

Marriott international
generic business
level strategy
marketing essay



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When considering Marriott International, Inc.'s product, market, and distinctive competencies, one can develop a clear position that puts the company in multiple generic business-level strategies. This company is a worldwide franchisor and operator of hotels and lodging facilities, which operate under multiple separate brand names. They are a top player in the Hotel and lodging industry, and will certainly remain to be for many years to come. Based on multiple competitive advantages, including uniqueness and cost, and the breadth of their competitive scope, both broad and narrow, Marriott International, Inc. pursues multiple business level strategies. By taking a look at their portfolio of brands, Marriott displays an established presence across a broad market encompassed by a number of customer segments. Their distinctive competency comes from their differentiation strategy, by offering unique products, as well as their cost leadership strategy.

Differentiation Strategy

Marriott International, Inc. is a primary user of this strategy as they continue to develop a product and service that uniquely satisfies customer's needs. Not only are customer needs fulfilled, yet the distinctive attributes the company offers are valued and perceived as superior than competitors. By providing to multiple customer segments, from moderately priced to premium priced, the Marriott has earned a reputation for innovation and quality. The value added provided by the company's uniqueness allows for it to charge a premium price for the more upscale customer. This serves as a valuable attribute as it enables the company to offset a price increase by

suppliers; by passing along the costs to customers who cannot easily substitute the product and service they provide.

A current example of this strategy can be seen in the Marriott's introduction of new brands to appeal to new investors and serve unique guest segments. In December of Last year, J. W. Marriott himself announced the Autograph Collection. This new brand of very upscale independent hotels will offer a variety of distinctive personalities in major cities and desired destinations around the world. The member properties will preserve their personalities and branding, while utilizing Marriott's acclaimed marketing, reservation, and technology platforms. The innovative new brand is set to group worldwide iconic hotels according to the unique experience guests are looking for; whether it is a resort, an urban edge hotel, historic hotel, or a boutique arts hotel. The purpose is to appeal to a growing segment of customers who seek an experience that an independent hotel can provide; while further being strengthened by Marriott's presence in their internal operations. Seven hotels are set to officially form part of the Autograph Collection in April; 25 or more properties are expected to be added throughout 2010.

Furthermore, global luxury brands like The Ritz-Carlton are renowned for their unique architecture and exceptional quality of dining options, facilities, and personalized guest services. Most of the properties offer valuable amenities, such as golf courses, health spas, and tennis courts, which the upper scale customer usually demands. Some of the properties even offer the option to purchase luxurious real estate from one bedroom apartments to immense penthouses, while being able to enjoy the facilities and services

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provided by the hotel. This strategy serves as a viable way of earning higher than average returns as customer's sensitivity to price is diminished by an increase in brand loyalty.

Cost Leadership Strategy

On the other hand, Marriott International, Inc. does a superb job in offering brands that are aimed towards the more price sensitive consumer. Brands such as SpringHill Suites, and Courtyard target the upper moderate price tier segment, while Fairfield Inn targets the lower moderate price tier. The company excels in efficient cost production that enables to charge a low price compared to its competitors while still making a reasonable profit. The Marriott strives to keep costs low while catering to a broad segment of customers; providing them with clean, practical, and comfortable rooms as well as exceptional service. The company has been able to lower operating costs through a variety of ways including green buildings, waste reduction, and greener supply chains.

Marriott has developed a "spirit to preserve" philosophy that encompasses all of these efforts that not only serve to protect the environment, but to reduce costs as well. Last year the company had managed to have 67 properties either LEED certified or registered, including their headquarters in Bethesda, Maryland. It also employed 32 LEED accredited engineers and designers to assist in expanding their green building portfolio. By 2015 Marriott has set a target to increase the number of LEED certified buildings to 300. The importance of all this comes from a reduction of a hotel's water

and energy consumption by up to 25 percent; a favorable cost decrease for this top industry player.

Furthermore, the “ spirit to preserve” philosophy will focus their efforts on energy, water, and waste reduction. The eminent environmental impact from hotels is their consumption of energy and generation of waste, which contribute to greenhouse gas emissions. Marriott has set a goal to reduce water and energy consumption across its brands by 25 percent per available room from 2007 levels by 2017. Additionally, in 2009 it was also able to reduce water consumption per available room by 8. 2 percent. In terms of greener supply chains, the company was able to negotiate with vendors across their \$10 billion supply chain to supply greener cost efficient products that reduce resource and energy consumption. Products that were introduced in 2008 and 2009 include greener key cards, recycled pens, low energy light bulbs, water efficient showerheads and toilets, and the list continues to grow.

2. Discuss how your company has attempted to develop a competitive strategy to protect its

business-level strategy. For example, if your company is operating in an embryonic industry, discuss the ways it has attempted to increase its competitive advantage over time. If it operates in a mature industry, discuss how it has tried to manage the entry and rivalry

In its primary line of business, Marriott International, Inc. has a number of strong competitive strategies which make it the top company in its mature industry. At Marriott they believe in a continuing long term success through

more than 80 years of experience, strong brands, customer preference, and an effective business model. Currently, the company's portfolio consists of more than 3,400 franchised and managed properties across 18 brands in about 70 countries spanning across six continents. As of 2009, approximately 137,000 employees were part of generating sales of about \$11 billion; a figure that is expected to grow consistently in the following years.

In order to protect its business level strategy, which was greatly affected by a global recession and a cut back on travel, the Marriott has remained on top through the use of marketing and sales channels and a focus on customer service. They have effectively managed to cut costs at their corporate offices, hotels, and timeshare brands to generate a stable cash flow which has cut down their debt ratios to steady and secure levels. Most importantly, the company has placed a deep seeded focus on their team of employees and associates; a primordial piece of their strong competitive position. In addition, by focusing on using technology and innovative technical programs to improve the customer experience, the Marriott is able to differentiate itself from competitors and have a strong competitive edge. This has resulted in a hard to imitate mode of operation that competitors strive to match.

b. Your company is already doing business in other countries.**1. What strategy is your company pursuing to compete globally? In your opinion, is this the correct strategy, given cost pressures and pressures for local responsiveness?**

In order to compete globally, Marriott International, Inc. has been following a proven strategy of franchising and managing hotels rather than having full ownership. At the end of 2009, about 46 percent of the hotel rooms in the company's system were operated under management agreements, 52 percent operated under franchise agreements, while only 2 percent were leased or owned by the company. In the franchised properties, the company foregoes direct control over employees and strives to build upon maintenance and internal operations. This focus on franchising and generating management contracts provided the company with stable earnings in tough economic periods while further expanding the number of properties added to their system. This strategy has allowed for significant global growth while reducing financial risk and leverage in this cyclical industry.

In my opinion this is not only a very effective, but also innovative approach in order to compete globally. The strategy the company uses not only reduces their capital risk but it also allows for a more customer responsive set of properties. By focusing on internal operations and ensuring that the hotels are up to par with brand standards customer expectations may be maintained, and brand equity can be strengthened. Furthermore, the

implementation of this strategy will provide the Marriott with a suitable level of financial flexibility through reducing and recycling their invested capital.

2. What major foreign market does your company serve, and what mode has it used to enter this market? Why is your company active in these markets and not others? What are the advantages and disadvantages of using this mode of entry? Might another mode of entry be preferable?

Marriott International, Inc. has evolved at a continuous pace throughout the years; which lends for their top position as a global leader. The company has managed to establish a presence in all of the major continents of the world. At the years end of 2009 Marriott had 3, 094 properties in the Americas, 169 properties in Europe, 122 properties in Asia-Pacific, and 35 properties in the Middle East and Africa. The importance of their mode of entry comes from their system of franchising and managing properties rather than wholly owning them. Of their current development operations of more than 600 hotels, an addition of about 100, 000 new rooms, more than one third are located outside of North America.

The main reason the company is active in these markets is because of the immense potential for growth they see in the long term; the profits substantiate this. In 2009, of the \$154 million the company made from management fees over two thirds came from hotels located outside of North America. The advantage of using this strategy is because the high percentage of growth will continue to be fueled by ongoing global development. An example of this is Asia; they opened the first hotel 20 years ago and now they have about 114 properties with 55 in the works. By the

end of this year Marriott expects to operate 60 hotels in China, making it the largest international market aside from North America.

In the end, judging by the prosperity and continuous growth this company is experiencing it seems as though another mode of entry might not be preferable. The disadvantages of using this mode of entry seem to be minimal. The company's growth involves a broad range of brands, making their diversification a vast economic stimulator for foreign cultures. This seems to represent a perfect trade off as governments provide recognition through assistance and incentives for economic development and employment.

The company knows by experience that customers want to conduct repeat business with an entity that sticks to what they believe in and are committed to being a responsible global leader. The customers demand a global player that leads by example; the main distinguisher between Marriott and its competitors. The company has a strong competitive advantage due to their socially responsible internal operations. The company's properties around the world strive to focus on putting their part in alleviating some concerning global issues. From poverty, to children's well being, to the conservation of the environment, the company strives to demonstrate that they are putting forth the effort towards making a difference.

The hotel industry may have a substantial amount of competitors, yet none will beat the inimitable name that the Marriott has built for itself. The company prides itself in providing shelter and food to those who need it, providing education so people can secure a decent job, and assisting

children living in an environment that lacks opportunity. Even though the Marriott has a disciplined focus on global growth, they managed to successfully align it with a responsible global mindset. Their greatest competitive strength lies in their associates; delivering a rich diversity of culture and experiences to their guests worldwide. A strong portfolio definitely makes this company distinctive, yet their strength comes from, as J. W. Marriott himself puts it, the fact that they have “mastered the art of taking care of people”. The system has worked for many years, and it will undoubtedly continue to be this way; the company’s notorious and respected brand speaks for itself.