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Investment in Marriott Corp. South Africa

Introduction

Current document aims to present the analysis of potential investment opportunity arises from the expansion strategy of the Marriott Corporation in South Africa. To evaluate feasibility and interest in this type of investment it was decided to incorporate the analysis of external and internal environment on the subject of market attractiveness, potential opportunities and risks and eventual considerations in regards to the opportunity costs of investment in hotel sector. With that in mind, the document will focus on the analysis of the company as well as external environment. It was decided that due to the fact that the investment of the company will touch upon exclusively HORECA sector, the scope of external analysis will be limited to this industry and statistics in South Africa.

South Africa is the country that presents a number of opportunities in HORECA sector, given the statistics on growing tourism sector and investment in infrastructure recently evidenced in the region. According to

World Bank Data (2012), population of South Africa is around 51 mln, with total Gross National Income per capita of USD$ 7, 610. Poverty level has been decreasing dramatically, falling from 38% in 2000 to 23% in 2012. The above reflects general climate in the country. Tourism in South Africa is considered as the focus of the country´s strategic development. This strategic emphasis on tourism is reflected in the National Department of Tourism Plan that aims to increase the contribution of the sector to the country´s GDP from 7. 9% in 2009 to almost 15% by 2020. Tourism statistics, however, also reflect positive investment climate in the country, as total international tourism inflow increased by 18. 5% over the past 2 years. While quality of infrastructure, based on 2012 statistics, in the country is ranked as 3. 79 (out of 5), it reflects 0. 25 points improvement relative to same period of 2011 (World Bank, 2014). This improvement is partially attributed to the investment to this sector and governmental projects, such as road construction, public transportation and maritime port expansion. Additional opportunity comes from the development of internal domestic tourism market and legislator projects for facilitation and development of tourism-related activities. The above financial indicators create strong confidence in international investment groups that put South Africa onto their expansion priority lists.

Company Profile

Marriott Corporation is an international Hotel Chain Group that comprises under its umbrella over 18 brands in Luxury, Lifestyle and other hotel segments. Global presence of the company is difficult to doubt. Today the organization has over 600, 000 rooms available on all the continents and counts with USD$ 581 in total revenue as of year 2012. Currently Marriott operates almost 12, 000 rooms and 41 properties in Middle East and Africa region with total earnings, based on 2012 figures with average Return on Investment of 35% (Marriott, 2012). According to the survey, conducted by the company, over 89% of the customers, who participated in the research, are highly satisfied with the provided service (Marriott, 2013).

Purpose of Expansion

The Company is presenting to the board of Directors the proposal for investment opportunity that will contribute towards the expansion strategy of the Marriott Hotel Group into the South African Market. With that in mind the company aims to expand the operations through organic growth and benefit from growing market potential of South Africa region.

The objective of the company is to increase its hosting capacity by 50% by the end of financial year 2015 and reach a total of 123 properties in operation, including those already under construction (Marriott, 2012).

Project Specifications

The expansion is planned with the following constructs of proposition: 1) investment in existing chain purchase, such as the recent acquisition of Protea Group and 2) construction of new resort hotels in Cape Town Region. The investment into the project should come from internal funds as well as external financing and the amount of investment is to be determined based on the combination of factors, such as percentage of new construction and acquisitions.

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