JURNAL ILMU MANAJEMEN
PROFITABILITY
ISSN 2714-6332(print) | 2614-3976 (online)
Member of Crossref doi 10.26618
Published by :
Program Studi Manajemen
Fakultas Ekonomi dan Bisnis
Universitas Muhammadiyah Makassar

Strategic Business Management Analysis Implemented by Marriott International Lodging Companies

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Keywords:
Marriott, Hotel Industry, Strategic Management

Abstract

This article revolves around the hospitality industry and Marriott International, a hospitality company based in the United States. With a wide array of properties and brands spanning 74 countries globally, Marriott International boasts an expansive presence. The primary focus of this article is to analyze the strategic management efforts undertaken by Marriott Hotels. Marriott employs numerous strategic management processes crucial for thriving within the fiercely competitive hospitality sector. Furthermore, this article delves into an examination of Marriott's internal and external environment, along with an exploration of the competitive dynamics inherent in the hospitality industry's market competition. The author utilizes qualitative research methods, complemented by a descriptive approach and an extensive literature review, to gather relevant information pertinent to this subject. This article underscores the entirety of the hospitality business, highlighted by its elevated economies of scale, significant switching costs, and the reduced bargaining power held by both customers and suppliers. However, the hospitality business is not without its drawbacks. Notably, a substantial threat emerges from substitute products, underscoring a disadvantage that cannot be disregarded.

1. INTRODUCTION

The hotel industry is an industry involved in offering room services, food, beverages and other services that are managed and offered publicly. Hotels are an important part of business in the tourism sector. Without this industry, tourism cannot run because tourists visit and stay somewhere. The hospitality industry can be found anywhere and has different offerings in each location. Therefore, the hotels that we meet in various regions will of course have differences. These differences can be caused by differences in the social, cultural, economic or political situation in the area. Of course, every country has these differences and hotel industry managers will adjust their offerings in that area in order to attract local people or tourists who want to visit the area.

One of the companies involved in the hospitality industry is Marriott International. Marriott International is a United States-based hospitality company . Marriott has various properties and brands in 74 countries around the world. Marriott International was founded in 1993, after Marriott established its first hotel in 1957. Some of the hotels under the auspices of Marriott are JW Marriott, Ritz Carlton, Marriott Hotels, W Hotels, Sheraton, and other well-known hotels. (Setya, 2020) The author analyzes the strategic management carried out by Marriott International. Strategic management is carried out by analyzing the company's internal and external environment, the level of business strategy implemented, and the competitive dynamics of the hotel industry competition in the market.

2. LITERATURE REVIEW

2.1 Strategic Management Processes

The strategic management process has the following four steps:

a. Environmental Observation

Environmental observation is a process of gathering information that aims to produce a strategy. This process can assist in the analysis of internal and external factors for a company. After this process is running, management must continuously evaluate and try to correct the mistakes made. (Juneja, n.d.)

b. Strategy Formulation

Strategy formulation is the process by which management decides the best course of action to achieve organizational goals. This process is carried out after observing the environment, managers make corporate and functional strategic decisions.

c. Strategy Implementation

Strategy implementation is the placement of a strategy made by the company. Strategy implementation includes designing organizational structures, distributing resources, and includes developing decision-making processes and also managing human resources.

d. Strategy Evaluation

Strategy evaluation is the final step in this strategic management process. The activity of evaluating this strategy is to assess internal and external factors that are at the root of the strategy that will be decided by managers later for the company going forward. This evaluation aims to ensure the company's strategy and its implementation are in accordance with the goals of the company.

2.1.1 Environmental Analysis

Environmental analysis is one of the first steps taken and carried out by companies before deciding which strategy to use and implement. The purpose of doing this environmental analysis is to find out how strong the company is in competing in a competitive market. And also can find out the strengths and weaknesses of the company. Environmental analysis can be done in 2 ways, namely, external and internal analysis . (Medina Munro & Belanger, 2017)

External analysis is an analysis related to something that comes from outside the company, such as market conditions and competitors . There are 3 stages in analyzing that can be done, namely:

a. Analyze the relationship between environmental responses and company strategy
b. Analyze what factors can become obstacles for companies in their efforts to run their business
c. Analyzing the possibilities that can occur in the future in the business environment.

Broadly speaking, external environmental analysis is the process of analyzing factors that occur from outside the company that can be a threat to the company in running its business. The internal environmental analysis is an extensive review covering operational aspects, internal guidelines and company mission. The operational aspects reviewed are the marketing strategy, production capacity, vision and leadership of the company. All these things will be examined carefully in order to reveal what aspects will be a problem. Company management usually begins an internal analysis with the aim of identifying risk and opportunity areas. Usually top management will carry out an inventory to assess the strengths and weaknesses of the entire organization function. (Fletcher, 2013)

2.2 Business Level Strategy

Business Level Strategy is a stage that is passed by managers to manage company resources and competencies that aim to create competitive advantage over competitors (Usmani, 2022) . According to Micheal Poter, there are three levels of strategy in the business level strategy , namely:

a. Corporate Strategy
Corporate Strategy is the stage where we can determine what business we can create to gain a competitive advantage.

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b. Business Strategy
In business strategy it is important for us to understand the business and the surrounding environment in order to know who our competitors are and how we can compete with existing competitors. The purpose of Business Strategy is to gain competitive advantage and provide real value to customers (G, 2019) .

c. Functional Strategy
In Functional Strategy we must be able to support business level strategies in functional departments such as human resources, marketing, and production.

The function of the Functional Strategy is to help the effectiveness of a department within the organization.

a. Cost Leadership
Cost Leadership is a strategy used by organizations that wish to compete for a broader customer base. An example of amazon is amazon which uses a Cost Leadership strategy, Amazon maintains low selling prices in order to increase large purchasing power to buy products at low prices.

b. Differentiation
Differentiation is a strategy whereby a company attracts a customer base by using the yellow that the company makes. An example of a company using Differentiation as their strategy is Apple selling their laptops and phones to a wide market by relying on unique designs from Apple's own company.

c. Focused cost leadership
Focused cost leadership are companies that compete on price by reducing building and other costs in order to get maximum profits. For example, Checkers is a fast food company, they operate using a drive-in, meaning they don't need to provide a place for customers to buy their products, so they can build their property at a lower price. Even so, these companies can get high margins because they have lower overhead costs.

d. Focused differentiation
Focused differentiation is similar to differentiation, the difference is that if differentiation targets a broad market, then Focused differentiation targets a narrower market, for example the Rolls Royce car company they sell their cars to a narrow market by providing high prices, good quality, and limited.

e. Integrated Cost Leadership / Differentiation
Integrated Cost Leadership / Differentiation or what is commonly called a hybrid strategy in this strategy the company sells goods at low prices but has its own uniqueness that other products do not have, for example, Ikea, which makes Peacock Density products that cannot be imitated by other products with but they also sell it at a low price.

2.3 Competitive Rivalry and Competitive Dynamics

Competitive Rivalry Is a conscious movement or action that is carried out on an ongoing basis in order to take time between the company and its competitors to set up a position that can gain an advantage. While competitive dynamics is a movement made competitively by companies in order to take time between individual companies and their competitors to set positions that can benefit. (Zein, 2017)

2.3 Market Commonality

Market commonality habits usually reduce competitive interactions, but usually increase the probability of a response where interaction occurs. For example, in an airline company the price of an airline is the same as a competitor, but the company will respond quickly when a competitor is doing a promotion.

2.4 Resource Similarity

A company that has different resources tends to attack. The reason why companies don't attack each other is because they are afraid that the companies being attacked will strike back, so companies prefer not to attack and choose to look at each other's actions.

2.5 Corporate Level Strategy

Corporate Level Strategy is an activity carried out by a company to calculate the target market and enter into it. (Ichsan Medina, 2022)

a. Low Level of Diversification

Low Level of Diversification is the failure of a company to understand a potential product, analyze the market, look for new opportunities, and be slow to adapt to something new and lack of capital to invest.

b. Moderate Level Diversification

Moderate Level Diversification is where the condition of a company already wants to learn or efforts will be made to understand a product and try to analyze the market, and look for new opportunities to be made as an investment. Aims to deepen knowledge of the market and adapt to the circle .

c. High Level Diversification

At this level, companies are required to be able to understand rapidly changing customer needs, make significant innovation investments in products to adapt to rapidly changing customer needs. So that technology and innovation are very important for the development of High Level Diversification . (Hitt et al., 2023)

3. RESEARCH METHODS

In making this article the author uses qualitative research methods that aim to obtain information related to this topic. The author also uses a descriptive approach and also a literature review. The qualitative method is a research method that aims to produce in-depth observations on a comprehensive study or phenomenon. This method is carried out so that the writer can understand the phenomenon and can also investigate the topic being discussed. For the descriptive approach in the qualitative method is a research method in which the data may not be manipulated or the data is descriptive in nature which aims to clarify the topic being discussed, usually this approach is carried out by analyzing the company's data.

4. RESULTS AND DISCUSSION

4.1 Research result

4.1.1 Strategic Marriot

In conducting its business, Marriott operates several strategic management processes. This strategic management is very necessary for Marriott to compete among the tight competition in the hospitality business. The following are several stages of strategic management carried out by the Marriott Group. (Filimonau et al., 2023)

4.1.2 External Environmental Analysis

Marriott's hospitality business is a business that is included in the attractive industry. This is caused by:

a. High entry barriers

The hospitality business has high economies of scale . This is because the hotel business is usually run by many large companies that run many hotels in various areas, rather than managing individual hotels in certain areas. The hotel products offered also vary, one hotel company usually has many hotel brands that the company operates. These different brands show the differentiation among all existing hotels. The differentiation aims to reach different market segments. This shows the high product differentiation in the hospitality industry. With this differentiation, the switching costs required by consumers to change to other hotel brands are also very high. (Jaaffar et al., 2023)

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b. Weak bargaining positions for customers and suppliers

Consumers and suppliers have low bargaining positions in the hotel industry. After a consumer makes a room reservation, usually the consumer cannot change the date, room type, and other details related to the consumer's order. Suppliers also have low bargaining power because usually the contracts entered into by these providers are directly related to companies that oversee many hotels, so bookings are made in large numbers and it is more profitable for the hotel company. (Kim, 2023). Although these two points show strong advantages for the hospitality industry, there are two drawbacks for companies doing business in this field , namely the many substitute products from similar business competitors and the tight competition among other lodging companies.

c. Strong threat of substitute products

The hospitality business is a business that can easily find substitute products, both for consumers and suppliers . Because the hospitality business is run by many large companies that compete with one another. This causes that if one of the consumers or suppliers wants to move to another hotel business, the action is quite easy to do. Marriott has competitors with other hotel groups such as the Accor Group, Hilton Group, Intercontinental Group, and other hotel groups. And of the many groups, of course there are similar competing brands, for example the flagship Marriott brand competes with the flagship Hilton brand, or the budget Marriott brand, Four Points by Sheraton, which competes with Accor's budget brand , Ibis Hotels. (Leutwiler-Lee et al., 2023)

d. Intense rivalry among competitors

With a variety of alternatives, the Marriott Group has intense rivalry with its competitors. Marriott annually opens various hotel branches with various brands in hundreds of locations. Marriott also annually introduces new brands with certain segments to have strength in competition with other hotels. To fight this rivalry, Marriott provides a variety of hotel brands with the Luxury, Premium, Select, Longer Stays and Collections segments.

4.1.3 Internal environmental analysis

Marriott builds strength internally with four sustainable strength points :

a. Valuable

Marriott creates value by prioritizing one of their corporate goals, "We Put People First" . By following this motto, Marriott prioritizes consumers who stay at their hotels. Without considering any hotel from Marriott, the hotel considers the guest as a top priority. This builds value for consumers and can attract other potential customers to stay at Marriott company hotels.

b. Rare

Marriott points out that the services they offer are rare, not easily found in other hotels. Marriott has a “Marriott Bonvoy” program which is a points system for stayers staying at Marriott properties. Not all hotel managers have such a program. Therefore, the Marriott offer is rare.

c. Costly to imitate

Compared to other hotels that are offered by individual managers, Marriott, which has many hotel branches, can train many of their employees and deploy employees to various branches. So that when Marriott plans to open a new branch, managers can withdraw employees from the hotel and repeat the training cycle. Because it uses the advantages of the many hotel branches, the Marriott system is very difficult to imitate because it requires a lot of money.

d. Nonsubstitutable

From these three points, the services offered by Marriott are irreplaceable. Although many other large companies offer lodging services, Marriott still holds the status of being the world's largest lodging service provider. With more than 7500 hotels and more than 14000 rooms in 2021, Marriott International is the largest hotel chain in the world. Between 2020 and 2021 the number of rooms increased from 1,358,400 to 1,400,289 rooms which is a growth of 3.1% (Hyland, 2021) . This shows the irreplaceable role of Marriott in the hotel industry scheme.

4.1.4 Business Level Strategy

Marriott has a vision "To be the World's Favorite Travel Company" (Parker, 2021) . This vision shows that Marriott has dreams of becoming the largest company in the world with a specialization in tourism. This vision does not have a time period , but this is done because Marriott has achieved this goal now and wants to maintain this status so that it is not taken over by other companies. Marriott as a hospitality company that has a very wide collection of properties has a wide range of hotels that complement the three aspects of consumers.

a. Prime Customer

Marriott provides several hotel options for its customers who fall into the prime customer category . Hotels in this category are hotels that are a reference for other hotel companies. Marriott properties that fall into this category are the Ritz Carlton, JW Marriott, and W hotels.

b. Value For Money

Marriott provides a choice of hotels for its customers who want to get the maximum offer from the price offered. Hotels in this category are Marriott, Sheraton, and Courtyard by Marriott.

c. Economy

Marriott provides a choice of hotels for stayers who want to get the lowest price, but still prioritize quality. Hotels in this category are Four Points by Sheraton, Aloft, and Moxy. It can be concluded that the Marriott Group serves a variety of different customer segments.

4.1.5 Market Commonality

Marriott is in an industry that has high market commonality . This can be seen from the many competitors who have similar systems, such as the Accor Group, Hilton Group, Intercontinental Group, and other hotel groups. With high market similarity, one company can easily imitate market movements made by other companies. This causes very high market dynamics.

4.1.6 Resource Commonality

Marriott has a strategic advantage in this area. In 2016, Marriott acquired Starwood which is a similar company. This is done to increase the equality of resources among the various hotels under the auspices of Marriott. The more hotels owned by Marriott, the more resources the company has. The action also reduces competitors who have the same resources.

4.1.7 Corporate Level Strategy

Marriott implements high level diversification in the tourism industry, because the brands owned by Marriott are numerous and serve very diverse segments, starting from budget consumers and premium consumers. Therefore, Marriott's profits are not dominant in one consumer sector or one brand, but are spread across all of these sectors and brands.

5. CLOSING

5.1 Conclusion

Marriott carries out several stages of strategic management which include external and internal environmental analysis to be competitive in the hospitality industry. Marriott has several sustainable internal strengths, namely providing a valuable experience for customers, providing services that are rare and not easily imitated by competitors, as well as optimizing employee resources in various Marriott hotel branches that can increase cost efficiency and employee training.

5.2 Suggestion

In order for Marriott to remain competitive in the hospitality industry, it is suggested that Marriott can maintain the advantage of its sustainable internal strength while still evaluating the changes that occur in the external environment such as technological developments and consumer behavior. In addition, Marriott can also improve service and product quality, diversify products and services, and improve operational efficiency to cope with increasingly intense competition with its competitors.

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