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Chair of Corporate Finance

**The Marriot-Starwood acquisition:  
A case study on strategic growth, synergy realisation and global  
market impact in the hospitality industry**

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## INTRODUCTION

In an increasingly dynamic and interconnected global economy, mergers and acquisitions (M&A) represent one of the most powerful strategic tools available to companies seeking to strengthen their competitive position, access new markets, and create long-term value. The hospitality industry heavily influenced by external factors such as digitalization, globalization, and global health emergencies, has experienced significant consolidation processes in recent decades. Among these, one of the most emblematic examples is Marriott International's acquisition of Starwood Hotels & Resorts, which stands as one of the largest and most impactful M&A operations in the history of the hotel industry.

This thesis aims to analyze this operation in depth, with the goal of understanding the strategic motivations behind it, the economic and financial effects, as well as the organizational and cultural implications that followed. The discussion is structured into four chapters, each addressing specific yet interconnected aspects of the topic.

Chapter 1 provides the general context of the hospitality industry. After defining key terms and presenting a segmentation of the hotel sector, the chapter highlights the main trends currently transforming the industry, from the growing demand for personalization and sustainability to the impact of technological innovation on booking processes and guest experience management. Particular attention is given to the role of hotel classification systems and the evolving expectations of consumers.

Chapter 2 focuses on the theoretical and methodological foundations of corporate finance in the context of M&A. It analyzes different types of M&A operations (horizontal, vertical, conglomerate), their strategic drivers, and the typical phases of a deal, from due diligence to post-merger integration. It also explores valuation techniques such as Discounted Cash Flow (DCF) and market multiples and outlines the main performance indicators used to evaluate M&A outcomes. Furthermore, it delves into corporate governance and agency theory, shedding light on the managerial and decision-making challenges involved in complex transactions.

Chapter 3 shifts to the practical analysis of the Marriott-Starwood case. After retracing the timeline of the deal, from negotiations to regulatory approval, the chapter explores the strategic rationale, financial valuation, expected synergies, and the value creation achieved through the merger. The goal is to offer a comprehensive understanding of how such a high-profile acquisition can reshape a company's market positioning and long-term performance.

Chapter 4 addresses the qualitative and organizational aspects of the post-merger integration phase. It includes an analysis of Marriott's operational cash flow and financial performance, the integration of customer bases and loyalty programs (notably, the creation of Marriott Bonvoy), and the challenges of aligning two distinct corporate cultures. The chapter also examines human resources policies implemented during the merger and dedicates a detailed section to the impact of the COVID-19 pandemic. In particular, it highlights the strategies Marriott adopted to face the crisis and prepare for recovery, ranging from cost optimization to digital acceleration and guest retention efforts.

Through a comprehensive approach that combines theoretical analysis with empirical evidence, this thesis aims to provide a full picture of the multiple dimensions influencing the success or failure of M&A operations in the hospitality sector. The ultimate goal is to offer valuable insights for both academic and professional audiences, and to contribute to a deeper understanding of strategic corporate decisions in an increasingly competitive and complex market environment.

This thesis adopts a qualitative and case-based research approach, centered on the in-depth analysis of a real-world merger and acquisition operation in the hospitality industry: the acquisition of Starwood Hotels & Resorts by Marriott International, finalized in 2016.

The research methodology follows a case study framework, aiming to explore the strategic, financial, and organizational dynamics that shape large-scale M&A transactions. The analysis is grounded in a combination of primary sources (such as 10-K filings, sustainability reports, and investor communications) and secondary sources (including academic literature, industry publications, and financial databases).

The study investigates:

- the strategic motivations behind the deal,
- the synergies expected and realized,
- the market impact and competitive repositioning of Marriott,
- the integration of organizational structures and corporate cultures, and
- the financial performance indicators and value creation metrics post-merger (e.g., EV/EBITDA, P/E ratio, and operating cash flow trends).

Although no primary data collection through interviews or surveys was conducted, the thesis offers a structured and critical assessment of the Marriott-Starwood case, aligning it with theoretical frameworks such as agency theory, corporate governance, and strategic M&A models. This integrated approach enhances the understanding of consolidation trends and strategic decision-making processes in the global hotel industry.

## **General Context**

*“Price is what you pay. Value is what you get.”*

— *Warren Buffett*

This quote by Warren Buffett highlights a crucial distinction in the context of mergers and acquisitions: while the financial cost of a deal is immediate and measurable, its real value lies in the long-term strategic impact it can generate. In a global market that is constantly evolving and highly competitive, how do companies achieve growth and resilience? The answer often lies in transformative strategies such as mergers and acquisitions (M&A). These powerful tools enable businesses to adapt to shifting market dynamics, expand their reach, and redefine entire industries, paving the way for innovation and long-term success. This remark reflects one of the most essential truths in corporate finance: the real worth of an acquisition lies not merely in its price tag, but in the long-term value it creates. In the context of mergers and acquisitions, especially in a dynamic and experience-driven industry like hospitality, this distinction becomes crucial. The Marriott–Starwood deal

serves as a compelling case study of how strategic value, rather than immediate cost, can redefine market leadership and competitive advantage.

"In a global market that is constantly evolving and highly competitive, how do companies achieve growth and resilience? The answer often lies in transformative strategies such as mergers and acquisitions (M&A). These powerful tools enable businesses to adapt to shifting market dynamics, expand their reach, and redefine entire industries, paving the way for innovation and long-term success<sup>1</sup>.

Mergers and acquisitions (M&A) represent one of the most effective approaches for companies to grow, transform, and thrive in today's fast-paced global economy<sup>2</sup>.

Personally, I have always been intrigued by how a merger or acquisition can profoundly reshape a company but an entire industry. During my academic journey, I have explored the strategic and economic forces driving these activities, uncovering their complexity and understanding their pivotal role in fostering corporate growth and sustainability."

M&A is a particularly crucial topic in the hospitality industry. Recent years have seen significant changes in the business due to shifting travel preferences and digitization<sup>2</sup>. With the rise of new internet booking platforms and the popularity of business models like Airbnb, traditional hotel businesses are facing new difficulties. Additionally, the pandemic has had a disastrous effect on the sector, leading many companies to reevaluate their expansion plans and look for synergies through mergers and acquisitions to reduce expenses and improve resilience.

What struck me from the beginning was how M&As in a sector like hospitality are not just a matter of numbers. These operations represent a way to completely rethink how companies offer services, manage their operations, and relate to customers. The hospitality

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<sup>1</sup> P. Gaughan, *Mergers, Acquisitions, and Corporate Restructurings*, Wiley, Hoboken, 2018, p. 15. <sup>2</sup> L. Zollo, *Fusioni e acquisizioni: Strategie e creazione di valore*, Egea, Milano, 2007, p. 22.

<sup>2</sup> World Travel & Tourism Council, *Travel & Tourism Economic Impact 2019*, WTTC, London, 2019, p. 3.

sector, perhaps more than many others, depends on customer experience and the ability to adapt to changes in consumer tastes and expectations. In this context, M&As offer hotel chains an opportunity to diversify their offerings and strengthen their positioning in the global market.

### **Focus of the Case Study: Marriott and Starwood**

Marriott International, Inc. is one of the largest hotel chains in the world. Its history started in the 1920s. J. Willard Marriott and his wife, Alice, established Marriott in 1927. In Washington, D.C., the company started out as a chain of eateries and soft drink shops called "Hot Shoppes." However, in 1957, Marriott made its initial foray into the hotel industry with the opening of the Twin Bridges Marriott Motor Hotel in Virginia. After then, the company began to expand swiftly, concentrating on providing lodging for both pleasure and business tourists. Marriott expanded primarily through a combination of strategic acquisitions and brand development.

Among its major acquisitions, we note the purchase of Ritz-Carlton in 1998. The company developed a wide range of brands, from luxury to economy, including Marriott Hotels, JW Marriott, Courtyard by Marriott, and many others. Marriott International is headquartered in Bethesda, Maryland, USA.

As one of the most worldwide present hotel chains, the firm currently runs a vast network of more than 8,000 hotels in 139 countries. To meet the needs of a broad customer base, the company offers a highly diversified portfolio. In addition to the Marriott Hotels brand, it includes luxury properties such as The Ritz-Carlton, St. Regis, and Edition, as well as mid-range brands like Sheraton, Westin, and Courtyard by Marriott.

Before being purchased by Marriott, Starwood Hotels & Resorts Worldwide, Inc. was one of the world's largest hotel chains. Barry Sternlicht founded Starwood in 1969, originally as a real estate management agency. With the intention of becoming a significant participant in the business, the company quickly transitioned into the hotel sector.

The acquisition of other hotel brands accelerated Starwood's growth. With the 1998 acquisitions of the luxury hotel brand Westin Hotels & Resorts and Sheraton, Starwood rose to prominence in the hotel sector. Starwood was known for managing high-level, innovative brands, including Sheraton (one of Starwood's oldest and most well-known brands), Westin (focused on luxury travel), W Hotels (an innovative boutique luxury hotel brand introduced in the late '90s), Le Méridien, Aloft, Element, and many more. Prior to the 1999 inception of the Starwood Preferred Guest (SPG) program, one of the most appreciated incentive schemes in the industry, Starwood was widely recognized for emphasizing customer loyalty. The hotel industry held this program in high respect because to its generosity, adaptability, and range of awards, especially among wealthy and repeat guests. For the most part, SPG kept customers choosing Starwood's luxury hotel brands, such as W Hotels, St. Regis, The Luxury Collection, Westin, and Sheraton.

### **Key Aspects of the Marriot-Starwood Operation**

One of the biggest mergers and acquisitions in the hospitality industry occurred in 2016 when Marriott purchased Starwood. Among the key outcomes of this merger was the unification of Marriott Rewards and Starwood Preferred Guest (SPG), two of the most significant hotel loyalty programs, under a single umbrella comprising 30 brands.

With a foothold in key international markets, the merger strengthened Marriott's standing as a leader in the hospitality industry worldwide.

The 2016 completion of Marriott International's acquisition of Starwood Hotels & Resorts serves as the case study for my thesis. Because it was one of the most important operations in the hospitality sector in recent decades and had a big influence on the whole scene, I decided to focus on it.

Marriott, being one of the biggest hotel chains in the world, acquired Starwood in order to expand its worldwide reach, strengthen its incentive system, and expand its portfolio of brands.

From my perspective, this merger is an excellent example of how an M&A transaction may totally transform a sector's competitive structure. Prior to this transaction, Marriott and Starwood were industry leaders, but the merger created a behemoth that rewrote the rules of global hospitality.

The process of combining the two firm concepts was one of the most fascinating parts of this merger. Starwood's collection of distinctive and one-of-a-kind brands and its strong presence in the premium sector made it well-known.

In contrast, Marriott had a more extensive and well-established network that placed a strong focus on operational efficiency.

I questioned how these two seemingly disparate company cultures could be successfully blended. This topic was one of the main reasons I chose this case study, as it offers a fascinating viewpoint on the obstacles and opportunities associated with mergers and acquisitions.

The purchase of Starwood has far-reaching effects on the loyalty program, which is growing more and more significant in the hospitality sector, in addition to expanding Marriott's portfolio.

Marriott Rewards and Starwood Preferred Guest (SPG), the two corporations' incentive programs, were closely watched by millions of devoted customers.

This led me to reflect on how delicate the M&A process can be, especially with regard to customer loyalty.

## Structure of the Thesis

Three main components make up my thesis, each of which adds to a thorough understanding of the M&A phenomena in the hotel industry, with an emphasis on the Marriott-Starwood example in particular:

1. **Theoretical part:** In this section, I will present an outline of the main economic and strategic theories that explain the incentives for M&As. I will also discuss contemporary changes in the hospitality industry and how digitalization and globalization have changed organizations' growth strategies.
2. **Practical Case Analysis:** This section will analyze Marriott's acquisition of Starwood, covering financial elements as well as operational and cultural integration challenges. I will focus on the loyalty program, which is critical to the merger's success.
3. **Conclusions:** This case analysis provides insights into M&As in the hotel business. I will also discuss future ramifications for the sector and potential changes in M&A strategy in the coming years.

## Objectives of the Thesis

My thesis aims to investigate the dynamics of a large corporate merger in detail and show how these activities might have real-world implications at the operational and strategic levels. In particular, I want to concentrate on three goals:

- 1) **Examine the acquisition's strategic justifications.** Why did Marriott decide to go through with this merger? What were the main goals, and how did they affect the strategic choices made by the business? Since both businesses were established leaders in their respective industries, one of the first things I questioned myself was why Marriott had chosen Starwood as the target of this a merger. I would be able to understand the logic of M&A in this industry better if I looked at the strategic justification for this choice.

- 2) **Evaluate the financial value of the operation:** The combination of Marriott and Starwood was one of the greatest mergers in the hospitality sector, worth over \$13 billion. I'd like to know how the acquisition was appraised, what synergies were expected, and whether they were realized. This goal is very relevant to me since I am intrigued about how a purchase of this magnitude is justified and evaluated from a financial standpoint.
- 3) **Evaluate the post-acquisition impact:** Initially, I questioned the true impact of the merger. I'm curious about how the acquisition affected Marriott's success in worldwide markets and what notable changes occurred in the company's operations. In addition, I want to assess the impact on customers, particularly in terms of the new consolidated loyalty program and brand perception.

In my experience, combining qualitative and quantitative analysis yields a comprehensive view. I feel that relying solely on numerical or theoretical analysis risks disregarding critical components of M&A operations, such as corporate culture or customer and competitor reactions.

## CHAPTER 1

### 1.1. The Hospitality Sector: Definitions and Fundamental Concepts

The global economy depends heavily on the hotel sector, which is driven by the growing demand for services from both business and leisure tourists worldwide. In 2019, over 1.5 billion foreign visitors arrived, a 4% annual increase, according to data from the World Tourism Organizations. With an annual turnover of about \$570 billion, the hotel sector was one of the main beneficiaries of this boom. Given this, the consolidation and change of the sector were significantly impacted by Marriott's acquisition of Starwood. However, it is important to understand the general structure of the industry before delving into the intricacies of the merger.

#### 1.1.1. What is a Hotel and the Hotel Industry?

A hotel is a type of lodging facility that offers housing, eating, and a variety of other amenities to visitors, tourists, and employees. Hotels are an important part of the global tourism infrastructure, providing services ranging from basic economic accommodation to luxurious hospitality. Hotels serve as essential hubs for tourists, meeting basic needs such as rest and safety. At the same time, they enhance the travel experience through personalized services, recreational activities, and spaces for corporate events<sup>3</sup>.

- **Economic Function:** Hotels not only serve passengers but also contribute to local and national GDP. According to the World Travel & Tourism Council (WTTC), the direct contribution of tourism and hospitality to global GDP was around \$4.671 trillion in 2019, with the hotel industry accounting for a sizable portion of that total<sup>4</sup>.

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<sup>3</sup> C. Holloway – N. Taylor, *The Business of Tourism*, Pearson, London, 2017, p. 12.

<sup>4</sup> World Travel & Tourism Council, *Travel & Tourism Economic Impact 2019*, WTTC, London, 2019, p. 4.

- The hotel business employs millions of people in various professions, including cleaning, reception, management, and administration. Globally, the hotel and tourism sector are expected to support around 330 million jobs, representing 10% of global employment<sup>5</sup>.

### 1.1.2. Differences Between the Hotel Industry and the Hospitality Industry

To better comprehend the strategic stance of corporations like Marriott and Starwood, it is necessary to differentiate between the hotel and hospitality industries. Although the names are frequently used interchangeably, they refer to quite different notions<sup>6</sup>.

- **The hotel industry** includes temporary housing facilities like hotels, guesthouses, resorts, and hostels. These services are typically centered on lodging management and related services such as eating, cleaning, and concierge services. The major purpose is to ensure clients' comfort and safety throughout their stay. As of 2023, there were over 187,000 hotel facilities globally, totaling 16.4 million rooms, with a global average occupancy rate of 65%.
- **The hospitality industry** encompasses restaurants, catering companies, pubs, cruise ships, and entertainment businesses. Hospitality refers to any service that welcomes, entertains, and assists visitors and tourists. In other words, while the hotel industry is a subsector, the hospitality industry encompasses all aspects of client experiences.

Marriott and Starwood's business strategies, like those of other hotel companies, operate in a field where distinction is critical. The merging of these two behemoths enabled them to cover all aspects, from luxury accommodation (hotel business) to a more comprehensive hospitality experience (hospitality industry) with a diverse variety of services across multiple geographic regions.

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<sup>5</sup> Ivi, p. 5.

<sup>6</sup> J. Walker, *Introduction to Hospitality*, Pearson, Boston, 2016, p. 19.

### 1.1.3. Types of Accommodation: From Luxury to Business and Economy Hotels

Another important part of understanding the hospitality industry is the segmentation of accommodations. Marriott's acquisition of Starwood increased its footprint across all market categories, catering to every type of consumer, from luxury vacationers to business visitors<sup>7</sup>.

- 1) **Luxury Hotels:** Despite accounting for only 3-4% of total hotels, this category provides a significant amount of worldwide income, exceeding \$65 billion in 2019. Luxury hotels like The Ritz-Carlton, St. Regis, W Hotels, and Le Méridien (which was acquired from Starwood) offer first-rate experiences with personalized services and state-of-the-art amenities. Luxurious hotels are often found in upscale neighborhoods and attract both affluent customers and business travelers seeking the highest level of luxury.
- 2) **Business Hotels:** Business Hotels: These hotels, which make up 25–30% of the market, are mostly geared toward business travelers. They provide crucial amenities including meeting rooms, conference spaces, and fast Wi-Fi. They are also ideally located close to business areas, airports, and conference centers. This group includes companies like Sheraton, Westin, and Marriott Hotels, all of which are essential to Marriott's strategic positioning as one of the top suppliers of business lodging worldwide.
- 3) **Economy Hotels:** Budget Hotels: About 60% of the global hotel business is made up of brands like Courtyard by Marriott, Fairfield Inn & Suites, and others. These hotels are geared toward budget-conscious guests, providing basic but comfortable lodging options. Their success stems from offering exceptional value for money and being placed in strategic places with rising demand in emerging markets.

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<sup>7</sup> S. Medlik, *Dictionary of Travel, Tourism and Hospitality*, Routledge, London, 2016, p. 113.

4) **Resorts and Boutique Hotels:** Resorts provide a comprehensive vacation experience with leisure activities like golf, spa services, pools, and water sports. Marriott expanded its resort portfolio by acquiring Starwood, adding brands such as The Luxury Collection and St. Regis Resorts. Boutique hotels, on the other hand, prioritize distinctive lodging experiences through innovative design and customization. Boutique hotels are one of the industry's new trends, growing at a 6% annual rate.

However, this expansion has not been immune to global pressures. COVID-19 had a significant influence on the whole hotel sector, including resorts and boutique hotels. Although the sector had experienced strong growth in previous years, the pandemic caused a sharp decline in occupancy rates and revenues due to widespread closures and reduced international travel<sup>8</sup>.

The global travel industry is projected to grow at an annual rate of 8–9% between 2022 and 2024, driven primarily by the resurgence of business travel and significant growth in emerging markets. According to a report by the World Travel & Tourism Council and Travelport, the Asia-Pacific region is expected to witness a 6.2% annual increase in travel numbers until 2027, with standout growth rates in China (9.5%), Myanmar (8.7%), and Rwanda (8.5%). The continued recovery and growth of this market is further supported by the worldwide Business Travel Association's prediction that worldwide business travel expenditures would surpass \$2 trillion by 2028 (Twissen, Business Mobility). This expansion demonstrates how important business travel and developing nations will be in determining the direction of the sector.

Alongside the temporary drop in travelers, the pandemic accelerated several major shifts in consumer demand.

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<sup>8</sup> STR Global, *Hotel Trends 2019*, STR, Nashville, 2019, p. 8.

Customers today, particularly Millennials and Generation Z, place a higher value on personalized experiences and are more concerned about environmental sustainability. Hotels are no longer viewed as just somewhere to stay overnight, but as engaging and experiencing destinations. With the acquisition of Starwood, Marriott expanded its portfolio to meet these new demands, strategically placing itself in the market of luxury resorts and boutique hotels, providing distinctive and sustainable experiences.

## **1.2. Impact of Star Ratings and Service Variety in the Hospitality Industry**

The classification of hotels by star rating is a widely accepted technique for determining the quality and scope of services provided by an accommodation facility. This system allows each hotel to be rated on a scale of 1 star (basic) to 5 stars (luxury), giving customers an instant reference for service quality<sup>9</sup>.

As Conrad Hilton, the founder of the Hilton network, underlined, hospitality responsibility is fundamental in the hotel industry, particularly for luxury hotels, where customer experience and service quality are critical factors in determining success and star rating<sup>10</sup>.

- One-star hotels provide basic services, whereas five-star hotels offer luxurious amenities including spas, 24-hour concierge, gourmet restaurants, and big suites. Three-star hotels are in the mid-range category, offering a fair level of comfort and basic features like free Wi-Fi and 24-hour reception.
- International hospitality standards provide defined requirements for each level of star rating, notwithstanding minor variations across countries. For example, in Europe, the European Hotel stars Union classifies hotels using a precise grid of 270 criteria, including room size, service quality, and the availability of additional amenities.

In the hotel business, star ratings are a useful tool for differentiating oneself from competitors. In addition to indicating superior quality, a higher star rating increases online visibility and attracts more tourists, especially luxury and business guests. In tourist

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<sup>9</sup> A. Camprubi, *Tourism and Hotel Classification Systems*, Springer, Cham, 2020, p. 44.

<sup>10</sup> C. Hilton, *Be My Guest*, Prentice-Hall, Englewood Cliffs, 1957, p. 78.

destinations or business districts, a hotel with a better rating is often perceived as more reliable and superior, which leads to higher occupancy rates.

Hotels that succeed at maintaining good ratings and providing great experiences might benefit from premium pricing, resulting in higher profit margins.

Furthermore, star ratings are more than just indicators of perceived quality; they are an important tool for market positioning. Hotels must continually strive to maintain or increase their rating level, as customer perception is determined not only by the number of stars awarded, but also by the reviews and expectations they produce.

### **1.3. Trends in the Hospitality Sector**

The hotel industry, like many others, is constantly evolving as technology advances and consumer preferences alter. The global operations of large hotel firms are changing due to technological improvements, a greater focus on sustainability, and individualized experiences<sup>11</sup>.

The integration of technology, combined with the Marriott-Starwood merger, has created a true powerhouse in the global hotel sector, setting a new standard for service quality and operational scale, as highlighted by the Financial Times in 2016<sup>12</sup>.

The hotel visitor experience is being transformed by the use of technology, which makes it more accessible and dynamic. Digital keys, artificial intelligence, and online reservations are some of the biggest innovations transforming the sector.

Online bookings are one of the most significant advancements in the hotel industry. Currently, more than 60% of bookings are made through digital platforms, with top companies like Booking.com, Expedia, and Airbnb directly competing with hotel chains for clients. This rising reliance on online booking services has pushed several large chains to invest in direct booking systems on their own websites, with the goal of encouraging

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<sup>11</sup> A. Stipanuk, *Hospitality Facilities Management and Design*, AHLEI, Lansing, 2014, p. 166.

<sup>12</sup> Financial Times, *Marriott-Starwood deal creates hospitality superpower*, FT, London, 2016, p. 1.

people to book directly<sup>13</sup>. This tactic reduces commission costs, which can amount to 15–25% of the lodging charge. Technology like digital keys and self-check-in are also being used by a number of hotels to enhance the guest experience and reduce wait times. Typically run through software, these systems eliminate the need for customers to come to the front desk by enabling them to check in on their own and use their cellphones as room keys. For instance, Marriott offers its users these features through its app, which boosts ease and operational effectiveness<sup>15</sup>.

The industry is also being transformed by another significant innovation: artificial intelligence (AI). To improve operations and customer experience, hotels are using artificial intelligence technologies. Hotels may respond to customer inquiries around-the-clock by utilizing chatbots driven by artificial intelligence. Moreover, AI assists hotels in tracking customer preferences and behaviors, enabling them to offer more specialized services and predict visitors' needs, ultimately increasing customer loyalty<sup>14</sup>.

### **1.3.1. Changes in Consumer Preferences**

The demands of consumers are always evolving, with a growing demand for personalized experiences and sustainability. These changes are causing hotel operators to reevaluate their approach and accommodate a different type of visitor.

- Sustainability: The fact that almost 70% of travelers favor eco-friendly lodging shows how important sustainability is becoming. In response to this trend, hotels are employing renewable energy sources, reducing their usage of plastic, and implementing energy-saving initiatives. Marriott, as part of a broader environmental commitment, has committed to gradually eliminating single-use plastic bottles from its hotels by 2025<sup>15</sup>.

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<sup>13</sup> H. Kasavana, *Managing Technology in the Hospitality Industry*, AHLEI, Lansing, 2011, p. 108. <sup>15</sup> Marriott International, *Marriott Mobile App Features*, Marriott, Bethesda, 2020, p. 3.



<sup>14</sup> D. Ivanov – A. Dolgui, *Artificial Intelligence in Service Operations*, Springer, Cham, 2021, p. 87.

<sup>15</sup> Marriott International, *Serve 360: Environmental Goals Report*, Marriott, Bethesda, 2022, p. 10.

- **Tailored Experiences:** Gen Z and Millennials place a high value on customized travel experiences. In response, hotels are making unique offerings that include tailored itineraries, locally sourced food options, and activities tailored to each guest's tastes. This trend may be observed in loyalty programs like Marriott Bonvoy, which provide members exclusive events or unique excursions as prizes instead of complimentary nights<sup>16</sup>. These trends highlight how the hospitality industry is always evolving. Hotels that embrace technology and adapt to changing consumer demands are likely to prosper in an increasingly competitive industry.

As the global hotel industry continues to evolve, the growing reliance on digital platforms for bookings has become a significant trend. For example, in Italy, in 2022, 67% of hotel bookings were made through online travel agencies (OTAs) such as Booking.com, Expedia, and Hotels.com, with the remaining 33% done through official hotel websites. This trend demonstrates the increasing importance of digital platforms in the booking process, with OTAs dominating the market due to their widespread visibility and ease of use. Hotels, on the other hand, are investing more in their own direct channels in order to cut commission fees and increase client loyalty<sup>17</sup>.

## Booking Channels Distribution

Booking channel	Percentage			
Online travel agencies (OTAs)	67%	 online... ▾		
Hotel Direct (official websites)	33%	 Hotel ... ▾		

<sup>16</sup> S. Hudson – L. Hudson, Customer Experience Management in Hospitality, Goodfellow, Oxford, 2017, p. 121.

<sup>17</sup> Osservatorio Innovazione Digitale nel Turismo, Rapporto 2022, Politecnico di Milano, Milano, 2023, p. 27.

# REVPAR

## (REVENUE PER AVAILABLE ROOM)

It is a key performance indicator in the hotel industry that measures revenue generated per available room, regardless of whether it is occupied.

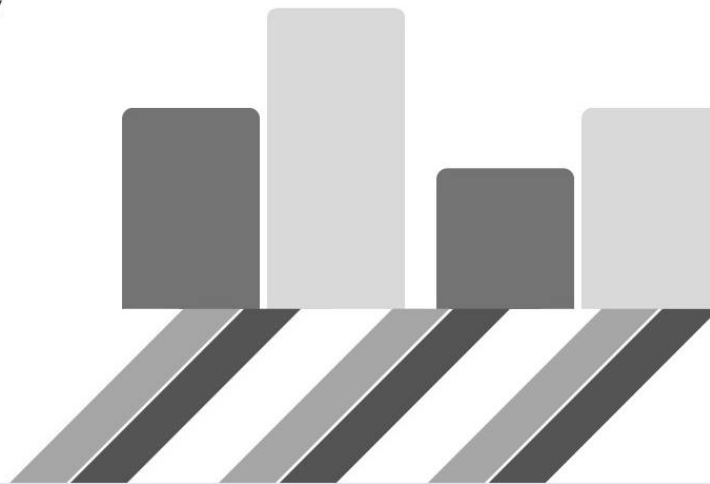
**Formula: REVPAR = Average Daily Rate (ADR) × Occupancy Rate**

### ■ 5-Star Hotels

High-end properties offering luxury services, premium facilities, fine dining, and personalized experiences.

### ■ 3-Star Hotels

Mid-range hotels with standard amenities, comfortable accommodations, and essential services for general travelers.



## CHAPTER 2

### 2.1. Corporate Finance and M&A

One of the strategic tools used by businesses to expand, diversify, and generate value for shareholders is corporate finance operations, particularly mergers and acquisitions (M&A). M&A deals are intricate and might include the merger or acquisition of two business companies. Along with the primary valuation techniques used to assess their performance, this section will examine the primary strategic incentives that push businesses to undertake such activities<sup>18</sup>.

#### 2.1.1 Types of M&A Operations

Mergers and acquisitions are crucial strategic tools in corporate finance, offering diverse approaches depending on the goals and industry context. To understand their impact, it is essential to examine their types and applications in real-world scenarios."<sup>19</sup>

Mergers and acquisitions can take different forms based on the strategic objectives of the companies involved. Horizontal mergers, like the Marriott-Starwood case, happen when companies in the same industry combine to strengthen their market position. Vertical mergers focus on integrating different stages of the supply chain, while conglomerate mergers involve companies from unrelated sectors joining to diversify their portfolios. Each type comes with its own challenges and opportunities, which influence both the evaluation process and the strategies for integration after the merger.

In the Marriott-Starwood case, the discounted cash flow (DCF) method was used to assess the potential value of the acquisition<sup>20</sup>. The analysis estimated a net present value (NPV) of \$1.2 billion, using a discount rate of 7.5%<sup>21</sup>. This calculation reflected the significant synergies expected from combining the two companies. Moreover, the acquisition required

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<sup>18</sup> M. DeAngelo – L. DeAngelo, *Corporate Finance and M&A Fundamentals*, Harvard Press, Boston, 2015, p. 13.

<sup>19</sup> R. Bruner, *Applied Mergers and Acquisitions*, Wiley, Hoboken, 2004, p. 97.

<sup>20</sup> P. Gaughan, *Mergers, Acquisitions, and Corporate Restructurings*, Wiley, Hoboken, 2018, p. 213.

<sup>21</sup> KPMG, *Global M&A Outlook 2016*, KPMG International, New York, 2016, p. 9.

approval from the Federal Trade Commission (FTC), demonstrating the importance of regulatory compliance to ensure fair competition and transparency in large-scale mergers<sup>22</sup>.

## **Merger**

A merger occurs when two or more companies join to form a new entity. In a merger, the companies involved are dissolved as independent legal entities, creating a new organization that combines the resources, employees, and operations of the previous companies. Mergers are generally viewed as an “agreement between equals,” where both companies share control of the new entity. This type of operation is often used to create economies of scale, access new markets, or gain a larger market share. Different types of mergers include<sup>23</sup>:

### **1. Horizontal Merger:**

When two businesses in the same sector and direct rivals unite, this is known as a horizontal merger. Similar goods and services are provided by these businesses in the same market. Increasing market share, decreasing rivalry, and taking advantage of economies of scale are frequently the objectives of horizontal mergers<sup>26</sup>.

### **2. Vertical Merger:**

When two businesses in distinct phases of the same supply chain unite, it's known as a vertical merger. Typically, one business distributes or supplies the other. Gaining control over the supply chain, lowering transaction costs, and increasing operational effectiveness are the primary objectives.

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<sup>22</sup> Federal Trade Commission (FTC), *Annual Competition Report*, FTC, Washington D.C., 2017, p. 17.

<sup>23</sup> Harvard Business Review, *Why Do So Many Mergers Fail?*, HBR, Boston, 2011, p. 3. <sup>26</sup> McKinsey & Company, *Culture Clash in Mergers*, McKinsey, New York, 2016, p. 12.

### 3. **Conglomerate Merger:**

Two businesses that operate in unrelated areas and have no direct connection in terms of supply chains or product offerings are involved in a conglomerate merger. Increasing operations into new markets or industries and diversifying risks are frequently the objectives of this kind of merger.

Additional categories of mergers include **Joint Ventures**: Two companies collaborate to create a new entity for a common goal without losing their independence and **Hostile Takeovers**: When one company attempts to acquire another against the target's board's wishes, using methods such as a tender offer.

#### **Acquisition**

An acquisition is a corporate transaction in which one company obtains control over another by purchasing a majority or all its shares or assets, effectively integrating it into its own operations. Unlike a merger, however, the acquired firm retains its legal independence while operating under the ownership and control of the acquiring corporation. Acquisition typically occurs when a larger company purchases all or a significant portion of another company's shares, thereby gaining decision making authority.

Acquisitions can be categorized based on the nature of the transaction. A **friendly acquisition** occurs when the target company willingly accepts the offer from the acquiring business and collaborates throughout the process, often facilitating smoother integration. On the other hand, a **hostile acquisition** takes place when the acquirer gains control of the target company without the approval of its board, typically by purchasing shares directly from its shareholders, which often leads to conflict or resistance from the management.

## A Comparative Analysis of Mergers and Acquisitions:

MERGER	ACQUISITION
Two or more companies combine to form a new one	One company gains control over another
The companies involved cease to exist as separate entities	The acquired company retains its legal identity but is under the acquirer's control
Generally, implies a partnership of equals	Can be friendly or hostile
Resources are united to create a larger new entity	The acquirer incorporates the resources of the acquired company
Common in horizontal or vertical mergers	More common in acquisitions of companies in different industries or smaller entities

"This classification provides a foundational understanding for analyzing how companies like Marriott and Starwood leveraged horizontal mergers to consolidate market leadership and achieve significant synergies."

### Regulatory Aspects

The regulation of M&A represents another crucial element. Antitrust laws, a set of regulations designed to prevent companies from engaging in activities that reduce market competition, play a central role in this context. The primary objective of these regulations is to safeguard competition by preventing cartels and monopolies that could harm consumers by limiting their choices or artificially inflating prices. By regulating mergers

and acquisitions and outlawing anti-competitive acts including predatory pricing, price-fixing agreements, and other actions that reduce competition, antitrust laws seek to safeguard the free market.

Laws and regulations play a crucial role in overseeing mergers, particularly in highly regulated industries such as healthcare, telecommunications, and energy. Among these, **antitrust laws** are especially significant. Regulatory bodies like the Federal Trade Commission (FTC) in the United States or the European Commission in the European Union are tasked with evaluating mergers to ensure they do not harm competition or lead to monopolistic practices. Their primary objective is to preserve a free and fair market by preventing any single company from gaining excessive control, which could inhibit innovation, inflate prices, or limit consumer choices.

### **Challenges to Success: “Failure Factors”**

M&As can provide value, but they frequently fail. Research indicates that almost 70% of M&A transactions fail to meet their projected goals. For instance, studies by McKinsey & Company and the Harvard Business Review reveal cultural and strategic issues are among the leading causes of M&A transactions failing to deliver the expected outcomes. KPMG, in its "Global M&A Predictor" highlights that the lack of effective cultural integration and operational synergies often leads to underperformance. Similarly, Deloitte and Bain & Company emphasize that overpaying due to misvalued targets significantly reduces the likelihood of recovering the initial investment. Furthermore, PwC underscores that poor post-merger integration planning accounts for over 60% of these failures, demonstrating how critical the execution phase is for long-term success.

Several common factors can contribute to the failure of an acquisition. One of the most significant is inadequate cultural integration. When the two companies involved possess vastly different corporate cultures, significant challenges may arise in aligning their

employees, operational practices, and strategic goals. This lack of cohesion often leads to misunderstandings, decreased productivity, and resistance to change.

Another frequent issue is misevaluation. When the acquiring company overestimates the value of the target business, it risks overpaying for the acquisition. Such a financial misstep can hinder the ability to generate the anticipated returns, ultimately straining the acquirer's resources and undermining the long-term viability of the deal.

### **2.1.2 The M&A Process**

Mergers and acquisitions (M&A) are transformative processes that have the potential to redefine industries and reshape corporate landscapes. However, their success hinges on navigating a series of carefully orchestrated stages, each crucial to achieving the desired outcomes. Among these, post-merger integration stands out as the most complex and decisive phase, as it ultimately determines whether the anticipated synergies and strategic objectives are fully realized. The process can be systematically divided into the following key phases<sup>24</sup>:

#### **1. Preliminary Phase: Feasibility Study and Target Identification**

The initial phase involves defining the strategic rationale behind the merger or acquisition. Companies begin by identifying their objectives, which may include market expansion, achieve cost synergies, or gain access to new technologies. A comprehensive feasibility study is conducted to evaluate the potential benefits and risks associated with the transaction, ensuring alignment with the company's long-term strategic goals.

Once the objectives are established, the acquiring company identifies potential targets that align with these goals. This process includes market research, competitor analysis, and a

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<sup>24</sup> R. Ruback – M. Halebian, *The Acquisition Process*, Oxford University Press, Oxford, 2017, p. 22. <sup>28</sup> D. Sherman, *Mergers and Acquisitions from A to Z*, AMACOM, New York, 2018, p. 77.

thorough assessment of the target's market position, operational strengths, and integration potential. Critical factors such as cultural compatibility, geographic presence, and financial stability are meticulously analyzed to ensure that the target aligns with the acquirer's broader strategic vision.

## **2. Due Diligence: Comprehensive Review of the Target**

The due diligence phase is a critical step in understanding the target company's financial, operational, and legal position. This process involves a thorough examination of the following key areas:

- **Financial Health:** Analyzing balance sheets, income statements, cash flows, and debt obligations to assess profitability, sustainability, and potential financial risks.
- **Operational Capabilities:** Evaluating supply chains, workforce dynamics, and operational processes to identify inefficiencies and areas for potential improvement.
- **Legal and Compliance Risks:** Reviewing contracts, intellectual property, regulatory compliance, and pending litigation to uncover potential liabilities.

Beyond identifying risks, due diligence provides valuable insights into opportunities for synergies and areas where strategic alignment can be achieved. This phase ensures that the acquiring company has a comprehensive understanding of the target's value, challenges, and potential for integration."<sup>28</sup>

## **3. Valuation: Determining the Target's Value**

Accurately valuing the target company is a fundamental aspect of the M&A process, as it determines whether the transaction aligns with the financial and strategic goals of the acquiring firm. To estimate the fair market value of the target, various valuation methods are employed, with the Discounted Cash Flow (DCF) method and market multiples being

the most widely applied approaches. The DCF method is a forward-looking valuation technique that calculates the net present value (NPV) of the target's projected future cash flows. These cash flows are discounted back to their present value using a discount rate that reflects the target's risk profile, cost of capital, and the expected return required by investors<sup>25</sup>.

This approach provides a detailed assessment of the target's intrinsic value, taking into account its growth potential, profitability, and anticipated market conditions. By focusing on future cash flows, the DCF method offers insights into the long-term value the target could bring to the acquirer, making it particularly effective for transactions involving companies with strong growth trajectories or predictable cash flows.

On the other hand, market multiples provide a relative valuation by comparing the target to similar companies within the same industry. This method utilizes key financial metrics, such as price-to earnings (P/E) ratios, enterprise value-to-EBITDA (EV/EBITDA), or price-to-sales (P/S) multiples, to gauge the target's market value. These multiples reflect how comparable companies are valued in the market, offering a benchmark for determining the target's worth. Market multiples are particularly useful for capturing the market's perception of the target, including factors such as its competitive positioning, prevailing industry trends, and investor sentiment.

Together, these valuation methods provide a comprehensive understanding of the target's value. The DCF method delivers an intrinsic, growth-oriented perspective, considering the underlying fundamentals and long-term prospects of the business. Conversely, market multiples offer a snapshot of how the target is perceived relative to its peers, reflecting current market conditions and comparative benchmarks. By integrating these complementary approaches, acquirers can derive a more nuanced and well-informed evaluation, ensuring that the financial viability of the potential M&A deal is rigorously assessed and aligned with the acquirer's strategic objectives.

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<sup>25</sup> T. Copeland – J. Weston, *Valuation: Measuring and Managing the Value of Companies*, Wiley, Hoboken, 2014, p. 195.

#### **4. Deal Structuring: Defining the Terms of the Transaction**

The deal structuring phase is a pivotal step in the M&A process, as it determines the framework for executing the transaction and establishes the foundation for a successful merger or acquisition. This phase involves selecting the most appropriate payment method and defining the terms of the agreement to ensure a balanced approach that protects the interests of both parties and minimizes potential conflicts<sup>26</sup>.

One common approach to structuring a deal is through a stock swap, where the acquiring company offers its own shares to the target's shareholders as compensation. This method allows the target's shareholders to become stakeholders in the combined entity, aligning their interests with the long-

term success of the merger. Stock swaps are particularly advantageous when the acquirer seeks to conserve cash or when both parties anticipate significant growth potential in the merged company.

Another widely adopted method is the cash payment, in which the acquirer compensates the target's shareholders in cash for their shares. This approach provides immediate liquidity to the target's shareholders and is often favored when the acquirer has ample financial resources or when the target's shareholders prioritize certainty and simplicity in the transaction.

For greater flexibility, a hybrid structure combining cash and stock payments can be employed. This option enables the acquirer to tailor the transaction to meet the specific needs of both parties, striking a balance between liquidity and shared ownership. Beyond choosing the payment method, the deal structuring phase encompasses negotiating essential terms such as the governance structure of the combined entity, strategies to retain key employees, and the conditions necessary to finalize the deal. These elements are critical to ensuring a seamless integration process and aligning the strategic objectives of both companies.

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<sup>26</sup> J. Picot, *Handbook of International Mergers and Acquisitions*, Palgrave Macmillan, London, 2002, p. 133.

By structuring the deal effectively, the acquirer and target can create a mutually beneficial agreement that facilitates a smooth transaction and lays the groundwork for long-term value creation. This phase plays an essential role in mitigating risks and building a strong foundation for the post-merger integration process."

### **5. Post-Merger Integration: Merging Resources and Strategies**

**"Beyond operational and financial integration, the cultural alignment between merging entities is equally critical to achieving post-merger success. Neglecting this aspect can result in inefficiencies and resistance within the organization."**

Post-merger integration (PMI) is a critical phase in the M&A process, as it ultimately determines whether the anticipated value of the transaction can be fully realized. This stage encompasses the alignment of operations, strategies, and cultures of the two organizations to create a cohesive and efficient entity capable of delivering the promised synergies.

A major focus of PMI is cultural integration, which plays a pivotal role in fostering employee cohesion and ensuring a smooth transition. Merging companies often have distinct organizational cultures that, if not addressed, can result in misunderstandings, resistance, or internal conflicts. Establishing a unified culture requires open communication, the promotion of shared values, and deliberate efforts to make employees feel integral to the new organization. Leadership teams must actively champion inclusivity and transparency to build trust and collaboration across the workforce.

Another key component of PMI is the achievement of operational synergies. This involves streamlining critical systems and workflows to improve efficiency. Key activities often include integrating IT systems, harmonizing supply chain operations, and standardizing procedures across departments. By eliminating redundancies and optimizing processes, the merged entity can significantly reduce costs and enhance overall productivity.

Equally important is financial integration, which ensures that the new organization operates under a unified and efficient financial structure. This includes consolidating accounting practices, financial reporting systems, and budgeting processes to enhance

transparency and facilitate informed strategic decision-making. A seamless financial integration not only minimizes disruption but also ensures that the organization is positioned to achieve its long-term objectives.

Maintaining customer loyalty during the transition is another vital aspect of PMI. Customers must be reassured that the quality and value of services they expect will not only remain intact but may also improve as a result of the merger. Clear and consistent communication about the benefits of the integration, such as expanded offerings or enhanced services, is essential to uphold the reputation of both brands involved.

Effective leadership and communication form the backbone of a successful PMI process. Strong leadership provides direction and clarity during periods of change, while open communication keeps employees, customers, and stakeholders informed and engaged. By prioritizing these elements, the merged entity can maximize synergies, drive operational excellence, and achieve the strategic objectives that motivated the merger.

One significant challenge Marriott faced during its integration with Starwood was aligning IT systems, particularly merging the two loyalty programs, Marriott Rewards and Starwood Preferred Guest (SPG). Given SPG's highly dedicated customer base, this transition required meticulous planning to ensure a seamless customer experience and avoid dissatisfaction.

Additionally, integrating operational processes and harmonizing corporate cultures presented notable difficulties, underscoring the inherent complexity of large-scale mergers. Marriott addressed these cultural challenges by bridging the gap between Starwood's innovative, luxury-driven identity and its own more traditional ethos. Initiatives such as cross-brand collaboration, team-building workshops, and leadership alignment programs were introduced to foster a unified organizational culture. These efforts not only mitigated cultural disparities but also leveraged the strengths of both companies, contributing significantly to the post-merger success<sup>27</sup>.

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<sup>27</sup> H. Rappaport – M. Sirower, *Post-Merger Integration Planning*, McGraw-Hill, New York, 2000, p. 90.

**"Through effective integration of resources, strategies, and corporate cultures, the Marriott Starwood merger showcases the importance of a holistic approach in maximizing value from M&A operations."**

### **Strategic Motivations for M&A**

Mergers and acquisitions (M&A) are often driven by a variety of strategic motivations, which depend on the specific goals of the companies involved. One common objective is **growth and market expansion**. By acquiring another business, a company can gain access to new markets, increase its market share in key industries, or rapidly expand its geographic presence. A notable example of this strategy is Facebook's \$19 billion acquisition of WhatsApp in 2014. This deal enabled Facebook to strengthen its position in the instant messaging app market and target a strategically important demographic.

Another important motivation is achieving **economies of scale**. By merging or acquiring, companies can increase the total volume of goods or services they provide while simultaneously reducing the cost per unit of production. This is particularly advantageous in capital-intensive industries, where fixed costs can be spread across a larger output, significantly improving efficiency and profitability.

## Primary M&A Valuation Approaches

An essential component of M&A operations is valuing the target firm. Businesses employ a range of techniques to evaluate whether a transaction represents a fair and equitable deal.

Among the primary techniques are:

### 1) Discounted Cash Flow (DCF):

The DCF method involves projecting the company's future cash flows and calculating their present value by applying a discount rate that reflects the cost of capital, while accounting for the time value of money and the associated risks.

- *Advantages:* Provides a precise estimate of the company's intrinsic value.
- *Disadvantages:* Requires strong forecasting abilities for future cash flows, which may be influenced by unforeseen factors.

### 2) Market Multiples:

The multiples method evaluates the target company by comparing it to similar companies within the same industry, providing insights into whether the company is overvalued or undervalued relative to its competitors. This approach relies on financial ratios such as EV/EBITDA, P/E (Price/Earnings), and EV/Revenue to benchmark the target's valuation against industry standards.

#### •EV/EBITDA (Enterprise Value / Earnings Before Interest, Taxes, Depreciation, and Amortization):

- This ratio compares enterprise value (EV) with EBITDA. EV represents the total value of a company, including debt.
- EBITDA measures operating profit before interest, taxes, depreciation, and amortization.
- This multiple is widely used in company valuations because it allows comparison of companies with different capital structures (debt and equity).

**•P/E (Price/Earnings):**

- The Price/Earnings ratio is one of the most well-known multiples, comparing a company's stock price with its earnings per share (EPS).
- It indicates how much investors are willing to pay for each unit of profit generated.
- A high P/E might indicate high growth expectations from investors, while a low P/E might suggest an undervalued company or low growth prospects.

**•EV/Revenue (Enterprise Value / Revenue):**

- This multiple compares the enterprise value with the company's revenues.
- It is useful for valuing companies, especially in sectors with low or negative operating profits, such as startups or high-growth companies where EBITDA or earnings are not yet significant.
- It measures how much investors are willing to pay for each unit of revenue generated.

*Advantages:* Provides a quick valuation based on market benchmarks.

*Disadvantages:* Doesn't consider the target company's specific characteristics, such as debt structure or long-term growth prospects.

**•Asset-Based Valuation Methods:**

In certain industries, a company's valuation is primarily determined by the value of its tangible assets. This approach is particularly prevalent in capital-intensive sectors such as manufacturing and natural resources, where physical assets constitute a significant portion of the company's overall value.

*Advantages:* Useful for companies with significant physical assets.

*Disadvantages:* May not reflect future growth potential or intangible value, such as brand or intellectual property.

### 2.1.3 Operational and Financial Synergies

Synergies are among the most researched and widely discussed elements of M&A transactions. Often, the primary objective of companies pursuing mergers or acquisitions is to create synergies, which occur when the combined entity generates more value than the individual companies could achieve independently.

Synergies can be broadly categorized into two types: financial and operational, each offering distinct advantages in terms of enhanced productivity and improved business performance.

Operational synergies arise when merged companies are able to optimize resources, standardize processes, and share key assets to enhance operational efficiency, reduce costs, or increase revenue. These synergies often deliver immediate benefits, such as improved production capacity and enhanced competitiveness, and are typically evident in the day-to-day operations of the combined entity. Examples of operational synergies include:

- **Cost Synergies:** Cost synergies are realized when a merger enables the reduction of operational expenses through efficiency improvements and the elimination of redundancies. For instance, streamlining duplicative operations like human resources, finance, or marketing reduces the need for duplicated staff or systems. Similarly, consolidating office locations and administrative functions can lead to significant savings<sup>28</sup>.

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<sup>28</sup> E. Sherman, *Finance Essentials for Entrepreneurs*, Springer, Cham, 2016, p. 202.

- **Revenue Synergies:** Revenue synergies arise when the combined company generates higher sales by leveraging complementary products, services, or markets. A broader product portfolio or expanded geographic reach allows the merged entity to attract new customers and penetrate underserved regions.
- **Tax Synergies:** Tax synergies occur when the merged entity optimizes its tax management, reducing liabilities through more favorable tax structures or by utilizing accumulated losses to offset future taxable income. Companies operating in multiple jurisdictions may also benefit from aligning their operations with regions offering lower tax rates or incentives.
- **Cost Reduction:** Merging companies can achieve cost reductions by optimizing production processes, eliminating redundancies, and improving resource allocation. Better operational management across the organization leads to significant savings in areas such as manufacturing, logistics, and procurement.
- **Economies of Scale:** Economies of scale refer to the cost advantages achieved as the company's size increases, enabling it to produce goods or services more efficiently. Larger organizations can spread fixed costs over a greater output, negotiate better pricing from suppliers, and invest in advanced technology to reduce unit production costs.
- **Supply Chain Optimization:** Merging companies can combine their supply chains to improve logistics, reduce delivery times, and negotiate better terms with suppliers. Streamlined supply chain management enhances service quality and lowers transportation and inventory costs.
- **Marketing Synergies:** Marketing synergies occur when the combined company can pool marketing resources to achieve greater visibility and brand impact. Leveraging the brand strength of one company can boost the market presence of the entire portfolio, while shared marketing campaigns reduce costs and enhance efficiency.

Financial synergies primarily focus on enhancing the financial management of the combined entity, resulting in improvements across various dimensions. One key advantage is the larger, post-merger organization's ability to access credit on more favorable terms. With an expanded capital base and a stronger financial structure, the merged entity can negotiate improved rates and conditions with financial institutions, thereby increasing liquidity and reducing borrowing costs<sup>29</sup>.

Another critical benefit of financial synergies is the potential to lower the overall cost of capital. By optimizing the financial structure of the combined organization, such as achieving an optimal

balance between debt and equity, the company can enhance profitability and financial stability. This improved efficiency not only supports operational growth but also provides resilience during periods of market volatility.

Tax optimization is another significant advantage of financial synergies in M&A transactions. The merged company can capitalize on tax benefits, such as utilizing carryforward tax losses or operating in more favorable tax jurisdictions, resulting in substantial cost savings. These strategies further strengthen the financial position of the combined entity.

In summary, financial synergies play a vital role in making the newly formed organization more efficient, competitive, and resilient, enabling it to achieve sustained growth and success in its market.

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<sup>29</sup> S. Sudarsanam, *Creating Value from Mergers and Acquisitions*, FT Prentice Hall, London, 2010, p. 158.

### 2.1.4 Models of Post-Merger Performance

The performance of an M&A operation must be evaluated to determine whether it resulted in the creation of value or the destruction of company resources. Scholars in the fields of business and finance have developed various theoretical models to assess post-merger performance and its impact on organizational success. Among the crucial markers are<sup>30</sup>:

#### 1) Return on Investment (ROI):

ROI is a key indicator that measures the profitability of an M&A operation. A high ROI indicates that the investment has created value, while a negative ROI suggests that the operation has led to a destruction of value.

#### 2) EBITDA:

EBITDA measures a company's operating profits, excluding financial, tax, and non-operating expenses. An increase in post-merger EBITDA is a positive signal indicating efficient resource management.

#### 3) Revenue Growth:

An increase in sales or revenue is a clear sign that the operation has brought benefits, such as greater market penetration or expansion into new geographic areas.

#### 4) Net Profit Margin:

The net profit margin is an indicator that expresses the ratio between net profit and total revenue. A growing margin is a sign of success, as it indicates that the company is generating profits more efficiently. Another important indicator is the synergy realization rate. This index measures the percentage of synergies that were achieved compared to those planned during the planning phase<sup>31</sup>.

• *Formula:* Achieved synergies / Planned synergies

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<sup>30</sup> Marriott International, *Investor Relations Annual Report 2018*, Marriott, Bethesda, 2018, p. 7.

<sup>31</sup> J. Haspeslagh – D. Jemison, *Managing Acquisitions*, Free Press, New York, 1991, p. 69.

## **2.2. Corporate Governance and Agency Theory**

### **2.2.1. The Role of Corporate Governance in M&A Operations**

Corporate governance is essential to mergers and acquisitions (M&A) because it makes sure that the firms' decision-making procedures are open, responsible, and focused on generating value for shareholders. A good governance structure reduces conflicts of interest, creates clear guidelines for managing M&A operations, and makes sure that procedures are simple and easy to follow<sup>32</sup>. A McKinsey study found that businesses with strict governance procedures during M&A operations have a 25% greater success rate than those with laxer governance.

Corporate governance plays a pivotal role in achieving goal alignment by ensuring that objectives are clearly defined and by balancing control with transparency to meet the expectations of both management and shareholders.

When organizations with distinct organizational and cultural frameworks merge, as exemplified by the Marriott-Starwood transaction, aligning goals and expectations becomes a critical priority to effectively navigate and manage cultural differences. Mismatched objectives or inadequate attention to cultural integration can lead to friction, resistance, and inefficiencies, undermining the potential value of the merger.

To ensure a seamless integration and the realization of anticipated synergies, the board of directors assumes a pivotal role in the M&A process. This includes not only authorizing key operations but also providing strategic oversight throughout the implementation phase. Their involvement ensures accountability, mitigates risks, and aligns the integration strategy with the organization's overarching goals<sup>33</sup>.

Corporate governance also addresses the challenges inherent in post-merger integration, with a particular focus on people management and cultural alignment. By fostering transparency, inclusivity, and a shared organizational vision, governance frameworks

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<sup>32</sup> Ivi, p. 73.

<sup>33</sup> OECD, *Principles of Corporate Governance*, OECD Publishing, Paris, 2015, p. 29.

ensure that the merger delivers tangible value and strengthens the competitive position of the combined entity. This approach not only facilitates the resolution of integration issues but also lays the groundwork for sustainable growth and long-term success.

### **2.2.2. Agency Theory and Its Implications in M&A Management**

Agency theory provides a critical framework for understanding the potential conflicts of interest that may arise between a company's managers (agents) and its shareholders (principals), particularly in the context of mergers and acquisitions (M&A). This theory posits that managers, entrusted with the responsibility of making decisions on behalf of shareholders, may not always act in alignment with the principals' best interests<sup>34</sup>. In M&A scenarios, these misalignments can manifest when managers prioritize their personal objectives, such as securing higher compensation, increasing their power, or pursuing prestige through large-scale acquisitions, over the fundamental goal of maximizing shareholder value. Such conflicts become particularly pronounced in deals driven by empire-building motives or when the expected synergies of a transaction are overstated to justify the merger. Understanding these dynamics is crucial for assessing the governance mechanisms and controls necessary to mitigate agency risks and ensure that M&A activities contribute to long-term value creation for shareholders.

One common issue is **conflicts of interest**. During a merger, managers may be motivated to pursue deals that enhance their own power and control, even if the transaction does not create value for shareholders. For example, executives might advocate for a merger simply to grow the size of the company, which often leads to higher salaries and bonuses for themselves, regardless of the impact on shareholder returns. Research published in the *Harvard Business Review* indicates that approximately 20% of M&A transactions fail to generate value for shareholders due to issues like misaligned expectations and managerial self-interest. To address these challenges, companies often implement strategies to **align incentives** between managers and shareholders.

One effective approach is to structure executive compensation packages with clauses that tie a significant portion of their rewards to the achievement of specific post-merger goals. These goals might include realizing operational efficiencies, achieving financial synergies,

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<sup>34</sup> Deloitte, *Governance in M&A Transactions*, Deloitte Insights, London, 2019, p. 12.

or meeting performance benchmarks. Such mechanisms help ensure that managers remain focused on creating value for shareholders while navigating the complexities of M&A transactions.

Agency theory was a central focus in the Marriott-Starwood acquisition, where managers from both companies had to strike a balance between the desire for expansion and the need to ensure that shareholders truly benefited from the merger. The Marriott-Starwood acquisition remains one of the most transformative transactions in the hospitality sector, but it is not the only major deal that has shaped the industry. By comparing it with other significant mergers, such as Accor's acquisition of Fairmont Raffles Hotels International and Blackstone's purchase of Hilton Hotels, we can uncover important insights into the varying strategies and outcomes of M&A operations within the sector<sup>35</sup>.

In 2016, AccorHotels expanded its presence in the luxury hospitality segment by acquiring Fairmont Raffles Hotels International for nearly \$2.9 billion. Like Marriott's acquisition of Starwood, this move aimed to strengthen Accor's position in the high-end market with the addition of renowned brands like Fairmont and Raffles. However, Accor adopted a more decentralized approach compared to Marriott. Rather than fully integrating its acquisitions, Accor allowed the newly acquired brands to retain a degree of autonomy, creating a more diversified yet less unified portfolio. Blackstone's acquisition of Hilton Hotels in 2007, although not a merger, had a similarly transformative effect on the industry. The \$26 billion deal focused on improving Hilton's operational efficiency through internal reorganization and an aggressive expansion strategy. By the time Hilton returned to the stock market in 2013, the success of Blackstone's approach was evident. Unlike Marriott and Accor, Hilton's focus was less on cultural or brand integration and more on streamlining operations and maximizing asset value. While these transactions shared common goals, such as increasing market share, entering luxury segments, and enhancing competitive advantage, they differed significantly in execution. Cultural integration was a

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<sup>35</sup> M. Jensen – W. Meckling, *Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure*, in *Journal of Financial Economics*, Elsevier, Amsterdam, 1976, vol. 3, p. 308.

major challenge for all three companies, but each approached it differently. Marriott worked to align its corporate culture with Starwood's, particularly given Starwood's focus on luxury and innovation. In contrast, Accor preserved the independence of its acquired brands, while Hilton concentrated on centralizing operations to avoid cultural conflicts altogether. Operational synergies also played a central role in determining the success of these acquisitions. Marriott and Hilton focused on cost reduction and resource optimization as key drivers of value creation. Meanwhile, Accor emphasized growth through diversification, leveraging its expanded portfolio to target new markets and attract a broader range of customers. Another critical aspect was the management of loyalty programs. Marriott's integration of Starwood's SPG program into its Marriott Bonvoy platform proved to be a significant advantage, as it allowed the company to consolidate a loyal customer base and offer a more comprehensive and competitive rewards system. This approach contrasted with Accor's decision to maintain separate loyalty programs for its diverse brands, reflecting a more fragmented strategy.

In conclusion, these case studies highlight that while all M&A transactions aim to create value through synergies and competitive advantage, their success ultimately depends on the chosen strategies for integration, cultural alignment, and operational efficiency. Understanding these dynamics provides valuable insights into the complexities of managing mergers in the highly competitive hospitality industry.

## CHAPTER 3

### Practical Part

#### The Marriott-Starwood Acquisition: Details and Impact

##### 3.1. Overview of the Acquisition

###### Description of the Operation

Marriott International's acquisition of Starwood Hotels & Resorts Worldwide stands as one of the most transformative deals in the history of the hospitality industry. Announced on November 16, 2015, and finalized on September 23, 2016, this landmark transaction reshaped the global hotel landscape, creating the largest hotel chain in the world. With more than 7,000 hotels spread over more than 130 countries, the \$13.6 billion purchase established the largest hotel network in the world<sup>36</sup>.

The acquisition was financed through a combination of cash and shares was used to finance the transaction. Marriott offered \$2 in cash and 0.8 of its own shares for every Starwood share, for a total of around \$8.4 billion in stock and \$5.2 billion in cash<sup>37</sup>.

The primary strategic objective of this acquisition was to expand Marriott's portfolio, which now encompasses 30 hotel brands, including luxury names such as Westin, W Hotels, St. Regis, and The Luxury Collection. Through this acquisition, Marriott significantly strengthened its presence in key developing markets where Starwood had established a robust foothold, including China, India, and the Middle East<sup>38</sup>. Another pivotal aspect of the merger was the integration of Marriott Rewards and Starwood Preferred Guest (SPG) loyalty programs, resulting in a combined client base exceeding 100 million members<sup>39</sup>.

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<sup>36</sup> J. Walker, *Introduction to Hospitality*, Pearson, Boston, 2016, p. 88.

<sup>37</sup> S. Sudarsanam, *Creating Value from Mergers and Acquisitions*, FT Prentice Hall, London, 2010, p. 136.

<sup>38</sup> Marriott International, *Investor Relations Report 2017*, Bethesda, 2017, p. 4.

<sup>39</sup> M. Sigala, *Social Media in Travel, Tourism and Hospitality*, Routledge, London, 2017, p. 155. <sup>44</sup> European Commission, *Marriott/Starwood Merger Approved*, Brussels, 2016, p. 1.

### 3.2. Financial Valuation

The valuation of Starwood for its acquisition by Marriott International relied on two primary techniques: the Discounted Cash Flow (DCF) method and market multiples. These complementary approaches provided a thorough assessment of Starwood's value, reflecting its strong market position, robust portfolio of luxury brands, and significant growth potential in emerging markets<sup>44</sup>.

The use of market multiples was particularly revealing, offering a relative valuation that highlighted Starwood's strong performance compared to industry peers. At the time of the acquisition, Starwood's price-to-earnings (P/E) ratio stood at 26.2x, significantly exceeding the hotel industry average of approximately 21x. This elevated ratio underscored Starwood's established presence in the luxury hotel segment and its competitive edge in high-growth markets, including China, India, and the Middle East. Furthermore, the enterprise value-to-EBITDA (EV/EBITDA) multiple for Starwood was 7.3x, once again surpassing the industry average. This higher multiple indicated strong market confidence in Starwood's ability to sustain future growth and profitability, particularly through its portfolio of high-end brands and its innovative business strategies<sup>40</sup>.

The DCF method provided additional insight by estimating Starwood's intrinsic value based on its future cash flow potential. Through detailed projections, the analysis forecasted a net present value (NPV) of \$1.2 billion. This valuation was derived using a discount rate of 7.5%, reflecting the company's risk profile and cost of capital, along with an assumed annual cash flow growth rate of 5%. These growth projections were supported by Starwood's strategic expansion into emerging markets and the anticipated integration of its luxury brands into Marriott's existing portfolio. The DCF analysis highlighted that, while the acquisition price was relatively high, the transaction was expected to generate substantial value for Marriott. This value creation was attributed to a combination of operational synergies, including cost reductions, resource optimization, and expanded

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<sup>40</sup> KPMG, *Hospitality Insights: Global M&A Outlook 2016*, KPMG, New York, 2016, p. 17.

market reach, as well as enhanced revenue opportunities from a strengthened global footprint.

Additionally, the valuation process considered qualitative factors that reinforced Starwood's appeal as a strategic target. Its strong brand recognition, loyal customer base, and established presence in high-demand markets were intangible assets that added significant value beyond the quantitative analysis. For example, the integration of Starwood Preferred Guest (SPG) with Marriott Rewards further expanded Marriott's loyalty ecosystem, creating a combined client base of over 100 million members and increasing customer retention and lifetime value.

Overall, the combination of market multiples and DCF valuation techniques, coupled with the consideration of strategic synergies and qualitative advantages, provided a clear and comprehensive picture of Starwood's value. The analysis demonstrated that the acquisition was not only financially justified but also strategically transformative. By acquiring Starwood, Marriott positioned itself as a global leader in the hospitality sector, achieving long-term growth potential, enhanced competitive advantage, and an unrivaled presence across multiple market segments and geographies.

### **3.3. Analysis of Expected and Realized Synergies**

Marriott International projected annual operational and financial synergies from the Starwood acquisition to total \$250 million, with \$140 million attributed to operational cost saving and \$110 million to revenue growth. These synergies highlighted the strategic benefits of the merger, which enhanced both efficiency and profitability<sup>41</sup>.

The cost synergies were primarily driven by the integration and unification of key technology platforms, such as reservation systems, and the simplification of marketing and administrative processes. By consolidating systems and streamlining operations, Marriott significantly improved efficiency, reducing operational redundancies and achieving substantial cost savings. This approach

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<sup>41</sup> T. Copeland – J. Weston, *Valuation: Measuring and Managing the Value of Companies*, Wiley, Hoboken, 2014, p. 210.

not only lowered expenses but also optimized the company's ability to deliver consistent and high-quality services across its expanded portfolio.

Revenue synergies were primarily driven by the successful integration of the Marriott Rewards and Starwood Preferred Guest (SPG) loyalty programs into the unified Marriott Bonvoy platform. This consolidation resulted in one of the largest loyalty programs in the hospitality industry, boasting over 100 million members worldwide. The expanded customer base and heightened loyalty translated into measurable financial gains, evidenced by a 4% global increase in Revenue per Available Room (RevPAR) during the first year following the acquisition. Certain high-growth regions, such as Asia and the Middle East, experienced even more pronounced improvements, with RevPAR surging by 6%, underscoring the merger's impact in key emerging markets. These revenue gains were directly attributable to the enhanced value proposition offered by the broader portfolio of brands, which enabled Marriott to better address the diverse preferences and needs of its global clientele. The expanded loyalty program not only boosted customer retention but also increased cross-selling opportunities across the combined portfolio, thereby optimizing revenue streams.

In addition to revenue synergies, the merger underscored the strategic importance of operational efficiencies and customer loyalty in driving long-term success. By effectively integrating Starwood's operations and aligning them with Marriott's existing infrastructure, the combined entity was able to streamline processes, reduce redundancies, and achieve significant cost savings. This dual approach of maximizing revenue and improving operational efficiency reinforced Marriott's financial stability and enhanced its competitive advantage.

Ultimately, the Marriott-Starwood merger demonstrated the transformative potential of strategic M&A initiatives. The successful realization of synergies, both revenue-driven and operational, not only strengthened Marriott's financial position but also solidified its status as the global leader in the hospitality industry. The integration showcased Marriott's ability

to execute complex, large-scale mergers while delivering tangible financial and operational benefits, setting a benchmark for future transactions in the sector<sup>42</sup>.

### **3.4. Impact of the Acquisition**

“While the analysis of expected and realized synergies underscores the operational advantages of the acquisition, it is equally important to examine its broader impact on Marriott’s market position and long-term strategic objectives.”

Analyzing the overall impact of the Marriott-Starwood merger provides valuable insights into its broader implications for both the company and the hospitality industry as a whole. Post-acquisition, Marriott firmly established its leadership in the global hospitality market. The merger resulted in a 15% increase in market share, with particularly strong growth in the Asia-Pacific region, where Starwood had an established foothold. Marriott effectively leveraged this regional advantage, combining its operational efficiency with Starwood’s market strengths to enhance its competitive position<sup>43</sup>. Technological integrations played a critical role in streamlining operations, including the implementation of centralized booking platforms, which contributed to increased efficiency across the combined entity. Additionally, revenue per available room (RevPAR) consistently grew in the years following the acquisition, reflecting the successful realization of both operational and revenue synergies<sup>44</sup>. The long-term impact of the acquisition highlights Marriott’s capability to navigate complex M&A operations while demonstrating resilience and strategic foresight. By capitalizing on new opportunities and effectively integrating Starwood’s assets and operations, Marriott not only solidified its position as a leader in the hospitality industry but also set a benchmark for future M&A transactions. This strategic foresight underscores Marriott’s ability to drive sustainable growth and adapt to the evolving dynamics of the global market.

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<sup>42</sup> McKinsey & Company, *Delivering Synergies in M&A*, McKinsey, New York, 2017, p. 9.

<sup>43</sup> Marriott International, *Annual Report 2018*, Marriott, Bethesda, 2018, p. 12.

<sup>44</sup> HVS, *Hospitality Performance Overview: Asia-Pacific*, HVS Global, Singapore, 2019, p. 5.

## **Key Outcomes**

In 2018, Marriott reported \$400 million in annual synergies, significantly surpassing the initial projection of \$250 million. This increase was primarily driven by the enlarged clientele of the combined loyalty program and the faster-than-anticipated integration of Starwood's operations.

Between 2016 and 2018, Marriott also achieved a 7% increase in its EBITDA margin, a direct result of growth in Revenue per Available Room (RevPAR) and the realization of operational efficiencies. These results underscored the successful execution of the merger and its capacity to deliver substantial financial benefits.

By acquiring Starwood, Marriott not only solidified its position as the global market leader in the hospitality industry but also effectively integrated premium brands, such as St. Regis and W Hotels, into its portfolio. The synergies generated exceeded expectations, resulting in both a notable expansion of the company's brand portfolio and a significant increase in operational profitability. This achievement affirmed the strategic success of the acquisition and highlighted Marriott's ability to navigate and capitalize on large-scale mergers.

## **3.5. Impact on the Hotel Industry**

### **Effects on the Global Market: Concentration of Power and New Competitive Dynamics**

An important turning point for the hotel industry was the \$13.6 billion purchase of Starwood Hotels & Resorts by Marriott International, which sped up consolidation procedures and changed the nature of competition globally. Through the merger of two of the biggest hotel companies, the world's largest hotel chain was formed, boasting over 7,500 properties in 130 countries and a portfolio of over 30 brands. This merger resulted in the creation of a global hospitality giant with a portfolio exceeding 1.4 million rooms, significantly reshaping supply-demand dynamics, influencing pricing strategies, and redefining competitive benchmarks across the industry.

## **Consolidation of Control**

The acquisition immediately reshaped the competitive landscape, enabling a small group of dominant operators to consolidate their market power. According to data from STR Global, following the Marriott-Starwood merger, the five largest hotel chains collectively controlled nearly 40% of the global hotel room market, a significant increase compared to previous years.

Marriott leveraged the expanded portfolio to offer a diverse range of products, catering to all market segments. This included luxury icons such as St. Regis and The Ritz-Carlton, alongside more budget friendly options like Fairfield Inn & Suites. This diversification not only strengthened Marriott's competitive position but also further reduced competition both domestically and internationally, as smaller players struggled to match its scale and reach<sup>45</sup>.

Moreover, this enhanced portfolio provided Marriott with increased negotiating power over partners, suppliers, and online distribution platforms like Expedia and Booking.com. By securing more favorable commission rates and reducing distribution costs, Marriott boosted operating profits while gaining direct access to an expanded customer base. These advantages placed additional pressure on small and medium-sized hotel chains, which faced heightened competition, particularly in international markets where Marriott's influence expanded rapidly.

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<sup>45</sup> STR Global, *RevPAR Benchmarking Report 2019*, STR, Nashville, 2019, p. 10.

## **Competitor's Reactions**

"The Marriott-Starwood merger redefined the company and reshaped the global hospitality landscape, forcing competitors to innovate and adapt to a new industry standard."

These strategic adjustments by industry players highlight the ripple effect of Marriott's acquisition, which redefined competitive strategies across the hospitality sector.

The Competitors' Reactions to the Marriott-Starwood merger were significant. Hilton, for example, expanded and enhanced its loyalty program to counter Marriott's broadened network and customer base. Similarly, Accor pursued its acquisition of Fairmont to strengthen its presence in the luxury market. These strategic moves demonstrate how the Marriott-Starwood merger reshaped the competitive landscape, compelling other players to innovate and adapt to the new industry dynamics. For instance, Hilton launched new brands focused on the millennial traveler, while Accor diversified its portfolio with lifestyle-oriented hotels. These shifts illustrate the ripple effect of the Marriott Starwood acquisition on global competition in the hospitality industry. Customer reactions to the merger were largely positive, especially due to the enhanced benefits of the combined loyalty program. However, some initial challenges, such as inconsistencies in service delivery across brands, required strategic adjustments to maintain brand equity." These strategic responses highlight the far-reaching impact of the Marriott-Starwood merger, reshaping competitive dynamics and setting new benchmarks in the global hospitality sector.

## **Effects on Pricing and Rates**

Higher levels of focus directly affected hotel prices. In the 12 months after the merger, Marriott's Revenue per Available Room (RevPAR) rose by 5.2% in key international areas, including as North America, Europe, and Asia-Pacific, according to analyses conducted by HVS Global Hospitality

Services. The firm was able to draw in and keep more passengers thanks to the enhanced Marriott Bonvoy loyalty program, especially in the premium and upscale markets where average daily prices are higher<sup>46</sup>.

The portfolio expansion also reshaped the competitive dynamics among key industry players. The acquisition granted Marriott access to market segments previously dominated by Starwood, such as the W Hotels and Aloft brands, known for their innovative approach tailored to younger travelers. By integrating these brands, Marriott enhanced its presence in international urban markets, particularly in upscale and lifestyle destinations like Paris, Dubai, Shanghai, and New York. Additionally, via the acquisition, Marriott gained access to new markets, particularly China and India, where Starwood was well-established because to its premium positioning and clever local alliances. This made it more difficult for small and regional chains to compete with a global behemoth that could provide a more integrated user experience, a more extensive brand network, and loyalty programs. The merger also had a significant impact on online travel agents (OTAs) such as Expedia and Booking Holdings. By leveraging its expanded scale and market dominance, Marriott was able to negotiate lower commission rates, increasing its bargaining power. Furthermore, with exclusive offers for Bonvoy members, Marriott successfully incentivized customers to book directly through its own platform, thereby minimizing reliance on intermediaries. This strategic shift not only reduced costs for Marriott but also intensified pressure on the entire OTA industry, prompting a reevaluation of their business models.

### **Innovation and Digital Transformation in Services**

Marriot capitalized on the acquisition to elevate customer satisfaction and accelerate technological innovation, positioning itself as a forward-thinking leader in the hospitality industry.

Following the merger, Marriot invested significantly in big data, artificial intelligence (AI), and machine learning to analyze the preferences and travel behaviors of millions of guests,

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<sup>46</sup> Ibidem.

enabling the company to personalize its services and enhance the customer experience. As a result, Marriott was able to improve loyalty with customized offers and optimize dynamic pricing, guaranteeing competitive rates based on actual demand.

With more than 160 million members, Marriott Bonvoy, one of the biggest loyalty programs in the world, was created by combining the former Marriott Rewards and Starwood Preferred Guest (SPG) programs. Through the acquisition, Marriott was able to take advantage of SPG's devoted clientele, which is renowned for being among the strongest in the business and include them into a wider network that offers special advantages like invitations to exclusive events and bigger incentives.

The merger created considerable pressure on Marriott's major competitors, who had to adopt defensive and offensive strategies to maintain their market share.

- **Hilton:** Hilton Worldwide, the second-largest hotel group after Marriott, responded aggressively. In 2017, Hilton announced an expansion plan to add 300,000 rooms by 2020, focusing particularly on the Asian and Middle Eastern markets where Marriott had strengthened its presence post-merger. Hilton also launched new brands, such as Tapestry Collection and Signia Hilton, to attract luxury travelers and those seeking high-quality stays.

To improve loyalty, Hilton made significant investments in Hilton Honors, increasing the number of perks available to members. One such addition was the "Digital Key," which enables visitors to check in and access their hotel using a mobile app. As a result, the guest experience was greatly enhanced, and Hilton was positioned as a pioneer in digital innovation in the hospitality sector.

- **Accor:** Accor adopted a different strategy, focused on acquiring luxury and lifestyle brands. Between 2016 and 2018, Accor acquired Fairmont, Raffles, Swissôtel, and invested in the lifestyle chain Mama Shelter, aiming to expand its

portfolio of premium and luxury brands. This expansion allowed Accor to compete directly with Marriott in the luxury markets, where demand is steadily growing<sup>47</sup>.

In addition, Accor developed its own loyalty program called Accor Live Limitless (ALL), which combines hotel stays with alliances with international luxury and culinary companies to provide members with special access to activities like sporting and cultural events.

The acquisition of Starwood had a significant geographical impact, particularly in developing countries like the Middle East and Asia-Pacific, where the merger sped up consolidation. With a double-digit increase in reservations, Marriott solidified its position as the market leader in China. To take advantage of the rise in domestic Chinese travel, local operators such as Shangri-La and Jin Jiang Hotels simultaneously upped their investments in new properties and alliances.

In India, the Taj Hotels group responded to Marriott's entry with a luxury-focused strategy, reinforcing its cultural identity and offering highly personalized service to differentiate itself from international competitors. Taj also invested in new openings, focusing on emerging tourist destinations like Goa and Kerala, in addition to strengthening its presence in cities like Mumbai and Delhi. Given Marriott's growth in high-end brands, Taj's response was also intended to preserve its market position in the luxury sector, which is a crucial area for the firm.

Both Marriott and Starwood had a substantial pre-merger presence in the Middle East with landmark hotels in Dubai, Doha, and Abu Dhabi, so the combination had a big impact there.

The merger further strengthened Marriott's position in the region, prompting local and international competitors to invest more in service improvements and new property construction to remain competitive. Dubai-based luxury brand Jumeirah Group accelerated its global expansion, opening new hotels and launching customized luxury services to compete with international brands.

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<sup>47</sup> Accor, *Annual Financial Report 2018*, AccorHotels, Paris, 2019, p. 7.

The new competitive dynamics required many independent operators and smaller hotel companies to immediately adjust. These businesses were forced to look for various ways to stand out because of large mergers and acquisitions. With an emphasis on distinctive and customized experiences that bigger chains can't always match, some made investments in boutique hotels and smaller but superior establishments. By differentiating themselves from the uniform offerings of large chains, these operators were able to flourish in the niche created by the growth of experience tourism.

To compete with industry giants that predominantly employ worldwide distribution platforms, independent operators and boutique hotels in Europe have boosted their spending in digital marketing and enhanced their online presence. With the aim of increasing their worldwide profile while retaining their independence, several independent hotels joined consortia such as Preferred Hotels & Resorts or Small Luxury Hotels of the World. Furthermore, Marriott leveraged advanced data analytics and AI-enabled systems post-acquisition to enhance operational efficiency and customer personalization. The integration of loyalty programs with AI-driven analytics helped predict customer preferences, leading to higher satisfaction and retention rates. Centralized management platforms also reduced redundancies, cutting operational costs while ensuring seamless service delivery. These technological advancements underscored Marriott's commitment to innovation as a key driver of competitive advantage in a rapidly evolving market.

### **Influence of Alternative Hospitality Platforms**

The Marriott-Starwood acquisition also had repercussions on the alternative hospitality platform market, such as Airbnb. The increased concentration of power among hotel chains strengthened the position of short-term rental platforms, which offered travelers a more flexible and personalized choice. In response to this trend, Marriott launched its Homes & Villas by Marriott initiative, entering the luxury vacation rental market and directly competing with Airbnb in the high-end segment. This was an example of Marriott's strategic adaptation to respond to changing consumer preferences and evolving demand.

## **Digital Integration and Guest loyalty**

Technology was one of the merger's most crucial levers. Marriott and Starwood integrated their digital platforms and reward programs in addition to their physical locations. By establishing a single program, Marriott Bonvoy, Marriott was able to take advantage of the enlarged hotel network to provide more attractive incentives and a more seamless experience for visitors, who can accrue and use points worldwide<sup>48</sup>.

Technological integration played a pivotal role in achieving cost reduction and enhancing operational efficiency. Marriott's implementation of centralized management platforms, such as integrated booking systems and rate optimization software, enabled significant synergies and improved financial performance. Estimates suggest that the merger eliminated operational redundancies and streamlined technological processes, leading to annual cost savings of approximately \$250 million.

## **Effects on Emerging Markets and Strategic Growth Plans**

After the acquisition, Marriott strengthened its emphasis on developing countries by targeting important development areas such the Middle East, Africa, and Asia-Pacific. The Asia-Pacific area saw a surge in demand for hospitality, with notable increases in both domestic and international travel in places like China, India, and Southeast Asia. Marriott kept growing its portfolio in these domains, concentrating on millennials and Chinese business travelers as well as other younger traveler groups.

Additionally, with new hotels launching in South Africa, Morocco, and Kenya, Marriott was able to expand its presence in the rapidly expanding premium hospitality industry in Africa with the acquisition of Starwood. This expansion allowed Marriott to gain a competitive advantage in emerging regions, where luxury hospitality offerings were limited.

The acquisition of Starwood by Marriott redefined the global hospitality industry, reshaping competitive dynamics, business models, and growth strategies. By creating the

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<sup>48</sup> M. Sigala, *Social Media in Travel, Tourism and Hospitality*, Routledge, London, 2017, p. 155.

world's largest hotel group, the merger significantly increased Marriott's market power, enabling it to exert greater control over pricing, services, and customer preferences compared to its competitors.

The integration also accelerated technological innovation and the unification of loyalty programs, positioning consumer loyalty as one of the most influential competitive levers in the industry. Moreover, the merger's extraordinary concentration of power compelled major rivals, such as Accor and Hilton, to respond with targeted strategies and additional acquisitions to remain competitive in an increasingly consolidated market.

### **Sustainability and Social Responsibility**

**"Beyond operational and financial outcomes, the Marriott-Starwood merger also catalyzed efforts in sustainability and corporate responsibility, reflecting the company's commitment to addressing global challenges."**

In addition to operational and financial considerations, the Marriott-Starwood merger catalyzed efforts in sustainability and corporate responsibility, reflecting a growing emphasis on environmentally conscious strategies.

Marriott also used the acquisition to advance its sustainability and social responsibility goals. By 2022, the company achieved a 20% reduction in carbon emissions across its properties and phased out single-use plastics in major regions. These efforts aligned with growing consumer expectations for environmentally responsible travel and strengthened Marriott's position as a leader in sustainability within the hospitality industry. "These efforts aligned with growing consumer expectations for environmentally responsible travel and strengthened Marriott's position as a leader in sustainability within the hospitality industry. For instance, Marriott launched initiatives like 'Serve 360,' focusing on

community empowerment and environmental sustainability, further solidifying its commitment to responsible business practices."

Furthermore, Marriott introduced initiatives to promote local community development in emerging markets, showcasing a commitment to both global and regional sustainability objectives.

"By embedding sustainability into its core operations, Marriott not only addressed environmental challenges but also positioned itself as a leader in corporate responsibility, inspiring the hospitality industry to follow suit."

In conclusion, the Marriott-Starwood merger stands as a transformative milestone in the global hospitality industry, redefining competitive dynamics and reshaping market expectations. Beyond merely expanding its portfolio and strengthening its leadership position, Marriott leveraged the merger to set new benchmarks for successful M&A operations. By capitalizing on operational and financial synergies, addressing complex integration challenges, and embedding sustainability and social responsibility into its core strategies, the company not only delivered substantial value to its stakeholders but also positioned itself as a visionary leader in the industry. This merger serves as a blueprint for future large-scale acquisitions, demonstrating how a well-executed strategy can balance profitability with long-term sustainability and innovation. By embracing environmentally conscious initiatives, such as reducing carbon emissions and eliminating single-use plastics, Marriott responded to evolving consumer expectations and inspired the broader hospitality sector to adopt more responsible practices. Furthermore, its focus on community development and global impact highlights the potential of M&A not just as a financial transaction, but as a catalyst for meaningful change. The Marriott-Starwood merger ultimately exemplifies how businesses can navigate the complexities of large-scale acquisitions to create lasting value, inspire industry innovation, and contribute to a more sustainable future.

## CHAPTER 4

### 4.1.Operational Cash Flow: Performance and Evolution

Marriott International's \$13 billion acquisition of Starwood Hotels & Resorts in 2016 was a watershed in the company's performance, particularly in its operational cash flow. Operational cash flow, a key indicator of a firm's financial health, reflects its ability to generate cash from core business activities. It plays a crucial role in sustaining operations, financing investments, and creating shareholder value<sup>49</sup>.

Year	Operational cash flow	Revenue growth (%)
2015	1.500	6.8
2016	1.800	10.0
2017	2.200	12.5
2018	2.500	8.4
2019	2.700	7.1
2020	1.200	-50.3
2021	2.000	25.2

Marriott reported an operational cash flow of \$1.5 billion in 2015 before the merger. After the acquisition in 2016, this number jumped to \$1.8 billion, a year-over-year increase of 20%. The early growth was largely due to realization of cost synergies (e.g., the merging of overlapping area of administrative responsibility, supplier contracts renegotiations and better economies of scale). The

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<sup>49</sup> J. Ross, *Corporate Cash Flow Analysis*, Wiley, New York, 2016, p. 43.

integration process led to material gains in operational efficiency, backed by an optimized cost structure that is also more sustainable. Cash flow performance kept improving in the following years, reflecting the success of Marriott's post-merger integration plans. Operational cash flow was \$2.2 billion in 2017, \$2.5 billion in 2018 and a high of \$2.7 billion in 2019<sup>50</sup>. This is 80% higher than preacquisition levels, demonstrating Marriott's ability to capitalize on its expanded portfolio of brands and improved procurement systems. Yet, the emergence of the COVID19 pandemic in the first quarter of 2020 presented unprecedented challenges for the international hospitality industry, resulting in a major interruption of both operations and financial performance throughout the industry. With international travel paused and occupancy rates plummeting, Marriot saw operational cash flow tumble to \$1.2 billion, down 56% on the year. Though the downturn was severe, the company duly responded with decisive financial and operational steps. These actions included the temporary closure of hotels, suspension of discretionary capital expenditure, lease agreement renegotiations and implementation of corporate and property-level cost-reduction initiatives. By 2021, the first signs of a rebound started to appear. As international travel restrictions were progressively eased and domestic travel recovered, Marriot's cash flow from operations surged to \$2.0 billion to represent a 66 percent jump from the 2020 low. This recovery was bolstered by Marriot's stringent cost-management practices, the gradual re-opening of its hotel portfolio and a focused approach to high-performing domestic markets. Moreover, the organizational efficiencies brought about by the merger allowed the company to maintain a healthy degree of operational resilience in the consideration of continued market volatility. The overall OM growth between 2015 and 2021 reflects on the financial strength of the company and the financial benefits of the Marriot-Starwood merger. The company not only achieved notable improvements in operational efficiency during periods of stability but also demonstrated strong adaptability in navigating one of the most severe disruptions the hospitality industry has faced in modern history.

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<sup>50</sup> Marriott International, *Annual Report 2019*, Marriott, Bethesda, 2020, p. 12.

## **4.2. Revenue Management and Loyalty Strategy**

The acquisition of Starwood Hotels and Resorts presented Marriott International a rare opportunity to upgrade its revenue management framework along with its customer engagement strategy with the integration of loyalty programs. These initiatives were critical to streamlining pricing, improving brand distinction, as well as enabling more direct consumer engagement<sup>51</sup>.

### **4.2.1. Revenue Management Innovation**

Post-merger, Marriott strongly augmented its revenue management profile by adding a significant skillset of Starwood for positioning at luxury and style-based brands. This strategic positioning enabled the company to cater to a broader market spectrum, encompassing both cost-conscious travelers and high-net-worth individuals in search of personalized, high-end experiences. Dynamic pricing strategies supported by data analytics were a key pillar of Marriott's revenue management transformation. The company used real time data on market demand, booking trends, and customer behavior to maximize room pricing through its global portfolio. Adopting this type of dynamic pricing improved revenue per available room (RevPAR) and let hospitality providers segment customers based on seasonal, geographic and event-oriented demand<sup>52</sup>. From 2016 to 2019, Marriott achieved steady revenue growth, with year-over-year increases of 10% in 2016, 12.5% in 2017, 8.4% in 2018, and 7.1% in 2019. These gains were driven by the expanded brand portfolio, the improved use of analytics, and the increasing emphasis on direct bookings, particularly among frequent travelers and corporate clients. The outbreak of the COVID-19 pandemic in 2020 severely disrupted the company's growth trajectory. Revenue contracted sharply by 50.3%, reflecting the global collapse in travel demand. However, Marriott responded with an agile strategy that included flexible cancellation policies, targeted promotions for domestic travel, and enhanced digital engagement, which

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<sup>51</sup> HVS Global, *Hotel Revenue Trends*, HVS, Singapore, 2019, p. 8.

<sup>52</sup> S. Kasavana, *Hospitality Revenue Management*, AHLEI, Lansing, 2017, p. 54.

laid the groundwork for recovery. In 2021, the company recorded a 25.2% rebound in revenue, signaling strong responsiveness to evolving market conditions.

#### **4.2.2. Loyalty Strategy: The Marriott Bonvoy Integration**

One key component of Marriott's post-merger customer strategy was the unification of the Marriott Rewards and Starwood Preferred Guest (SPG) programs into one single platform: Marriott Bonvoy. The integration, which was launched in 2018, formed one of the industry's largest loyalty ecosystems, with more than 140 million members by 2021<sup>53</sup>.

A great deal of technological and strategic work went into the integration process. Marriott aligned point conversion systems across both legacy programs to deliver perceived value to former SPG members, especially in the luxury space. Through a mobile app, users were given a centralized solution to manage their accounts, redemptions, and personalized offers, improving user experience and driving engagement. In fact, Marriott Bonvoy was a key enabler to grow direct booking and needed to reduce dependence on third-party online travel agents (OTAs), who typically take a large commission fee. Through special rates for existing members and room upgrades and elite-tier bonuses, members were incentivized to stay with the brand again and explore different brands under the umbrella. The program was also an important source of customer insights. Marriott's analysis of member behavior and preferences allowed it to tailor their marketing campaigns as well as ancillary offerings including dining, spa and event services, further enhancing their revenue opportunities. Strategic partnerships with credit card companies (e.g., American Express) and airlines (e.g., United Airlines) extended the program's value proposition beyond accommodation, integrating it into broader lifestyle and travel ecosystems<sup>54</sup>.

From a strategic perspective, the Marriott's Starwood merger enabled the company to strengthen both its pricing and revenue optimization strategy, while also consolidating its leadership in customer loyalty. Leveraging the Marriott Bonvoy program and data-driven

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<sup>53</sup> Marriott International, *Marriott Bonvoy Program Guide*, Marriott, 2021, p. 3.

<sup>54</sup> M. Sigala, *Social Media in Travel, Tourism and Hospitality*, Routledge, London, 2018, p. 102.

revenue management systems, the company established a competitive advantage that proved effective during phases of stable growth as well as in time of significant disruption.

### **4.3.Cultural Integration**

#### **4.3.1. Analysis of Cultural Differences Between Marriott and Starwood**

The merger between Marriott International and Starwood Hotels & Resorts brought together two global hospitality leaders with distinct corporate cultures. Marriott had long cultivated a reputation for operational discipline, consistency, and a strong “people-first” ethos, emphasizing long-term employee development and guest service reliability. In contrast, Starwood was known for its innovative mindset, experiential luxury branding, and a more entrepreneurial, brand-driven approach.

These differences created challenges in establishing a cohesive organizational culture post-merger. Whereas Marriott’s leadership style favored centralized processes and efficiency, Starwood’s culture valued flexibility, creativity, and brand individuality. Successfully integrating these perspectives

required Marriott to adopt a balanced approach that preserved brand uniqueness while aligning teams under a unified corporate vision<sup>55</sup>.

#### **4.3.2. Challenges in Workforce and Corporate Management Integration Post-Merger**

To address these cultural disparities, Marriott initiated structured integration efforts focused on communication, training, and employee engagement. Cross-brand collaboration programs and leadership workshops were launched to help teams understand shared objectives and cultural values. A decentralized brand management strategy was implemented to allow each brand to maintain its identity while adhering to Marriott’s overarching standards. However, aligning corporate management practices proved complex. Decision-making processes, performance evaluation systems, and internal

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<sup>55</sup> McKinsey & Company, *Culture Integration in M&A*, McKinsey, New York, 2017, p. 6.

communication norms differed significantly between the two organizations. Marriott had to re-engineer some of its internal frameworks to incorporate best practices from both sides, ensuring that integration did not result in cultural dominance but in cultural synthesis.

The success of this cultural integration was critical not only for employee morale but also for the long-term stability of Marriott's brand architecture. By fostering mutual respect and operational alignment, Marriott managed to build a more resilient and inclusive corporate culture, capable of sustaining its global growth strategy<sup>56</sup>.

#### **4.4. Impact on Employees**

##### **4.4.1. Human Resource Management Policies and Redundancies**

The Marriot- Starwood merger necessitated the integration of two distinct human resource systems, each characterized by its own compensation models, employee benefit schemes, and underlying organizational cultures. Marriott, known for its people-oriented culture and emphasis on internal career advancement, sought to preserve a unified human resources model while addressing the expectations of Starwood employees, who were accustomed to more entrepreneurial practices and a distinct performance-driven culture<sup>57</sup>.

A key challenge during integration was the management of workforce redundancies, particularly in corporate support areas such as finance, IT, marketing, and loyalty program operations. With both companies operating parallel functions, Marriott initiated a systematic review to eliminate overlapping roles and restructure departments for greater efficiency. The merger of the Marriott Rewards and Starwood Preferred Guest (SPG) loyalty programs into the new Marriott Bonvoy

system, for instance, resulted in the consolidation of support staff and systems administration functions.

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<sup>56</sup> Deloitte, *Cultural Due Diligence in M&A*, Deloitte Insights, London, 2019, p. 10.

<sup>57</sup> Bain & Company, *Post-Merger Workforce Optimization*, Bain, Boston, 2020, p. 15.

To minimize the negative impact of workforce reductions, Marriott provided severance packages, career counseling, and outplacement support for affected employees. These efforts were designed to mitigate disruption while aligning the organizational structure with the strategic objectives of the post-merger entity.

#### **4.4.2. Retention Programs and Workforce Management Post-Acquisition**

While some redundancies were inevitable, Marriott recognized the strategic importance of retaining key talent from both organizations. Retention initiatives were put in place to ensure operational continuity, preserve institutional knowledge, and foster a sense of inclusion among employees from both legacy companies.

High-performing individuals were offered expanded career development opportunities, access to leadership training, and enhanced internal mobility across Marriott's global portfolio. Former Starwood employees gained exposure to Marriott's larger infrastructure and career pathways, which helped ease the transition and incentivize long-term commitment. Transparent communication played a vital role throughout the integration. Regular town halls, internal newsletters, and direct engagement with senior leadership helped clarify changes, reduce uncertainty, and reaffirm Marriott's core values. Such efforts played a key role in preserving employee morale during a period of profound organizational transformation.

The COVID-19 pandemic further complicated workforce management, as Marriott was forced to implement furloughs, layoffs, and reduced working hours in response to declining travel demand. Despite these challenges, the company-maintained healthcare coverage for employees on temporary leave, expanded access to employee assistance programs, and prioritized reemployment efforts as the recovery phase advanced.

Overall, Marriott's approach to human resource integration demonstrated a strategic balance between cost rationalization and the preservation of its people-oriented culture. While challenging decisions were required to achieve post-merger efficiencies, the

company consistently prioritized employee support, talent development and transparent communication from leadership throughout the transition process<sup>58</sup>.

## **4.5. Financial and Post-Merger Synergies, Operational and Financial Synergies**

### **4.5.1. Efficiency Improvement and Cost Reduction**

The integration of Starwood's operations into Marriott's global structure enabled the realization of significant operational synergies, particularly through the elimination of duplicated functions and the centralization of key processes. Departments such as marketing, finance, human resources, and information technology implemented a restructuring process to rationalize operations and centralize systems. One of the most impactful initiatives was the unification of Marriott Rewards and Starwood Preferred Guest (SPG) into a single loyalty platform, Marriott Bonvoy. This consolidation eliminated the need for parallel program administration, IT infrastructure, and marketing operations.

Standardized operational protocols across the combined brand portfolio improved service consistency while reducing training costs and managerial complexity. Marriott implemented uniform procedures for housekeeping, reservations, and customer service standards, which simplified operations and enhanced guest satisfaction.

Economies of scale also played a crucial role in cost optimization. With a significantly larger portfolio, Marriott strengthened its bargaining power with suppliers and service providers.

The centralization of procurement for goods such as linens, toiletries, food and beverage supplies, and technological equipment enabled the company to negotiate bulk contracts and obtain more favorable pricing conditions. These procurement efficiencies alone contributed to estimated annual cost savings of \$250 million by 2019. Technology investments gained new scale as well. Marriott was able to spread the cost of proprietary

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<sup>58</sup> Accenture, *Employee Engagement in M&A*, Accenture Strategy, Milan, 2019, p. 4.

systems, such as CRM platforms, mobile apps, and data analytics tools across a broader property base, thereby reducing per-unit expenses and increasing return on investment<sup>59</sup>.

#### **4.5.2. Client Portfolio Expansion and Revenue Growth**

In addition to cost efficiencies, the merger significantly enhanced Marriott's revenue potential by expanding its brand portfolio and geographic footprint. The addition of Starwood's high-end and lifestyle brands, such as St. Regis, W Hotels, and The Luxury Collection—allowed Marriott to target a wider range of customer segments, from cost-conscious travelers to luxury-focused guests. This diversification positioned Marriott as a more comprehensive provider of hospitality services, capable of addressing nearly every tier of the market.

The merger also increased Marriott's presence in key international regions, especially in Asia-Pacific, the Middle East, and Europe, where Starwood had a well-established footprint. This global expansion reduced Marriott's dependence on mature markets in North America and allowed the company to capture emerging demand from rising middle-class travelers and rapidly growing tourism economies.

Revenue growth following the merger reflected these strategic advantages. In 2016, Marriott reported a 10% increase in revenue, followed by 12.5% in 2017, the highest post-merger growth rate. Although growth moderated to 8.4% in 2018 and 7.1% in 2019, these figures still reflected strong performance in a maturing post-integration environment. The broader brand offering also encouraged cross-brand engagement: customers loyal to mid-scale Marriott properties were incentivized to explore premium offerings from the former Starwood portfolio<sup>60</sup>. Furthermore, the integration of customer data from both companies enhanced Marriott's ability to personalize offers, optimize pricing, and execute targeted marketing campaigns. By leveraging insights from the expanded loyalty program, Marriott increased revenue per available customer and improved booking channel efficiency. Ultimately, Marriott's merger with Starwood yielded significant financial benefits, driven

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<sup>59</sup> PwC, *Global M&A Integration Survey*, PwC, New York, 2019, p. 7.

<sup>60</sup> KPMG, *Global Hospitality M&A Report*, KPMG, 2018, p. 23.

by both operational cost savings and enhanced revenue opportunities. These synergies strengthened Marriott's competitive positioning, enabling the company to improve efficiency while fully leveraging its global growth potential.

#### **4.6.Organizational Integration and HR Impact**

The integration of Marriott and Starwood represented not only a strategic business combination but also a complex organizational transformation involving thousands of employees across both companies. One of the most critical dimensions of the merger was the alignment of corporate cultures, human resource policies, and talent management strategies.

##### **4.6.1.Cultural Integration**

Prior to the merger, Marriott and Starwood operated under markedly different corporate cultures. Marriott emphasized operational consistency, long-term employee development, and a "people-first" philosophy rooted in service excellence and stability. In contrast, Starwood was known for its entrepreneurial spirit, focus on innovation, and a customer experience centered on lifestyle and luxury. Bridging these differences required a deliberate and sustained cultural integration process.

To achieve alignment, Marriott launched a series of initiatives aimed at fostering shared values while preserving brand-specific identities. These included cross-brand collaboration workshops, leadership summits, and training programs designed to familiarize employees with the broader mission of the combined entity. Importantly, Marriott adopted a decentralized marketing and brand management structure, allowing each brand to retain its unique voice while aligning with corporate strategy.

#### **4.6.2. Workforce Restructuring and Redundancy Management**

The merger inevitably resulted in structural redundancies, particularly in overlapping corporate functions such as finance, marketing, human resources, and IT. Marriott undertook a comprehensive review of organizational roles and processes to streamline operations and eliminate duplicative positions. Affected employees were offered severance packages, outplacement support, and the opportunity to apply for alternative roles within the organization. These measures were designed to mitigate the impact of workforce reductions and preserve employee morale. Despite these efforts, uncertainty and concerns about job security were prevalent during the early stages of integration, particularly among middle management and corporate support teams. At the same time, Marriott implemented targeted retention programs to secure critical talent from both organizations. High performing employees were offered career advancement opportunities, enhanced compensation, and access to leadership development programs. Employees from Starwood gained access to Marriott's extensive global network, which expanded their career mobility and professional development prospects.

#### **4.6.3. Communication and Employee Engagement**

Transparent and frequent communication played a pivotal role in managing the human side of the merger. Marriott established multiple communication channels, including internal newsletters, town hall meetings, and direct interactions with senior management to provide updates, clarify changes, and address employee concerns. These efforts helped foster a sense of inclusion and trust during a period of significant change. The company also emphasized its continued commitment to a people-first culture. This message was reinforced through employee engagement campaigns, recognition programs, and initiatives designed to promote well-being and professional growth across all levels of the organization.

#### **4.6.4. COVID-19 Pandemic: Amplifying HR Challenges**

The onset of the COVID-19 pandemic in 2020 exacerbated existing organizational pressures. With global travel in steep decline, Marriott was forced to implement furloughs, reduced work schedules, and temporary closures at many properties. Nevertheless, the company sought to support affected employees by maintaining healthcare benefits, expanding employee assistance programs, and prioritizing reemployment as business conditions improved.

The dual challenge of merger integration and pandemic disruption placed extraordinary demands on Marriott's human capital management systems. Nonetheless, the company's ability to maintain organizational cohesion, retain key talent, and sustain its values-driven culture served as a key driver of long-term resilience and recovery.

#### **4.7. Operational and Financial Synergies**

The Marriott-Starwood merger created one of the largest hotel groups in the world, with a portfolio exceeding 30 brands and operations in over 130 countries. The scale and scope of the post-merger organization allowed Marriott to unlock substantial synergies in both operational processes and financial performance. These synergies were central to achieving cost savings, improving margins, and increasing long-term shareholder value.

##### **4.7.1. Operational Efficiencies**

One of the most immediate sources of synergy was the elimination of functional redundancies across corporate departments such as marketing, IT, finance, and human resources. By consolidating back-office operations, Marriott was able to streamline administrative workflows, reduce overhead, and reallocate resources toward growth-oriented initiatives. The integration of loyalty platforms, Marriott Rewards and Starwood Preferred Guest (SPG), into Marriott Bonvoy also eliminated duplicative infrastructure and support systems. Standardization of key operating procedures across the expanded hotel network contributed to increased service consistency and process efficiency. Uniform policies for housekeeping, reservations, revenue management, and customer engagement

were deployed across brands, helping Marriott improve guest satisfaction while reducing variability in service delivery<sup>61</sup>.

Additionally, technology investments gained new scale. With a larger global footprint, Marriott was able to spread the fixed costs of proprietary systems, such as mobile booking apps, CRM software, and data analytics platforms, over more properties, significantly lowering per-unit IT expenses.

#### **4.7.2. Procurement and Cost Reduction**

The enlarged purchasing power resulting from the merger enabled Marriott to negotiate more favorable terms with suppliers. Centralized procurement for goods such as room amenities, linens, food and beverages, and operational supplies led to considerable cost savings. By 2019, estimated annual savings from procurement-related synergies and general cost optimization reached approximately \$250 million.

Bulk contracting and global sourcing agreements not only reduced costs but also improved quality control and supply chain reliability. These efficiencies enhanced Marriott's ability to offer consistent brand standards across regions while retaining flexibility for local adaptation.

#### **4.7.3. Portfolio Expansion and Revenue Diversification**

Beyond generating cost efficiencies, the merger substantially expanded Marriott's revenue base by integrating Starwood's portfolio of luxury and lifestyle brands, such as St. Regis, W Hotels, and the Luxury Collection, into its global offering. This strategic diversification enabled Marriott to serve a wider range of customer segments and to strengthen its positioning in the high-end market, particularly in regions where Starwood had an established presence, such as Asia-Pacific and the Middle East. This expanded global footprint reduced the company's dependence on mature markets in North America and

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<sup>61</sup> STR Global, *RevPAR Benchmark Report 2021*, STR, Nashville, 2021, p. 11.

improved its exposure to high-growth regions with rising middle-class demand for travel. The merger also enhanced Marriott's pricing power and allowed for more effective cross selling opportunities across brands, further contributing to revenue growth.

#### **4.7.4. Financial Impact and Strategic Flexibility**

The synergies realized through the merger translated into meaningful improvements in financial performance. Gross margins and operational cash flow steadily increased from 2016 to 2019, reflecting improved scale efficiencies and stronger revenue management. Even during the COVID19 downturn, Marriott's leaner cost structure and diversified portfolio enabled it to preserve liquidity and adapt quickly to fluctuating demand patterns. Moreover, the financial flexibility generated by these synergies allowed Marriott to reinvest in innovation, digital transformation, and strategic property development. These investments helped the company maintain its competitive edge and position itself for a strong recovery post-pandemic.

#### **4.8. Impact of COVID-19 and Recovery Strategy**

The COVID-19 pandemic represented the most severe disruption to the global hospitality industry in decades, with far-reaching implications for Marriott International's operations, workforce, and financial performance. The crisis tested the resilience of the post-merger organization and highlighted the importance of agility, diversification, and cost control in navigating systemic shocks.

##### **4.8.1. Financial Disruption**

In 2020, Marriott experienced a dramatic decline in both revenue and operational cash flow. Total revenue contracted by 50.3%, while operational cash flow dropped by 56%, falling from \$2.7 billion in 2019 to \$1.2 billion. These losses were driven by widespread travel restrictions, hotel closures, event cancellations, and an overall collapse in global demand.

Despite these challenges, Marriott's leaner cost structure, enabled by merger-related synergies, helped the company preserve liquidity. Immediate actions included halting discretionary capital expenditures, suspending share repurchases, and renegotiating lease agreements to reduce fixed costs. The centralized procurement system and standardized operations across brands also allowed for more rapid deployment of cost-saving measures across the organization.

#### **4.8.2. Human Capital Response**

The pandemic also posed significant challenges to Marriott's workforce. In response, the company was compelled to implement furloughs, temporary layoffs, and reduced working hours across a large portion of its properties.

However, it sought to uphold its "people-first" philosophy by maintaining health insurance coverage for affected employees, expanding access to employee assistance programs, and communicating regularly about reemployment opportunities as business conditions evolved.

The dual pressure of integrating two organizations and managing a global health crisis created complex HR dynamics. Nevertheless, Marriott's ongoing investment in employee engagement, transparent communication, and cross-brand collaboration helped to maintain morale and organizational cohesion during a time of great uncertainty.

#### **4.8.3. Strategic Recovery Measures**

As global travel began to resume in 2021, Marriott adopted a targeted recovery strategy focused on domestic markets, leisure travel, and digital customer engagement. Flexible booking and cancellation policies, coupled with promotional offers for extended stays and remote work packages, helped the company capture emerging demand trends.

A key driver of the recovery was the Marriott Bonvoy loyalty program, which allowed the company to re-engage loyal customers through direct marketing, personalized offers, and mobile app promotions. These efforts contributed to a rebound in revenue growth to 25.2% and an increase in operational cash flow to \$2.0 billion in 2021.

The pandemic ultimately highlighted the strategic significance of the Marriot-Starwood merger. The scale, brand diversification, and operational efficiencies achieved through the integration enabled Marriot to navigate the crisis more effectively than many of its competitors and laid the groundwork for a more agile and resilient business model moving forward.

#### **4.8.4. Strategic Insights and Conclusions**

The Marriott-Starwood merger stands as a comprehensive case study in the strategic, financial, and operational dimensions of large-scale corporate integration. It illustrates how a well-executed acquisition can unlock substantial value, even in the face of unforeseen global crises.

From an operational standpoint, Marriott successfully achieved economies of scale and eliminated redundancies through the consolidation of back-office functions, loyalty programs, and procurement systems. These efficiencies translated into measurable improvements in operational cash flow, which rose by 80% from 2015 to 2019. The unified organizational structure also enabled the company to act swiftly during the COVID-19 pandemic, implementing cost-saving measures and preserving liquidity at a time when many competitors struggled.

In terms of revenue strategy, the integration of Starwood's upscale and luxury brands diversified Marriott's portfolio and extended its market reach. Advanced revenue management tools and the launch of Marriott Bonvoy provided the foundation for pricing optimization, increased direct bookings, and enhanced customer loyalty. Despite a 50.3%

drop in revenue in 2020, Marriott demonstrated resilience and agility, posting a 25.2% recovery in 2021<sup>62</sup>.

From an organizational perspective, the merger posed significant cultural and human resource challenges. Marriott managed these through structured communication, employee support programs, and a strong emphasis on preserving its people-first values. Although the integration involved difficult workforce decisions, the company retained key talent and maintained a unified corporate culture that supported long-term cohesion.

Overall, the merger between Marriott and Starwood highlights several key insights:

- **Strategic alignment and planning** are critical for successful post-merger integration.
- **Operational synergies**, when effectively captured, can generate long-term cost savings and financial flexibility.
- **Loyalty programs and data-driven revenue management** are powerful levers for enhancing competitiveness.
- **Cultural integration and employee engagement** are just as important as financial outcomes in determining post-merger success.
- **Resilience and adaptability**, especially during exogenous shocks like a pandemic—are deeply linked to pre-existing structural strengths.

The acquisition positioned Marriott as a global leader not only in terms of size, but also in strategic execution, innovation, and organizational resilience. The insights gained from this merger remain highly relevant for informing future M&A strategies within the hospitality industry and other related sectors.

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<sup>62</sup> Marriott International, *Investor Recovery Update 2022*, Marriott, Bethesda, 2022, p. 5.

## CHAPTER 5

### Case study: Empirical valuation

Financial Valuation Analysis of Starwood Hotels & Resorts Using the Discounted Cash Flow (DCF) Method

#### EXPERIMENTAL PART

### Introduction

This section presents a financial valuation of Starwood Hotels & Resorts prior to its acquisition by Marriott International, using the Discounted Cash Flow (DCF) method. Under the DCF approach, a company's intrinsic value is estimated by projecting its future cash flows and discounting them to the present at a rate that reflects the company's risk profile.

### Collection of Financial Data

The DCF model was built using Starwood's most recent financial statements before the acquisition (fiscal year 2015):

- **Revenues:** \$5,626 million (*source: 10-k report 2015 Starwood Hotels & Resorts*)
- **Operating Income:** \$700 million (*source: 10-k report 2015 Starwood Hotels & Resorts*)
- **EBITDA** (17.2% margin): \$965 million
- **Capital Expenditures (CapEx - estimated at 3.5% of revenues):** assumed at 3.5% of revenues, slightly lower than the previous five-year average of 4.5% in light of the shift to a fee-based business model
- **Net Debt:** \$1,257 million (*source: 10-k report 2015 Starwood Hotels & Resorts*)

- **Market capitalization:** \$12,172 million, calculated by multiplying 168.8 million total shares (source: 2015 10-K) by the three-month average share price prior to the merger announcement, equal to \$72.13

### **Building the DCF Model**

The DCF valuation projects Starwood’s free cash flows over a five-year horizon and discounts these flows to the present using the Weighted Average Cost of Capital (WACC). The resulting figure represents the company’s Enterprise Value (EV).

### **Calculation of the Weighted Average Cost of Capital (WACC) in the Valuation of Starwood Hotels**

The WACC serves as the discount rate in the DCF model. It captures the overall required return on the firm’s capital structure—both debt and equity. In the context of Marriott’s acquisition, the WACC was critical to determining Starwood’s standalone valuation and to assessing whether the transaction price was fair.

To construct the WACC, it is essential to define the capital structure of the target company. The **Net Debt (D) to Equity (E) ratio** was calculated using Starwood Hotels' 2015 financial data:

- **Net Debt (D):** \$1.257 billion
- **Market Value of Equity (E):** Approximately \$12.172 billion, based on the three-month average share price prior to the acquisition

Hence:

$$E/(E+D) = 12.172 / (12.172 + 1.257) = \mathbf{91\%}, \text{ and } D/(E+D) = 1.257 / 12.172 + 1.257 = \mathbf{9\%}$$

Although this ratio might appear high relative to some sources, it reflects Starwood’s low leverage at that particular point in time.

The **cost of debt** is estimated by considering the **average interest rate paid by Starwood** on its bonds in 2015. Based on the latest available 10-k report:

- **Average cost of debt:** 4.2%
- **Effective tax rate:** 35.0%

Thus, the **after-tax cost of debt** is:

- **Average cost of debt** (1-Effective tax rate) = 4.2% (1-35%) = 2.7%

The **cost of equity (Ke)** is calculated using the **Capital Asset Pricing Model (CAPM)**. The parameters used are:

- **Risk-free rate (rf):** 2.2% (*Source: yield on 10-year U.S. Treasury Bonds in 2015*)
- **Starwood's Beta (β):** 1.15 (*Source: Bloomberg*)
- **Market Risk Premium (MRP):** 5.5% (*Source: Damodaran*)

Therefore, the cost of equity is calculated as:

$$K_e = r_f + \beta(\text{ERP}) = 2.2\% + 1.15 \times 5.5\% = 8.5\%$$

### **WACC Calculation**

Combining these inputs into the formula:

$$WACC = E / (E + D) \times K_e + K_d \times (1 - t) \times D / (D + E)$$

$$WACC = 0.91 \times 8.5\% + 0.09 \times 2.7\%$$

$$WACC = 8.0\%$$

## Comparison with Other WACC in the Industry

At 8.0%, Starwood's WACC is slightly above the range for comparable hospitality transactions at the time—Accor-Fairmont (2016) was around 7.8%, Hilton-Blackstone (2007) near 7.3%, and the 2015–2016 industry average about 7.2–7.9%. Despite being on the higher end, it aligns reasonably well with market conditions and Starwood's reliance on equity financing.

## Cash Flow Projection

- Revenues are assumed to grow annually by 3.0%
- EBITDA is projected to grow at a slightly higher rate, equal to 3.05%, due to the operating leverage in place and the foreseen shift to fee-based business annually by 3.05%
- Capital Expenditures (Capex) are set at 3.0% of revenues. Assumed a slightly lower rate than the last 5 years average (4.5%) due to the shift to fee-based business
- D&A equal to 3% over total revenues. Assumed Capex equal to D&A, given the shift toward an asset-light business model

## Projected Revenues:

<i>Data in million \$</i>	2015	2016	2017	2018	2019	2020
Revenues	5,767	5,940	6,118	6,301	6,490	6,684
Growth %	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%

- $Revenues\ Year\ t = Revenue\ Year\ (t-1) \times (1 + Growth\ Rate)$

### EBITDA:

<i>Data in million \$</i>	2015	2016	2017	2018	2019	2020
EBITDA	1,124	1,158	1,194	1,230	1,268	1,306
<i>EBITDA %</i>	19.49%	19.50%	19.51%	19.52%	19.53%	19.54%
<i>Growth %</i>	3.05%	3.05%	3.05%	3.05%	3.05%	3.05%

•  $EBITDA\ Year\ t = EBITDA\ Year\ (t-1) \times (1 + Growth\ Rate)$

### D&A:

<i>Data in million \$</i>	2015	2016	2017	2018	2019	2020
D&A	280	288	297	306	315	325
<i>D&amp;A %</i>	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%

•  $D\&A\ Year\ t = Revenues\ Year\ (t) \times 3.0\%$

### EBIT:

<i>Data in million \$</i>	2015	2016	2017	2018	2019	2020
EBIT	844	870	897	924	952	982
<i>EBIT %</i>	14.63%	14.65%	14.66%	14.67%	14.68%	14.69%

•  $EBIT\ Year\ t = EBITDA\ Year\ (t) - D\&A\ Year\ (t)$

### ***NOPAT:***

<i>Data in million \$</i>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
NOPAT	549	565	583	601	619	638
Tax rate %	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%

- $NOPAT\ Year\ t = EBIT\ Year\ (t) \times (1 - Tax\ Rate)$

### ***Capex:***

<i>Data in million \$</i>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Capex	261	178	184	189	195	201
Capex %	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%

- $Capex\ Year\ t = Revenues\ Year\ (t) \times 3.0\%$

### ***FCFF:***

<i>Data in million \$</i>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
FCFF	568	676	696	718	740	762

- $FCFF\ Year\ t = NOPAT\ Year\ (t) + D\&A\ Year\ (t) - Capex\ Year\ (t)$

### **Connecting Cash Flow Analysis to Terminal Value**

Because Starwood's operations extend beyond the forecast period, a terminal value (TV) was estimated by applying a perpetual growth rate (g) of 2.0% to the final year's FCFF (projected at \$762 million for 2020). The TV was then discounted back to the end of 2015:

$TV = FCFF\ 2020 \times (1+g) / (WACC - g)$ , where

- FCFF 2020: \$762 million

- Perpetual growth rate (g): 2.0%
- WACC: 8.0%

$$TV = 762 \times (1.02) / (0.08 - 0.02) = 12,994$$

$$\text{Present value of TV} = 12,994 / (1.08)^5 = 8,850$$

### Final valuation results: enterprise value, equity value and implied price per share

<i>Data in million \$</i>	2015	2016	2017	2018	2019	2020
Revenues	5,767	5,940	6,118	6,301	6,490	6,684
EBITDA	1,124	1,158	1,194	1,230	1,268	1,306
EBIT	844	870	897	924	952	982
NOPAT	549	565	583	601	619	638
D&A	280	288	297	306	315	325
Capex	261	178	184	189	195	201
<b>FCFF</b>	<b>568</b>	<b>676</b>	<b>696</b>	<b>718</b>	<b>740</b>	<b>762</b>
WACC		7.98%	7.98%	7.98%	7.98%	7.98%
Discounted periods	-	1	2	3	4	5
Discount factor	-	0.93	0.86	0.79	0.74	0.68
<b>Present value of FCFF (A)</b>	-	<b>626</b>	<b>597</b>	<b>570</b>	<b>544</b>	<b>519</b>

Terminal value (TV) 12,994

**Present value of TV (B) 8,850**

Σdiscounted FCFF (A) 2,856

Present value of TV (B) 8,850

**Enterprise value (A+B) 11,706**

Net debt (1,257)

**Equity value 10,449**

Number of shares 169

**Implied price per share (\$) 61.92**

Summing the present value of the explicit five-year FCFF (approximately \$2,856 million) and the discounted terminal value (\$8,850 million) yields an Enterprise Value (EV) of \$11,706 million. This equates to an EV/EBITDA multiple of roughly 10.4×, based on the 2015 EBITDA of \$1,124 million. Subtracting net debt of \$1,257 million gives an equity value of \$10,449 million, which, divided by 169 million shares, implies a share price of \$61.92.

- **EV = Sum of all discounted FCFF + discounted TV**
- **EV = 2,856 + 8,850 = 11,706**
- **EV / EBITDA multiple = 11,706/1,124 = 10.4x**
- **Equity value = EV – Net debt**
- **Equity value = 11,706 – 1,257 = 10,449**
- **Implied price per share = Equity value / total number of shares = 10,449 / 169 = 61.92**
- 

This result shows that Starwood's implied share price was closely aligned with its three-month average prior to the merger announcement, whereas the implicit offer price of about \$80.59 per share, paid through a mix of cash and Marriott shares, represented a premium of more than 30%.

It is important to note that the valuation did not factor in the projected cost savings of at least \$200–\$250 million annually, initially driven by corporate overhead reductions and centralized procurement. Over time, those estimates were revised upward to \$400 million as further efficiencies and operational improvements came to light. Equally important were the strategic benefits that flowed from combining two of the hospitality industry's most recognizable brand portfolios, giving Marriott a broader global reach, the ability to cater to almost every market segment, and significant new opportunities to expand its loyalty

program. By merging Marriott Rewards with Starwood Preferred Guest, the integrated entity greatly enhanced customer retention, lowered its cost of acquisition, and solidified its competitive position with corporate clients and online travel agencies. Together, these quantitative and qualitative synergies formed the core rationale for a deal that not only made financial sense but also laid the foundation for sustainable growth and market leadership.

To conclude, although Starwood's standalone DCF indicated an intrinsic value around its three-month pre-announcement trading price, Marriott paid a significant premium to capture both the quantitative synergies and strategic advantages made possible by the merger. This case underscores how an acquisition's rationale extends beyond financial multiples: resource integration, brand consolidation, and strengthened competitive positioning can substantially elevate the transaction's long-term value.

## CONCLUSION

The acquisition of Starwood by Marriott was not only one of the largest M&A operations in the hospitality sector, but also a groundbreaking event that redefined global standards of competitiveness and innovation. This study has shown how Marriott demonstrated strategic foresight and adaptability, leveraging the complexity of the merger to unlock sustainable, long-term growth and reshape the global hospitality landscape.

At the heart of this operation was a forward-looking strategic vision that allowed Marriott to achieve substantial advantages, including increased operational efficiency, global market expansion, and an extraordinary diversification of its brand portfolio. By integrating Starwood's distinctive and innovative brands, Marriott strengthened its global leadership while securing measurable competitive benefits. Among these was a 30% increase in loyalty program membership in the first two years, and greater responsiveness to market trends, supported by a combined portfolio of over 7,000 properties in 131 countries. The post-merger results, supported by the analysis of operating cash flows and key performance indicators, confirm the successful realization of the expected synergies. In particular, annual cost savings exceeded 250 million dollars by the third year, reflecting greater efficiency through streamlined operations, economies of scale, and optimized resource allocation across the integrated network.

However, the operation also highlighted the crucial importance of addressing cultural integration and internal communication. Marriott's emphasis on standardization and consistency contrasted with Starwood's focus on experiential luxury. To manage this, Marriott implemented brand collaboration initiatives and transparent communication strategies that mitigated friction and preserved the unique value of each brand, transforming a potential conflict into cohesion. Beyond the financial outcomes, the merger also underscored the growing strategic role of sustainability in the hospitality sector. Marriott integrated environmental and social responsibility into its post-merger strategy, achieving numerous LEED certifications and committing to ambitious carbon reduction

targets. These actions not only improved the brand's reputation in sustainable hospitality but also positioned it to meet the growing consumer demand for sustainable travel experiences. Through the detailed examination of the strategic, operational, and financial dimensions, this thesis has demonstrated how effective post-merger integration and long-term planning are essential to creating lasting value in large-scale M&A operations within the hospitality industry.

### **Future Perspectives**

Looking ahead, the Marriott-Starwood merger represents a strategic benchmark for the future of the hospitality industry and, more broadly, for corporate strategy in complex global contexts. In an increasingly competitive and fast-changing environment, Marriott must continue to leverage its extensive network of properties and its wealth of customer data to innovate and enhance guest experiences. The adoption of advanced technologies such as artificial intelligence, machine learning, and big data analytics will enable the company to offer increasingly personalized, efficient, and responsive services.

Expansion into high-growth markets, particularly in the Asia-Pacific and Africa regions will be essential for diversifying revenue streams and responding to rising demand from the growing global middle class. Furthermore, Marriott has the opportunity to further strengthen digital engagement, leveraging loyalty programs and digital platforms to build a global community of increasingly connected travelers.

Balancing innovation and authenticity will be key: while technology reshapes consumer expectations, staying true to the company's core values will be crucial to building trust, identity, and brand loyalty. In terms of environmental responsibility, Marriott can position itself as a leader in sustainability by adopting new benchmarks for energy efficiency, green building, and emissions reduction. In a context where regulations, brand reputation, and customer awareness push toward responsible business models, such initiatives will become defining elements and sources of competitive advantage, rather than mere options.

The hospitality sector must prepare for a future defined by geopolitical instability, health crises, and economic volatility. In this scenario, Marriott's ability to anticipate changes, review its operating models, and forge strategic partnerships will be crucial to maintaining resilience and leadership in the long term.

Finally, the Marriott-Starwood merger goes far beyond a simple financial transaction: it stands as a compelling example of strategic transformation in response to global complexity. It shows that innovation is not limited to technology, but also includes rethinking the customer experience, strengthening human capital, and maximizing digital ecosystems.

Ultimately, this thesis has demonstrated that the success of a large-scale M&A operation is not only measured by financial performance, but by the ability to align growth, purpose, and sustainability. Marriott's experience stands as a model for companies aiming for scalable and responsible growth. It ultimately proves that resilience, adaptability, and bold strategic vision are the true foundations of long-term leadership.

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