COVID-19 IMPACT ON THE HOTEL INDUSTRY: CASE STUDY OF HILTON AND MARRIOTT

THE RESPONSE TO THE COVID-19 CRISIS AND OPPORTUNITIES FOR BUSINESS REINVENTION

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INTRODUCTION

The impacts of Covid-19 have been felt far and wide across industries around the world, and especially in the accommodation sector, which has been severely affected by travel restrictions, lockdowns and a sharp decline in domestic and international business and leisure travels.

New challenges arose in the accommodation sector, but also new opportunities for business reinvention and adaptation to the "*new normal.*"

Recent challenges and drivers of change in the hotel industry

During the Covid-19 crisis, the immediate challenge that hotel owners and operators had to face was a problem of cash flow management following the steady drop in the volume of reservations and the necessity to readapt to new security and health measures to face the ongoing pandemic and a change in costumer habits and expectations.

In general, accommodation activities have a significantly high operational leverage. The activities and assets that typically create value in this sector are source of fixed costs. Accommodation is traditionally based on the use of long-term fixed assets, such as buildings and land, that can be either owned or not. In any case, they are a remarkable source of fixed costs, such as depreciation, interest payment on securities used to purchase them, as well as property taxes and insurance. These costs do not disappear if tourists suddenly stop booking rooms. The volume of bookings is not only a success rate in this industry but a link to survive.

Moreover, the breakeven point in the accommodation industry is relatively high due to high operating costs. The survival of many hospitality businesses heavily depends on the increasing demand for their services and products. Because of that, big structures have been able to support the shock and stay open, while small structures had to close the doors as revenues were not sufficient to cover the costs. The gravity of the high operational leverage is intensified by the fact that tourism is highly income sensitive and suffers more than the other services consumers spend their income on.

Social distancing, deep cleaning, provision of the staff with PPE, proper training and limited 'touchpoints' between guests and staff have been on the agenda of all businesses. Meanwhile, additional services offered by hotels had to be reduced and some even shut down because of the impossibility to assure safety measures. Therefore, reducing the channels of revenues.

Along with this, costumers' behavior and expectations have changed, bringing new challenges for the industry. Overall, a reduction in discretionary spending, as it usually happens in times of social or economic uncertainty, can be observed (Deloitte, 2020). There is an increased tendency towards:

- short trips within driving distance;
- reluctancy towards excessively crowded places;

- a higher attention to check terms and conditions regarding refunds, payments and cancellations;
- and, finally, an increased familiarity to online entertaining and digital experiences, such as Airbnb Experience - which allows the customer to take part in new experiences without even having to leave the house.

Additionally, some important trends in the industry have to be reported. At the time of booking their staying, increasing number of travelers are prioritizing experiences and unique locations over simple accommodation rooms (Slow-tourism and Experience-tourism). This tendency has been sped up by the growing number of Generation Z and Millennial travelers and the increased use of social media and internet to share experiences.

Another visible driver of change is the wide-spread awareness of human's environmental footprint on the nature and climate change concerns. This has led travelers to be more inclined to choose eco-friendly travel options (Eco Tourism). Along with this trend, wellness and wellbeing vacancies have been increasing over time (Health tourism), especially due to the high aging levels of the Western population and increased leisure time due to retirement.

Moreover, Millennials and Generation Z are engaging at a higher level in the sharing economy. Besides that, a tendency towards outdoor tourism and open-air accommodations has appeared, as it is considered safer now, as safety measure and social distancing are easier to be respected (OECD Tourism Trends and Policies, 2020).

Thus, the pandemic has brought new challenges and accelerated some ongoing trends in the industry that hotels and others type of accommodations in the sector will have to take into consideration when shaping their future strategies and measures for recovery. Understanding and responding to consumers' changing behaviors will be essential for the revival of the hospitality sector as well as adapting the current organizational structure to the post-pandemic context.

I. PART

CASE STUDY: HILTON'S AND MARRIOTT'S RESPONSE TO THE PANDEMIC

In order to understand how hotels responded to this global health crisis and to all the problems it has entailed we will take as a case study two tycoons of the sector, the Hilton Worldwide Holding Inc. and the Marriott International Inc. This choice has been made for two reasons. Firstly, small businesses do not publish their financial statement involving some difficulties in analyzing and applying a Strategic Cost Management Framework. Secondly, as they run worldwide operations, this allows for clearer visualization of the impact that crisis had on the industry. The aim of this case study is to assess to which extent these two businesses have been hit, which costs they had to face, how they responded to these emerging challenges and who performed better. In particular, the profitability, efficiency and solvency ratios will be used to draw initial conclusions on how Covid-19 has affected the financial state of the two companies.
The financial statements used for benchmark analysis will be Q3 2020 and Q3 2019 for both companies.

FINANCIAL ANALYSIS

Marriott International Inc.

Marriott is an American multinational hotel chain that manages a diversified portfolio of both owned and franchised hotels and facilities. It is the largest hotel chain in the world by number of available rooms. It has 30 brands in 131 countries, over 1,400,693 rooms (as of June 30, 2020). Marriott's revenues are undoubtedly driven by general tourism: by the demand for lodgings of high spending profiles of business travelers, groups of tourists and finally leisure travelers. As a worldwide operator, licensor and franchisor of hotels, it generates revenues through the management of directly owned facilities and franchise fees.

Marriott's Revenue per Available Room (RevPar), Occupancy and Average Daily Rate have been decreasing sharply worldwide forcing Marriott to initiate countermeasures to mitigate the negative financial and operational impacts of the sudden and prolonged drop in the demand.

By analyzing the income statement and balance sheet found in Appendix 1 and 2 the following result were found. According to Marriott's last quarterly report, at the 30th of September 2020, revenues were 8 billion against 15 from 2019 during the same period. The risk levels of all accounts and notes receivable had to be revised with the result of recording a provision for credit losses of $122 mln. On September 30, 2020 it has been reported a drop in RevPar from 63% to 48% (consistent with industry trends).

	September 30, 2020	September 30, 2019	Delta
Revenues	8399	15601	-46%
Gross Profit	1260	2849	-56%
Operating Income	212	1526	-86%
Operating costs	8187	14075	-42%
Net Income	-103	994	-110%

So far, the worst quarter has been the Q2 that recorded a 234 ml loss. The event is consistent with the trend of the pandemic. The Q3 2020, closed on the 30th of September, showed a timid recovery but not sufficient as the overall economic result for the first 9 months of the fiscal year is $ -103 ml.

By analyzing the operating performance, the drop in demand caused ROS to fall from 10% to 3% and ROA from 11% to 1%, in the face of a decrease in revenues from $15601 mln to $8399 mln. All the drivers of ROS experience a sharp decline so the decrease in the ratio is understandable.

The impact on the financial situation is quite noteworthy and so are Marriott's choices regarding it. In fact, to secure the position in terms of short-term liquidity and solvency, Marriott issued 2 new senior notes. With the proceedings of said notes, close-to-expiration notes were repurchased, commercial papers paid, and the availability of cash or equivalent items increased. The interest rates associated to the new notes are higher than the previous ones, thus increasing the weight of non-operating expenses. The operation, as predicted, improved the cash position of the company at the cost of a significant increase of the debt-to-equity ratio from 15,24 to 41,12.

Working capital changes primarily reflect lower accounts receivable due to lower fee and cost reimbursement revenues and a higher allowance for credit losses, lower accounts payable due to lower purchasing activity, a delay in the payment of retirement contributions and lower bonus accruals.

	Nine month ended		
Profitability	Sept 30, 2020	Sept 30, 2019	
ROE	-45%	141%	
ROS	3%	10%	
Assets turnover	0,59	1,11	
ROA	1%	11%	
Drivers of ROS			
Gross margin	13%	16%	
Residual margin	20%	60%	
			DELTA%
Gross profit	1071	2550	**-58%**
COGS	7328	13051	**-44%**
Revenues	8399	15601	**-46%**
Operating Income	212	1526	**-86%**
Drivers of Assets turnover			
WC turnover	-3,41	7,26	
FA turnover	4,69	8,19	
Net. assets	14153	14111	
Net assets growth	0,30%		

Financial policy		
Quick ratio	0,59	0,47
Leverage	41,13	15,24
Assets coverage	0,01	0,01

Cost actions taken by Marriott to face Covid crisis:

- Marriott delayed all regular cycle renovations due in 2020 for one year and delayed all furniture, fixture, and equipment (FF&E) reserve funding for six months;
- Marriott helped their franchises to cut costs by lowering charges;
- At the corporate level, Marriott suspended the salary for Mr. Marriott and the CEO for 2020, reducing salaries for the senior executive team by 50%, hiring only for essential positions, implementing temporary leaves in North America as well as shortened workweeks around the world, and pulling back on all non-essential spending;
- Marriot introduced cost cutting measures by reducing SG&A and marketing;
- The company also reviewed all investment spending and decided to eliminate or defer one-third of the $700-800M it had originally expected in 2020.

Hilton Worldwide Holding Inc.

As of June 30, 2020, Hilton's portfolio includes 6,215 properties with 983,465 rooms in 118 countries and territories, including 690 that are managed and 5,405 that are franchised, with the combined managed and franchised properties having a total of 953,946 rooms. Hilton also owns 18 brands across different market segments.

	September 30, 2020	September 30, 2019	Delta
Revenues	3417	7083	-52%
Gross Profit	2939	6141	-52%
Operating Income	-223	1309	-117%
Operating Costs	478	942	-49%
Net income	-491	706	-170%

From appendix 3 and 4, we can see that due to a large drop in demand, Hilton's gross profit decreased for 52% while operating income decreased for 117%. In fact, in the end of Q3 it recorded net loss of -491 million USD, which is a decline of 170% compared to the same period previous year. Even with large cut in SG&A (-42%), net income was heavily impacted. According to Hilton's third quarter report, systemwide revenue per available room (RevPAR) posted even worse results, dropping by 81%.

Analyzing operating performance, ROS has dropped from 18% in 2019 to -7% in 2020. On the other hand, ROE gives inconclusive results as net income and equity are both negative. While a negative ROE in 2019 could be due to excessive debt or profitability inconsistencies. A company with a negative ROE cannot be evaluated against other companies with positive ROE ratios. Furthermore, ROE should not be taken into analysis. In contrast, ROA gave slightly more reliable results that show a decrease from 11% in 2019 to -1% in 2020.

Cost actions taken by Hilton to face Covid crisis:

•President and CEO has forgone his salary until the end of 2020;

•The Executive Committee has taken a pay cut of 50% for the duration of the crisis;

•From the 4th of April, many of Hilton's corporate team members have reduced schedules or have been furloughed for 90 days;

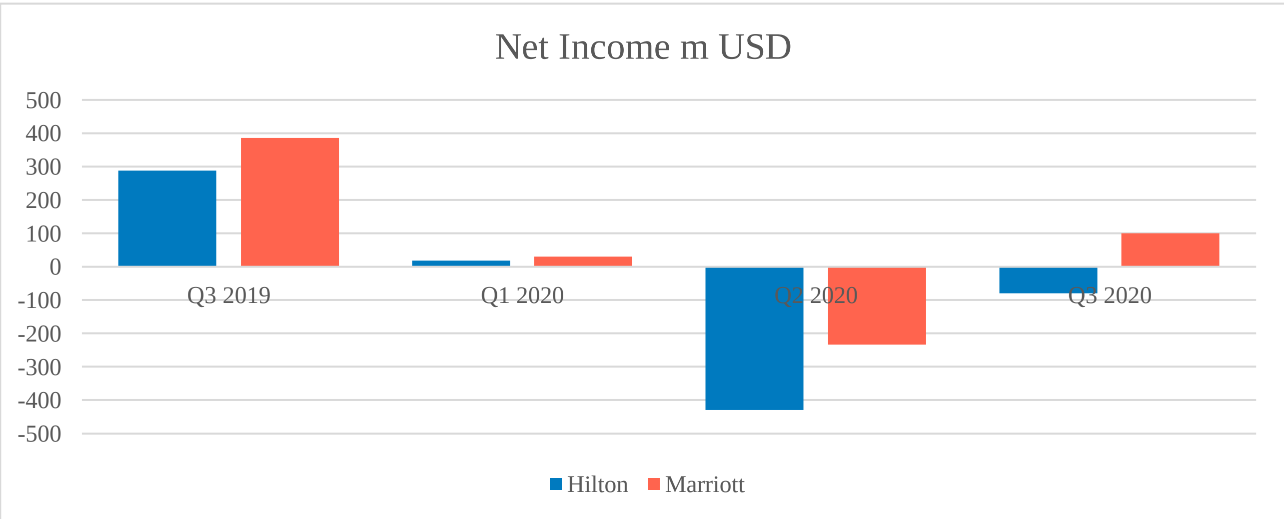
•Corporate team members who are not furloughed had their pay reduced by 20% for the duration of the crisis;

•Hilton has cut non-essential expenses and frozen CAPEX;

•The company suspended all share buybacks and dividend payments – other than those previously declared.

BENCHMARK ANALYSIS

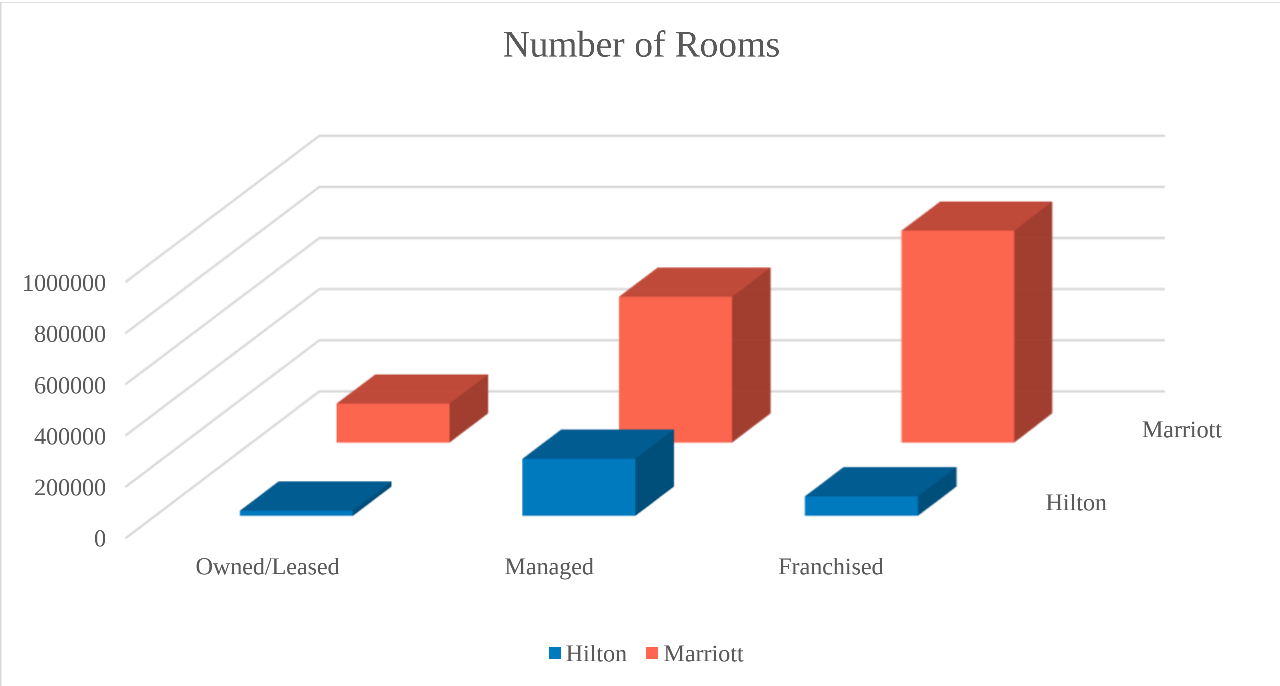
According to the financial statements, both Hilton and Marriott had implemented cost containment cutting strategies rather than re-thinking the use of the significant assets owned in response to the crisis. Nevertheless, some differences can be noted in the way they have been handling the situation



Hilton decided to divest a sizable portion of its fixed assets, in particular the largest decrease can be seen in long term investments (-73%) presumably to raise more cash and cash equivalents. The increase in Hilton's assets of around 2 billion is, in fact, almost exclusively due to the increase in cash and equivalents (+ 329%). While in the balance sheet, a decrease of 563% in equity can be seen, while change in long term debt is 34%.

On the other hand, Marriott decided to turn to external founding to face the pandemic, showing a much larger increase in liabilities, particularly in long-term debt (+480%), while the other fixed assets remained relatively stable.

Moreover, Marriott's and Hilton's handling of the situation could have also been impacted by the different composition of their business portfolios.



Namely, from the table below, it can be seen that, even though Marriott operates with 3% less franchises, those franchises are 91% bigger in terms of room numbers. Also, franchising is 53% of Marriott business while for Hilton it is 24%. In contrast, Hilton's operations consist of 70% of self-managed rooms, while for Marriott this is 37%. The main insights suggest that Hilton handled the pandemic in a worse manner (-170% Net Income) due to its business portfolio structure, relying on self-owned rather than franchised businesses, so it directly suffers the losses. Moreover, Hilton has also been affected more than Marriott because of its higher degree of operational leverage and financial leverage.

Aside from that, the impact was similar: a sharp decline in ROS and ROA for both companies and an issue of overcapacity in both owned and franchised facilities due to the steady drop in demand.

Hilton Worldwide Holding Inc.	Owned/Leased	Managed	Franchised
Properties	62	700	5571
Total number of rooms	19780	221814	75688
% of total room	6%	70%	24%
Marriott Worldwide Holding Inc.			
Properties	66	2092	5421
Total number of rooms	151644	569775	828235
% of total rooms	10%	37%	53%
Marriott to Hilton %			
Difference Properties	6%	67%	-3%
Difference Total number of rooms	87%	61%	91%

	Hilton	Marriott
DOL	2,26	1,87
DFL	2,75	2,12

COST STRUCTURE ANALYSIS

Hilton and Marriott, as reported above, manage a broad diversified portfolio of hotels. So, each structure has its own cost structure, however, some common features can be identified.

Their cost structure can be considered rigid. The identified fixed costs are staff and managers' salaries, kitchen, website fees, Wi-Fi and telephone plans, rental or leasing fees, plant layout, ordinary maintenance, TQM, depreciation and amortization, property tax, interest on debt, periodical insurance fee and marketing expenses.

On the contrary, variable costs represent a minor part of hotels' cost structure and they can be found in domestic suppliers, travel agencies' commissions, credit card commissions, cleaning services, laundry, utilities (electricity and water), OTA fees, drinks, and food.

The presence of high fixed costs implies high gross profit margins, this means that each additional revenue results in a substantial rise in net profit, while revenues are mainly driven by the volume of reservations. It can be reported that both Marriott and Hilton are revenue driven.

COST DRIVER ANALYSIS

To better understand the cost structure and profitability of Hilton and Marriott, it is necessary to understand the direct cause of costs. Due to the impossibility to access internal information regarding their activities and costs, the analysis has been carried out by assuming the activities typically run in a hotel. Each activity implicitly includes the new and current Covid measures (social distancing, disinfection, etc.). Main activities can be summed up in the following way:

Departments	**Activities**	**Cost driver**	**Type**
Front office	1. Reservations (NVA) 2. Receptions (VA) 3. Registration (NVA) 4. Room assignment (NVA) 5. Settlement of bills (NVA)	1. Linkage with customers 2. Linkage with customers 3. Linkage with customers/ Timing 4. Linkage with customers 5. Linkage with customers	1. Ex. 2. Ex. 3. Ex. 4. Ex. 5. Ex.
Housekeeping	1. Cleanliness (VA) 2. Maintenance (NVA) 3. Aesthetic upkeep of rooms (VA)	1. Service configuration/ Quality standard 2. Quality standard 3. Service configuration/ Quality standard	1. Ex/ Struct 2. Struct 3. Ex/ Struct
Kitchen and food production	1. Material orders (NVA) 2. Restaurant service (VA) 3. Material handling (NVA) 4. Supplier management (NVA) 5. Delivery time checking (NVA) 6. Internal logistic (NVA) 7. Inventory (NVA) 8. Quality assurance (VA)	1. Complexity/ Linkage with suppliers 2. Complexity/ Scope/Work force involvement 3. Complexity/ Service configuration 4. Linkage with suppliers 5. TQM 6. Plant layout efficiency 7. Complexity 8. TQM/ Complexity	1. StrucEx. 2. Struct/ Struct/ Ex. 3. Struct/ Ex. 4. Ex. 5. Ex. 6. Ex. 7. Struct. 8. Ex/ Struct.

Engineering and maintenance	1. Repairing (NVA) 2. Maintenance (NVA) 3. Setting up (NVA) 4. Components order (NVA) 5. Supplier management (NVA) 6. Delivery time checking (NVA) 7. Material requirement checking (NVA)	1. Quality standard 2. Quality standard/ Technology 3. Facility layout 4. Complexity 5. Linkage with suppliers 6. Timing 7. TQM/ Complexity	1. Struct. 2. Struct./ Struct 3. Ex. 4. Struct. 5. Ex. 6. Ex. 7. Ex/ Struct.
Finance and Administration	1. Accounts receivable management (NVA) 2. Account reconciliations (NVA) 3. Payables processing (NVA) 4. Handling external audits (NVA) 5. Administrative service (NVA) 6. Salary, benefit and compensations (NVA)	1. Complexity 2. Complexity 3. Timing 4. Complexity 5. Complexity 6. Organizational policies	1. Struct 2. Struct. 3. Ex. 4. Struct. 5. Struct 6. Struct
Security	1. Infrastructure security of the hotel (VA) 2. Cybersecurity (VA)	1. Plant construction 2. Service configuration	1. Struct 2. Ex.
Human Resources	1. Recruitment (NVA) 2. Training (VA) 3. Organizational communication (NVA) 4. Human resource management (NVA)	1. Organizational policies 2. Work force involvement/ Quality standard 3. Organizational policies 4. Scope	1. Struct. 2. Ex./ Struct. 3. Struct. 4. Struct
Sales and Marketing	1. Social media management (NVA) 2. Survey conducting (NVA) 3. Market data gathering (NVA) 4. Advertising (NVA) 5. Promotions and offers (VA) 6. Catalogue (NVA) 7. Brand management (NVA) 8. Merchandising (VA) 9. Loyalty program (VA)	1. Linkage with customers 2. Complexity 3. Complexity 4. Linkage with customers/Scale 5. Complexity/ Timing/Scale 6. Complexity 7. Scope/ Experience 8. Complexity 9. Linkage with customers/Scale	1. Ex. 2. Struct. 3. Struct. 4. Ex/ Struct. 5. Struct/ Ex/ Struct. 6. Struct 7. Struct/ Struct 8. Struct/ 9. Ex/ Struct.

Purchase	1. Purchasing order entry (NVA) 2. Expeditation (NVA) 3. Supplier management (NVA) 4. Internal logistic (NVA)	1. Complexity 2. Timing/Linkage with suppliers 3. Linkage with suppliers/Level of integration/ Complexity 4. Service configuration	1. Struct. 2. Ex/Ex. 3. Ex/ Struct/ Struct. 4. Ex.
Information technology	1. Computer networks (VA) 2. Telephony systems (VA) 3. Office systems (NVA)	1. Complexity 2. Complexity 3. Complexity/Level of integration	1. Struct. 2. Struct. 3. Struct/ Struct
Customer service	1. Compliance management (VA) 2. Customer assistance (VA)	1. Linkage with customers/ Complexity 2. Linkage with customers/ Complexity	1. Ex/ Struct. 2. Ex/ Struct.

According to the analysis, the cost drivers in the hotel sectors are mainly structural (43), which indicates that costs are usually driven by business strategic decisions and long-term and committed choices. The most recurrent ones are "*Complexity*" (24) and *"Quality standard"* (6), which are indeed linked with the features and economic structure of hotels. While there are less executional costs drivers (33) and the most recurring ones are *"Linkage with customer"* (10) and *"Service Configuration"* (6), which are consistent with the typical operations run by hotels. Since most cost drivers are structural, it can be concluded that it is harder to manage these costs unless there is a change in the overall service offered. Despite that, there are less executional cost drivers than the structural ones. Nonetheless, they are still significant, and they can instead be managed in the short-run in an easier way by strategic cost management tools.

ACTIVITY MAPPING AND VALUE CREATION ANALYSIS

The activity mapping and value creation analysis can be found in the table above.

Overall, Hilton and Marriott have always been ahead in understanding customers' expectations and value, both offering a high-quality service. The activities and assets that typically create value in this sector are source of fixed costs.

Customers' expectations are met by providing a high level of customization and accessibility through offers, promotions and loyalty programs. The customer-centric service is emphasized by high costumer assistance, compliance services and high-quality staying experience due to well-trained and highly selected staff, reception service, aesthetic rooms and public spaces, extra hotel amenities, quality controls and security checking.

After the pandemic outbreak, however, hotels have been forced to review their value-added activities when their guests' expectations and habits changed. To align their service to the customers' health concerns, Hilton and Marriott have launched innovative programs, like Hilton's CleanStay and Marriott's Global Cleanliness Council, to ensure their clients enjoy a worry-free stay.

Firstly, new cleaning standards have been provided by enhancing cleaning of public areas, focusing on new training for staff, adopting several disinfection points among the entire structure, and adjusted food & beverage services. Additionally, in order to encourage customer trust in reservation, all the hotels have been adopting a travel plan flexibility option with free changes and cancellations. Furthermore, they granted an extension of the expiration date for points accumulated with the fidelity system to give more flexibility for the next journey. Moreover, to respect the current regulations, some services have been temporarily modified. For instance, some traditional services are now online, such as check-in and check-out, digital keys and QR code for contactless services (messaging Hotel Team Members, reviewing the receipt, checking the menu...). For what concern other services, such as restaurants, buffets, swimming pool, they had to be reduced because of the impossibility to respect all the safety measures.

Taking everything into consideration, the pandemic has brought challenges and required a rapid implementation of security and health measures to restore customers' trust. According to the American Customer Satisfaction Index 2020, Hilton has held onto its position as the industry satisfaction leader, while Marriott, on the other hand, has been losing ground with guests' satisfaction during the pandemic.

II. PART

BEYOND THE COST CONTAINMENT APPROACH

The pandemic has made clear that accommodation activities lack flexibility and adaptation to fluctuations in the market. However, these are not the only challenges that the hotel industry must face and adapt to. In fact, new trends appeared, and others have been sped up by the outbreak of the Covid-19 pandemic.

Below, two innovative solutions to adapt to changing task environment will be presented.

Revenue streams diversification and assets utilization

Basically, Hotels often have many square meters of assets that are not adequately used or that are completely unused. The assets that are usually owned by a hotel, besides the rooms, there are also kitchens, laundries rooms, auditoriums and in some cases even gyms or swimming pools but also skilled human capital such as kitchen or cleaning staff. In a nutshell, the idea is to partially re-think service offerings and their users. For instance, although this is not a new trend, many medium/big size hotels started to focus on the MICE industry. The idea is to turn some accommodation facilities into a place to hold conferences, galleries, or exhibitions and in some cases even exam sessions of various nature (ex. IELTS English exams).

Another opportunity can be seen by concentrating on the local community. The concept of transforming a hotel into a community hub known as Augmented hospitality is relatively new. The creation of a solid relationship with locals reduces the dependency on seasonal tourism and allows for steadier streams of revenue, independent from tourism and its trends. In this case, there is a crucial difference with the alternative presented by “MICE hotels”: the facilities are not simply made available for specific events but also for everyday activities of people who are not going to spend the night. Especially in these times, where co- and remote working/studying are becoming increasingly popular, repurposing a part of the room available could become a new source of revenues, charging day rates or pay-by-use or even monthly/weekly fees. By doing so, rooms are put to use even in between check-out/check-in times, a period in which they remain empty and unutilized.

But integration with the community can obviously occur in other way. As mentioned above, hotels offer a diversified service that, apart from lodging, also include laundry or meals and other types of amenities. Making them available to non-residents would remarkably improve the use of these assets/services, specifically outside peak periods. For example, during the pandemic, a *marketwatch* article reported a small American Inn that managed to survive by re-thinking the use of its wine bar. The owner, in fact, started to sell take away wine but also to sell the branded sheets and unique utilities of her small inn through e-commerce. This is just an example, but inspiration can be drawn also by the many restaurants that from scratch started to make deliveries. Given the different nature of these guests and their unique needs, the identikit could significantly differ from the usual tourist, so a different approach might be needed to target the local community. The American Inn-owner recorded that, while the average age of past guest was in between 50 and 60, by making her wine bar available, she attracted much younger customers. Moreover, obtaining visibility could be cheaper; OTA would not have to be involved so the relationship would be de-intermediarized and free of costly fees. The more stable nature of the relationship could also help to foster loyalty. In this sense, a greater attention to digitalization and the cure of the digital image is essential.

Many of the measures and/or concepts are not new, nonetheless many accommodation activities have never considered them and therefore re-thought the structure of their businesses. The emphasis (and therefore their spending) on tourists, while organizing travel is increasingly shifting towards unique experiences and the idea of making unforgettable activities rather than lodging. The concept of holiday is changing and so should accommodation.

The “*new normal*” imposed by the virus has increased the attention of guests to hygiene and made many of them also more acquainted with the digital world. This might open a unique way to use the human capital in hotels. For example, employees now could be more intensively used for cleaning activities instead of handling check-ins/outs, an activity which now could even be done contactless by the guests themselves and that does not require the human warmth of the hotelier to be performed. As Bobby Stuckey suggested in his Ted Talk “Be a hospitalian”, service is what you do but hospitality is how you make your guest feel. Reducing times and resources for activities that could be automized is an example of how the productivity of workers could be increased. This is further reflected on how square meters are needed. Trends like Glamping and “*Ospitalità diffus*a” are headed in this direction. The latter, for example, has left behind the idea of compacted big-sized hotels with numerous rooms in favor of few residential units independent from each other but located within few dozen meters of distance. The emphasis is clearly not on volumes but on the uniqueness of each apartment and privacy.

Cost and value alignment and dispersed accommodation

A recent response to the need for a higher degree of efficiency and flexibility in the accommodation sector have been glampings - outdoor structures with all the comfort of a hotel, able to meet the latest trends in the industry.

The key features of a glamping accommodations are top-level equipment and amenities, high-quality services, and a unique natural location with innovative types of accommodation such as yurts, treehouses and mobile homes. Glamping can be considered as a form of dispersed hotel.

The essentials to succeed in this business are the choice of a picturesque natural location and the setting of exclusive structures to stay in and appreciate the surrounding environment. Glamping, for these reasons, is considered more than just an accommodation, they are an experience itself. The popularity and the need for outdoor recreation, together with the growing sensitivity to sustainable development and concern for nature fueled the trend. The recent coronavirus outbreak and consequently the need for structures able to respect social distancing and Corona-virus restrictions are the reasons for glamping's skyrocketing popularity lately. This type of accommodation is, in fact, able to meet new customers' expectations without having to renounce to all the comfort of a hotel room.

The initial investments are lower than the hotel sector ones. Firstly because of the size of the structures and then because of the use of semi-mobile structures. This is assuring a lower operational leverage and so lower riskiness of net losses in the case of crisis. The presence of lower level of amortization costs and property taxes follow as well. While more consistent costs can be expected for marketing and OTA's because this type of travel option remains relatively new to a significant part of the population as it is a relatively new market.

Moreover, the glamping market was born in response to the growing interest of tourists to more "experience" based travels. The accommodation service is accompanied by a series of experiences to allow the guest to fully immerse in the local and cultural tradition. Therefore, partnerships are usually tied with local tourist attractions, wellness structures and food and drink establishments. For instance, in Italy, glampings often sign partnerships with local "*Agriturismi*" for the restoration service they offer (Curatolo, 2020). In this way the owners do not need to take care of these types of services and experience high quality local food with lower costs.

Revenues are driven by a differentiation strategy, which allows this business to be the price setter. The sector competes on small details and is rather driven by unicity than accessibility. This market is quite tight and does not feel the direct competition of other camping businesses or hotels because of its unique features. Furthermore, revenues come from different streams of costumers: from couples, groups of friends and families. Diversification of clients is another advantage in times of crisis.

In conclusion, the glamping market was born as a response to the new trends and necessities in the industry. Because of its particular features, it is expected to be an important part of the accommodation market in the near future. Glampings can be considered as an innovative reconceptualization of the notions of camping and hotel. In Europe revenues are expected to grow at a compound annual growth rate of over 11% from 2019 to 2025 (Glamping Market in Europe report, 2020).

APPENDIX 1 – Marriott - Balance sheet

Balance sheet (m USD)	September 30, 2020	September 30, 2019	
Assets	**25148**	**24812**	
Current Assets	3540	2900	22%
Cash & Equivalents	1577	276	471%
Account and Notes receivable, net	1791	2394	-25%
Prepaid Expenses and other	164	230	-29%
Assets held for sale	8		
Fixed Assets	19379	19500	-1%
PP&E	1790	1960	-9%
Intangible Assets			
Brand	5947	5908	1%
Contract acquisition costs	2607	2642	-1%
Goodwill	9035	8990	1%
Financial and other Assets	2229	2412	-8%
Equity method investments	517	580	-11%
Notes receivable, net	154	109	41%
Deferred tax assets	202	169	20%
Operating lease assets	757	955	-21%
Other non-current assets	599	599	0%
Liabilities & Equity	**25148**	**6576**	282%
Current Liabilities	6006	5738	5%
Current portion of Long term debt	1316	227	480%
Account Payable	486	813	-40%
Accrued payroll and benefits	1030	1207	-15%
Liability for guest loyalty program	1724	2185	-21%
Accrued expenses and other	1450	1306	11%
Non-Current Liabilities	18913		
Long term debt	9679	10552	-8%
Liability for guests loyalty program	4433	3439	29%
Deferred tax liabilities	146	291	-50%
Deferred revenue	1615	799	102%
Operating lease liabilities	817	868	-6%
Other non current	2223	2287	-3%
Shareholders' Equity	229	838	-73%
Class A Common Stock	5	5	0%
Additional paid-in capital	5798	5773	0%
Retained earnings	9370	9522	-2%
Treasury stock at cost	-14498	-13958	4%
AOCI	-446	-504	-12%

APPENDIX 2- Marriott - Income statement

Income statement (m USD)	Sept. 30, 2020	Sept. 30 2019	
Revenues	**8399**	**15601**	
Base Management fees	341	882	-61%
Franchises fees	876	1505	-42%
Incentive Mngmnt. Fees	43	462	-91%
Gross fee revenues	1260	2849	-56%
Contract Inv. Amortization	-94	-45	109%
Net fee revenues	1166	2804	-58%
Owned, leased and other revenue	445	1186	-62%
Cost reimbursement revenue	6788	11611	-42%
Operating Costs & Expenses	**8187**	**14075**	-42%
Owned, leased and other direct	527	982	-46%
depreciation, amortization	275	162	70%
SG&A	579	671	-14%
Restructuring and merger-related charges	5	191	-97%
Reimbursed expenses	6801	12069	-44%
Operating income	212	1526	-86%
Gains and other income , net	3	16	-81%
Interest Expense	-333	-299	11%
Interest Income	20	20	0%
Equity in Losses	-54	10	-640%
Tot no-operating income	-364	-253	44%
Income (loss) before tax	-152	1273	-112%
Provision for income taxes	49	-279	-118%
NET INCOME/LOSS	**-103**	**994**	-110%

APPENDIX 3- Hilton Worldwide Inc - Balance sheet

Balance sheet (m USD)	Sept 30, 2020	Sept 30, 2019	delta
Assets	**17129**	**15067**	14%
Current Assets	4584	2255	103%
Account receivable	890	1193	-25%
Prepaid expense	113	115	-2%
Others	113	138	-18%
Cash & Cash Equivalent	3468	809	329%
Fixed Assets	12545	12812	-2%
Tangible Fixed Assets (Net PPE)	349	380	-8%
Intangible Fixed Assets and Goodwill	10340	10405	-1%
Long term Investments	889	3240	-73%
Other Fixed Assets	967	1042	-7%
Total Assets	17129	15067	14%
Liabilities & Equity	**17129**	**15067**	14%
Total Current Liabilities	2299	2900	-21%
Total Non Current Liabilities	16149	12366	31%
Total Long Term Debt	10439	7767	34%
Other Non Current Liabilities	2688	1888	42%
Total Liabilities	18448	15266	21%
Total Equity	-1319	-199	563%
Comprehensive Income	-853	-2452	-65%
Retained Earnings (Accumulated Deficit)	-6508	-18997	-66%
Capital (Common Stock)	3	9	-67%

APPENDIX 4 - Hilton Worldwide Inc - Income statement

Income statement (m USD)	Sept 30 ,2020	Sept 30, 2019	delta
Operating Revenue / Turnover	3417	7083	-52%
Sales (Revenues)	3417	7083	-52%
Costs of Goods Sold	478	942	-49%
Gross Profit	2939	6141	-52%
Gross profit % sales	0,860111209	0,867005506	-1%
Depreciation/Amortization	269	90	199%
EBIT	-223	1309	-117%
Operating profit % sales	-0,065261926	0,184808697	-135%
SG &A	189	327	-42%
EBITDA	68	1586	-96%
P/L before Tax	-575	1001	-157%
Taxation	-80	291	-127%
P/L after Tax	-495	710	-170%
Net income/loss	**-491**	**706**	-170%
Impact of taxes	85%	71%	

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