr>
<td>Other</td>
<td>11</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Net cash used in financing activities</td>
<td>(1,245)</td>
<td>(497)</td>
<td>(818)</td>
</tr>
</tbody>
</table>

(DECREASE) INCREASE IN CASH AND EQUIVALENTS | (403) | 390  | (19)  |

CASH AND EQUIVALENTS, beginning of period | 505   | 115   | 134   |
CASH AND EQUIVALENTS, end of period | $102  | $505  | $115  |

See Notes to Consolidated Financial Statements

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Appendix F - Map of AmericInn Locations

Appendix G - Logo for New Brand