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Going Green as a Source of Sustainable Competitive Advantage in the Hospitality Industry:

A Case Study of Marriott Hotels, Inc.

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by

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I hereby recognize and pledge to fulfill my responsibilities as defined in the Honor Code and to maintain the integrity of both myself and the College as a whole.

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Abstract

This paper investigates how "going green" could serve as a source of sustainable competitive advantage in the hotel industry. Using Marriott Hotels Inc. as a case study I analyzed what sets this environmentally friendly hotel apart from its competitors. I researched exactly what Marriott does to be environmentally friendly and how that could possibly help them to gain competitive advantage. I used Michael Porter to determine if their green initiatives are categorized as a sustainable strategy. I also used financial statements, reputational surveys, and comparisons of other hotels to strengthen my paper. This paper will be significant because we are currently in a time where the green movement is in full force and the government is starting to implement regulation on corporations to help preserve the environment. Many major corporations are faced with the decision of going green or not going green. I originally believed that the evidence would show that making the choice to green a company would be both economically beneficial and boost a corporation's reputation. I also believed that a green strategy for Marriott would ultimately create sustainable competitive advantage. After researching Marriott's strategy, set of activities, competitors, and financial statements, I found that they do not have a strategy according to Michael Porter and, so far, have not been able to achieve a sustainable competitive advantage over their rivals in the hotel industry.

CHAPTER 1: INTRODUCTION

For my senior project, I have researched how "going green" can serve as a source of sustainable competitive advantage in the hotel industry. I am interested in how potential customers of hotels now express interest in the sustainability and environmental practices of the companies they choose to lodge with. My project is in the form of a case study of the Marriott Hotels, Inc. This company has been making strides towards long-term sustainability for the past several years. Marriott Hotels have repeatedly been put on the Forbes Best Companies to Work for list. The New York Times also voted it the 4th best company to work for in the UK 2009. The company is based in Washington, D.C and currently has 754 properties in the United States.

I analyzed what set Marriott's environmentally friendly hotel operations apart from other hotels. I have chosen to do this because the green movement is surrounding us from every angle. Government regulations are being implemented upon many businesses to decrease their negative impacts on the environment. We see it on television commercials, grocery stores, restaurants, buildings, and now, more specifically, hotels. I researched exactly what the Marriott Hotels, Inc. does to be environmentally friendly and if its practices and green features help it gain competitive advantage over their major competitors including Wyndham and Hyatt Hotels. I also used financial statements, reputational surveys, and existing studies to analyze its success or failure with a green strategy.

This paper is significant because we are currently in a time when the green movement is in full force. Many major corporations are faced with the decision of going green or not going green. I believe that this paper will show that making the choice to "go green" with your company will be beneficial and ultimately create sustainable competitive advantage.

Chapter one serves the purpose of giving an introduction on what readers will find in the following project. Chapter two reviews other literature that not only gives me background information, but helps to form my argument on the power of going green and how it could help companies gain competitive advantage. These articles, books, and online sources discuss the economic benefits of going green, competitive forces, why businesses should go green, and sustainable reputations. Chapter three is the empirical analysis of Marriott's green strategy, financial analysis, and strategy analysis. Finally Chapter four includes conclusions and recommendations for future success.

CHAPTER 2: LITERATURE REVIEW

I. Economic Benefits of "Going Green"

Graci and Keuhnel's (2009) article is a guide for businesses that are most likely already in the hotel industry and are choosing to become more eco-friendly. The article first discusses all of the benefits of going green and how they outweigh the costs and benefit the environment. Individually, hotels are not harmful to the environment, but all together they are highly wasteful. Their excessive amount of consumption of water, energy, and waste leads to increased operational cost. The authors discuss the three key areas of environmental impact by the hotel industry. These include energy, waste, and water. After giving background information on what resources need to be conserved, the authors then discuss the benefits of "going green," which include decreased costs, gain in competitive advantage by being a leader in the sector, customer loyalty, employee retention, awards and recognition, regulatory compliance, risk management, increased brand value, and "because it's the right thing to do" (Graci, 2009, p. 3).

Hotels are able to implement multiple practices to reduce excessive waste and unnecessary costs. These practices include pollution prevention, energy consumption, recycling, use of compact fluorescent lights, reuse of linens, low-flow shower systems, use of local products, installation of green roofs, and the installation of solar heaters or other renewable energy source.

This guideline will prove to be a good source in discussing overall benefits that come from having a green hotel. I will be able to use this in the empirical chapter to go in depth about how going green can decrease costs and gain a competitive advantage over competitors. They offer the best practices to implement in order to save costs and reduce the impact on the

environment. Their breakdown of each individual benefit, coupled with real hotel examples, will strengthen my analysis (Graci, 2009).

Rahman, Reynolds, and Svaren (2011) address the importance of putting forth an effort to save the environment and the current harm that is being done to it. They then discuss what areas of consumption that could be decreased in the hospitality industry, those being non-durable goods, energy, and water. This article identified what it entails to be a "green hotel" by defining it as "environmentally friendly properties whose managers are eager to institute programs that save water, energy, and reduce solid waste- while saving money – to help protect our one and only Earth" (Imran, Reynolds, & Svaren, 2011, p. 2). I like this definition because it helps me break down the green activities that hotels should be undertaking in order to protect the environment. It is very specific in explaining reasons to go green, those being economic benefits, strengthening of employee organizational commitment, facing public scrutiny, improved investor relations, and general social good.

The portion of this article that I find most helpful in my research is the breakdown of the reasons to go green. They focus on competitiveness first, which suggests that a hotel will improve their long-term profitability by lowering their costs and, in turn, lowering prices to customers. Hotels are now being forced to comply with environmental regulations, but if they have taken a proactive approach, it only strengthens their sustainability. By switching to a green business, these hotels are able to save an average of 25-30% of energy.

This article also proposes three hypotheses, only the first of which was confirmed after statistical analysis. Hypothesis one stated that "chain-affiliated hotels are stronger adopters of green practices than are independent hotels" (Imran, Reynolds, & Svaren, 2011, p. 6). The authors ran a regression and performed a statistical analysis for the factors involved in going

green. I found flaws with their methodology because they received a very small response rate from their surveys which were then separated into regions. After separated into regions, some of them had just a few hotels to base their analysis off of, which I believe would have swayed their findings in a false direction (Imran, Reynolds, & Svaren, 2011).

Tran (2009) explained in his article what it means to practice green management. He defines green management as "simply the rethinking, or more accurately, being more mindful of how organizations are operating (or lack thereof) with respect to the environment" (Tran, 2009, p. 24). With this he shows that green management consists of three components,: green waste, green energy, and green building. With these three components, Tran suggests why it would be beneficial for companies to adopt a green management strategy. Not only does it positively affect the environment, but also can increase your bottom line. He goes into more better detail than many other articles about the economic side of practicing green management. "The exact number of green consumers is unknown, but their numbers undoubtedly appear to be growing. Gallup polls conclude that more than 75% of U.S consumers include environmentalism in their shopping decisions" (Tran, 2009, p. 27). That number is much higher than I ever would expect and will help to explain why hotels going green can gain more customer satisfaction.

After discussing economic and monetary benefits, Tran discusses the barriers that exist to become a green company and why many companies are skeptical when it comes to making the switch. After explaining why it would be best to break through those barriers and adopt green management, he explains the encouragements and incentives that make the initial struggles well worth it. One major incentive that Tran discusses and many other authors do not are the tax incentives that exist to make your company environmentally friendly. Although those tax breaks

require high initial costs, the company is still doing good, as well as being well recognized by the LEED (Tran, 2009).

Orlitzky, Siegel, and Waldman (2011) also address the topic of how going green is connected to financial performance. What is different about their article is that they discuss corporate social responsibility as a whole and how that has proven to have a positive effect on economic performance. Many people have different definitions of what corporate social responsibility means. Some consider CSR simply a way to maximize shareholder wealth and others define it as actions that are beneficial to social good that reach beyond just the firm and the requirements by law. "Increasingly, a consensus seems to be emerging that CSR can be strategic (i.e, provide benefits to the firm), altruistic, or coerced" (Orlitzky, Siegel, & Waldman, 2011, p. 8).

Besides making the link between CSR and economic performance, the authors state reasons why and how that connection exists. They first suggest that the specific type of industry that exhibits CSR (i.e., monopoly oligopoly, perfect competition, and so on) may gain a better competitive advantage over rivals and gain abnormal profits. They dig further into "whether or not CSR pays" (Orlitzky, Siegel, & Waldman, 2011, p. 9) and, instead, discuss what circumstances must exist to get that payoff.

They consider CSR to be a normal good in which as demand increases, income increases. They also analyze the supply and demand of CSR activities. "Important contingency factors implied by theory-of-the-firm approach to CSR include research and development, advertising, organization size, diversification, government sales, consumer income, labor market conditions, and stage in the industry life cycle" (Orlitzky, Siegel, & Waldman, 2011, p. 13). Each of these factors affects the authors' theoretical foundations of strategic CSR. What I found to be most

intriguinging about this article is that they explained that implementing CSR will not be as beneficial in the short run as it will in the long run. This is crucial to the initial implementation of energy, water, and waste saving practices for Marriott Hotels. Implementation of a socially responsible green strategy requires high start up costs initially, but, in the long run, should decrease overall operational costs. CSR often requires substantial resources and money upfront which will initially decrease your profits, but eventually those practices and activities will pay off not only by reducing transaction costs, but also by increasing reputation and trust of consumers. If leaders are only interested in their financial performance and not environmental responsibility, they are less likely to adopt CSR practices because they are focusing solely in the short run. If their CSR activities in the organization are rare, not easily imitated, and not able to substitute they will gain what Porter claims is a competitive advantage over competitors. One issue that they discussed and I must address is the fact that as CSR is becoming more widespread throughout companies, it no longer differentiates them and their competitive advantage could be depleted (Orlitzky, Siegel, & Waldman, 2011).

II. Competitive Forces

Southan (2011) addresses how eco-certifications could help save the planet and also offer great business practices by hotels. Much of this article discusses the detrimental effects that hotels have on the environment. She notes that by cutting their use of CO2, hotels will be able to save energy and spend much less money in the long run. "A night in a "green' hotel may produce 3kg of CO2 per guest, whereas a night in a hotel making no effort to reduce emissions may hit 60kg per person" (Southan, 2011, p. 1). Now that "green" has become such an influential and powerful movement, many businesses, including hotels, are jumping on the band

wagon. They argue that many travelers are encouraged by a hotel's green credentials, which shows that they will gain a competitive advantage over their rivals by their green efforts.

Southan (2011) addresses each of the eco-certification programs that many businesses in the hospitality industry work to comply with and get recognized by. A few mentioned include the US Green Building Council (USGBC), Leadership in Energy and Environmental Design (LEED), Green Business Tourism Scheme (GBTS), Green Globe, Green Key, and The International Organisation for Standardisation (ISO). The USGBC and the LEED are the most recognized in the United States for the hospitality industry. Each of these groups set guidelines for what it takes to be a "green hotel." Hotels now are becoming very competitive in hopes of being the first to get high credentials by each of these groups. They want to "see who can be the first to get 100 percent of their properties gold certified" (Southan, 2011, p. 3).

This article would have been stronger had it gone into more detail about each of the organizations and addressed what exactly their criteria were to be considered environmentally friendly. Although it has interesting and important information concerning the detrimental effects of global CO2 emissions, it would have been more helpful for my research had the article addressed exactly what could be done to decrease those amounts (Southan, 2011).

Mihalic (1999) argues that tourism managers are now using "eco-friendly" practices to gain a competitive advantage and the competitiveness between tourists sites are now increasing with the emergence of environmental management. They explore two hypotheses throughout the article. The first is that "destination environmental competitiveness can be increased by proper managerial efforts in the field of environmental impact (EI) and environmental quality (EQ) management" (Mahalic, 1999, p. 76). The author found that both of these are interrelated and that managers find the cost saving aspects of EI more important. The EQ of a destination has

become a dominant form of competitiveness from the standpoint of the potential visitors, but this is more expensive for the managers.

The second hypothesis refers to their way of marketing environmental efforts. The image of the environment surrounding the destination is an important aspect of the potential visitor's choice. Because of this, it is important for managers and marketers to communicate the environmental image to these potential visitors. The author categorizes environmental management into groups consisting of management by codes of conduct, self-developed environmental practices, certified or awarded best practices, and by accreditation schemes, all of which managers and companies fight to achieve in order to gain a competitive advantage.

This article discusses much more of the property surrounding hotels than their actual hotel, but I believe that it will be helpful in explaining the potential visitor's demand for staying in the Marriott Hotels. It will aid me in explaining how both the environment and eco-friendly aspects of the hotel work in the decision making process of the potential visitors. This is yet another article that goes into the importance of certifications, awards, and labels. A setback for me with this article is that it is also based on Europe as opposed to the United States. I will have to find the organizations that give the most demanded awards and certifications in the US in order to effectively analyze Marriot and its success (Mahalic, 1999).

Jackson (2010) gives readers a better understanding of what green lodging is and its supporting components. He starts off by simply explaining how the green revolution has expanded over many aspects of the environment, including the hospitality and tourism industry. There are many reasons why there has been such a large shift in expectations. These include the consumers demand for more eco-friendly lodging facilities, stronger regulations implemented by the government, and companies' increasing concerns about their social responsibility and ethics.

This was written because it was noted that there is an increase in green movements among consumers and businesses. Going green in the hospitality industry will help businesses move toward sustainable development and management. He addresses the areas that are focused on when it comes to green lodging, and those include energy and water conservation and promotion of good indoor air quality and waste management.

Jackson's methodology consisted of a content analysis that strove to find patterns and themes surrounding practices and procedures geared towards being environmentally friendly. He then conducted interviews with lodging professionals to collect information on the measurements they take to offer green lodging. He explains that before one decides to "go green," one must understand exactly how their lodging facility impacts the environment. He also explains what the three levels of certification are and what consumers should look for when choosing a green hotel.

Although this article seemed very persuasive on the surface, it proved to have quite a few flaws. Even after making the point that the entire article will explain what it means to have green lodging, it failed to actually explain how companies could go green or how that could prove to be beneficial to the environment, consumer, and company itself. This has proven to be another article that helps businesses become green and not analyze exactly what it takes to be green and how that will prove to be profitable (Jackson, 2010)

III. Why to be Eco-Friendly

Sloan, et. Al (2009) note that as the green movement gets stronger, more pressure is being put on businesses to be socially responsible. Shareholders, employees, and customers are all increasing their expectations of the hospitality industry. These hotels are becoming more

sustainable by becoming more environmentally responsible and by working to benefit the society in which they reside.

The authors found that there is an intense pressure on all of those in the private sector to reduce the impacts that they have on the environment around them. Stakeholders are all affected by the business's practices and therefore expect them to demonstrate the best practices. They also note that environmental legislation is becoming much stricter with emission and pollution controls. They believe that hospitality businesses can gain a better reputation by implementing social responsibility practices and making their marketing more responsible (Sloan, Legrand, & Chen, 2009).

Tzschentke, Kirsk, and Lynch (2008) focus on how hotels have been transforming their practices to be more environmentally friendly. The article addresses why small firms in particular choose to follow an environmental path. The authors discussed two reasons as to why these managers/owners embrace green practices. The first reason is that many owners followed a green journey in their life well before they provided green lodging. By a "green journey," the authors mean that the owners were aware of the environment and chose to appreciate it and preserve it throughout their life and not just in their business practices. Being environmentally friendly for these individuals was something that was innate and existed well before their establishment. The other reason for small business owners to go green was for economic purposes. It provides cost incentives for a business to cut back on energy, waste, and water.

After undertaking a study on small business hotels, the authors found that the majority of the hotels were green because they followed their journey of being environmentally friendly. Those people want to protect the environment around them for the good of the earth and not their wallets. Maturity was addressed as a major factor in becoming environmentally friendly as well.

While young, many people do not understand the effects that one person can have on the environment, but when older, one can see that every little bit helps and being wasteful in any aspect is just unnecessary.

The authors' findings suggest that going green was not "a decision taken at a single point in time, but can be seen as a journey reflecting a series of personal lifestyle choices" (Tzschentke, Kirk, & Lynch, 2008, p. 132). Personal values play a major role in the decision to go green with your hotel. Marriott Hotels base their business off of the respectable business practices of their founders, which contribute to their implementation of the green strategy. Personal ethics are a key determinant of business behavior and are largely intrinsic. These authors found that even if barriers and regulations are removed in the future, many small hotels will continue on their path.

Although many parts of this article are helpful, I am concerned about their methodology and how it would be helpful in my research. They chose many foreign hotels and very small firms. They also used organizations that are based in the UK as opposed to the United States. Foreign countries most likely have different certifications than those in the US. The focus on small firms also worries me only because I'm not sure I believe all of the data they were given. As they interviewed the owners of each of these hotels, I believe that many of them would lie and say that they are eco-friendly because it is the right thing to do. They would look unethical and socially irresponsible if they only went green for economic purposes (Tzschentke, Kirk, & Lynch, 2008).

Porter (1996) argues that there is a major difference between strategy and operational effectiveness. He contends that "the root of the problem is the failure to distinguish between operational effectiveness and strategy" (Porter, 1996, p. 61). Although operational effectiveness

is necessary to succeed, it is not strong enough on its own. In order to have operational effectiveness, a company or firm must be superior of its competitors in performing comparable and similar activities. This system of operating is ineffective, because it gets increasingly easier for competitors to imitate and surpass your techniques, practices, and technologies. It is also ineffective because "competition based on OE is mutually destructive, leading to wars of attrition that can be arrested only by limiting competition" (Porter, 1996, p. 64). The differences between strategy and operational effectiveness, as explained by Porter, help me to determine whether or not Marriott Hotel's green initiatives are a strategy or just operational effectiveness that can be easily imitated.

Porter (1996) argues that in order to have competitive strategy, you must be unique and different in the activities you perform. "A company can outperform rivals only if it can establish a difference that it can preserve" (Porter, 1996, p. 62). I currently believe that the act of "going green" is becoming a means of sustainable competitive advantage in the hospitality industry. Being the best "eco-friendly" hotel is a way to differentiate yourself from the rest, which creates a competitive strategy. After deciding what unique activities you will perform, a company must strategically position itself. There are three different ways to do this: variety-based, needs-based, or access-based positioning. Regardless of what position is chosen, the difference in activities from your competitors is key in having a successful strategy.

To be a sustainable company, you must also accept that strategic positioning requires trade-offs. A company must give up something if it chooses to add more of another. Trade-off exists because of inconsistencies in image that would confuse consumers, activities themselves that require different practices, and because of limits on internal coordination and control. Without trade-offs, companies would fail to be sustainable. Choosing what the company should

not do is a major part of having strategy. In addition to positioning and trade-offs, "strategy is creating fit among a company's activities. The success of a strategy depends on doing many things well-not just a few- and integrating among them" (Porter, 1996, p. 75). In order to become environmentally friendly, you have to give up many things that could make your hotel more comfortable and attractive. I agree most with Porter's ideal of competitive strategy being about difference in activities. A company must find a way to distinguish itself from its competitors and make its activities inimitable to remain sustainable (Porter, 1996).

Diener, Parekh, and Pitera (2008) argue that the green movement is becoming stronger everyday and the hospitality market is now responding. Customers, employees, financial markets, and the construction industry are all in favor of working for or being associated with a socially responsible and environmentally friendly business. This report focuses on the hospitality industry because they are currently the third largest retail industry in the United States, behind automotives and food. They generate an annual revenue of $133 billion, but spent $3.7 billion in energy to do that. By going green they would be able to save 25-30%.

A major focus of this report is on the development of buildings and how a race has emerged to be the first with an eco-certification in the industry. The best certifications are distributed by the LEED. This report refers to these "green hotels" often as high performance hotels. These hotels are now capitalizing on having an efficient hotel that creates a healthier working, playing, and resting environment. Building in a sustainable manner will increase profit margins and also create a differentiated product. This differentiated product would follow Porter's idea of strategy and, in the long run, gain a competitive advantage over its rivals.

This report also addresses four main barriers to high performance hotel design, construction, and operations that I believe will be important for me to study in relation to the

Marriott Hotels. The first barrier is the perception that going green costs more and therefore businesses do not want to partake. The second barrier is the lack of demand for a green hotel and fear that guests will leave without being satisfied. The third is the difficulty of implementing procedure changes. The final barrier is that of hotel characteristics which include location, climate, size, and brand. All of these variables limit successful high performance hotel design, construction, and operations (Diener, Parekh, & Pitera, 2008).

IV. Company Reputation

Choi (2010) argues that there is a lack of attention paid to how consumers respond to the sustainability of companies. He believes that consumers would respond favorably to businesses that exhibit sustainability, similar to how they respond to corporate social responsibility. Choi proposed four hypotheses to test the effect that economic and environmental sustainability have on the purchasing activities of consumers. The first hypothesis proposes that a high level of sustainability will result in a positive evaluation of a company. The second hypothesis states that a "low level of sustainability will have a stronger negative impact on evaluation and purchase intent than a high level of sustainability" (Choi, 2010, p. 274). The third hypothesis proposes that when sustainability is low, price will have a stronger positive effect on the consumer's purchasing intentions. Finally, his fourth hypothesis states that in specific domain, sustainability will have a stronger influence on the evaluation of a company. After running ANOVAs, Choi found that having sustainability has a strong positive impact on how consumers evaluate the company. He also found that a sustainable strategy is accepted more by consumers and consumers react negatively to a company's shortcomings and low sustainability. Finally, Choi

found that individuals who value the environment will be more likely to favor a sustainable company over a non sustainable company (Choi, 2010).

Bruck (2011) also researched the effect that being a sustainable company has on the reputation and how it influences the purchasing intent of consumers. She explains that there is a major link between sustainability and bottom line performance, including market value, revenue sales, grown, price tolerance, market share, and so on. She explains that "at any point in time, a particular driver tends to rise above the others in terms of its general impact on value across companies…" (Bruck, 2011, p. H). Today, that dominant factor that affects the reputation of a company is corporate responsibility and sustainability. One example given is that of Wal-mart and Target. They found that if Wal-mart had the CSR (corporate social responsibility) of Target, their market value would increase by 8.4%. It was not until 2007 that shareholders put emphasis on the importance of sustainability, but now it has become one of the most important factors in the reputation of a business. Bruck also explains that it is now a strong marketing technique to showcase your environmental responsibility. This is not a time to be modest, and it would be in the best interest of the company's revenue and profits to showcase their corporate responsibility (Bruck, 2011).

"Ethics has everything to do with management" (Pain, 1994, p. 106). Some people may think that being ethical is an individual matter that affects one's conscience, but ethics must be approached by firms and management as a whole. Managers are constantly driven by the pressures of making more and more profits. Because of this, ethical behavior is sometimes overlooked, which in the end has proven to cost companies more than the profits they were striving for. Unethical behavior in a business is not the work of one individual; it is the cooperation of employees who as a whole were not under ethical management.

CHAPTER 3- EMPIRICAL ANALYSIS

I. Introduction

With the increased emphasis on preserving the environment, many businesses and corporations are jumping on the bandwagon and doing their part to help. Marriott Hotels Inc., has a long history of corporate social responsibility and was one of the pioneer hotel corporations to implement a "green" strategy into their overall corporate strategy. Not only do these green initiatives benefit the environment, but they also offer economic and reputational benefits that will give corporations a leg up on the competition. This paper serves three purposes. The first is to analyze Marriott's eco-friendly strategy and the activities they perform. The second is to analyze the financial and reputational data in comparison with competitors to determine the achieved and potential success or failure of their environmental efforts. The third purpose is to use all of the research, data, and comparisons to determine if Marriott's environmentally friendly, "Spirit to Serve" plan is a strategy according to Michael Porter.

II. Marriott's Green Strategy

Marriott's major corporate pledge is that every community that they enter will be a better place to work and live because they are there. Throughout the years they have implemented programs and started organizations that helped to reach these goals. "Our commitment to social responsibility is part of our company's DNA" (Marriot Hotels Inc., 2008-2009, p. 1). Beginning in 2007, Marriott Hotels Inc., embarked on their journey towards a more environmentally friendly and sustainable framework. Their founders J. Willard and Alice S. Marriott led by example with their philosophy that "if you take care of your associates, your associates will take

care of the customers and your customers will come back" (Marriot Hotels Inc., 2008-2009, p. 1).

As a Fortune 500 company, they are aware of the cultural power they possess and believe that it is their responsibility to take care of their surroundings. They focus their corporate social responsibility on five global issues, including poverty alleviation, the environment, community workforce development, the well-being of children, and global diversity and inclusion. Although these efforts are aimed towards benefitting society, they believe that their cultural competence also serves as a way to compete in the hospitality market. They have found in the past that many people will want to do business with Marriott because they share similar values (Marriot Hotels Inc., 2008-2009).

Marriott has enforced their "Spirit to Serve" commitment for many years, but more recently implemented their green strategy commitment in 2007 which aims to expand the environmental aspects of their social responsibility. Their environmental vision is to be the global hospitality leader that demonstrates how their management practices can positively affect the environment and inspire individuals to personally act in a responsible manner. The five environmental focal points in their green strategy are energy, water, and waste, supply chain, green buildings, educating and inspiring associates and guests, and "spirit to Preserve" (Marriot Hotels Inc., 2008-2009). One goal to be achieved through Marriott's green strategy is to gain a cost advantage from performing their activities more efficiently than their competitors (Porter, 1996).

A. Energy, Water, and Waste

Their main goal associated with the preservation of energy, water, and waste is to reduce energy and water consumption by 25 percent per available room by 2017. Because of the

abundance of rooms and the lack of control hotels may have over their guests, the largest environmental impact of their operations is energy consumption and waste generation. Both of these impact greenhouse gas emissions. The emissions from greenhouse gas have been proven to affect the temperature of the earth (GHG). By decreasing their energy usage and generation of waste, Marriott Hotels will be able to do its part in helping the environment as well as reducing their costs, which will be discussed further in this chapter. Marriott Hotels Inc. has partnered with ENERGY STAR, Carbon Trust, and International Tourism Partnership to help then reduce their energy, water, and waste impacts on the environment (Marriott Hotels Inc., 2010).

i. Energy Conservation

Marriott implemented a new Energy Conservation Action plan after they reached their goal of reducing energy consumption per room by 5 percent in 2009. They adopted a Retro-Commissioning (MRCx) program. This program helps to evaluate and plan their energy consumption in hopes of becoming more efficient. Their lighting, hot water, and HVAC systems were analyzed and a plan was developed in order to reach a peak of operational performance. The MRCx program strives to create substantial energy savings. After the analysis of Marriott's systems, they anticipated a savings of 12 million kilowatt of power. Typically, other businesses and properties that use the MRCx program have found that their cost associated with energy consumption have decreased 5 to 25 percent and a return on their investments in about 1.4 years.

In addition to the MRCx program, Marriott has utilized other energy saving systems such as Ozone Activated Air Laundry and Formula One. The air laundry system helps to reduce energy "through the injection of ozone into the laundry water" (Marriot Hotels Inc., 2008-2009, p. 17). The Formula One system reduces the number of laundry cycles and the amount of hot water used, which can decrease their energy consumption in laundry by 25 percent. In addition

to these systems Marriott has partnered with ENERGY STAR and has gained the ENERGY STAR LABEL in 275 of their hotels, holding the most labels in the hotel industry (Marriot Hotels Inc., 2008-2009).

In 2010, Marriott made large strides to reach their goals in becoming more efficient in energy consumption. They upgraded about 1,400 of their packaged terminal air conditioning units to reach a Seasonal Energy Efficiency Ratio (SEER) rating of 11.5. In one year, they made an improvement of 22 percent in efficiency of their units. They also upgraded their thermostats to work in collaboration with their air conditioning units. These thermostats sense occupancy in rooms and reduce the energy consumption when rooms are vacant. They have also worked with Ecolab to reduce both energy and water consumption. This new laundry formation reduced energy use from 15 to 25 percent (Marriott Hotels Inc., 2010).

ii. Water Conservation

In efforts to decrease their water consumption, Marriott hotels adopted a climate specific approach to landscaping. Marriott currently only uses native plants and restricted color palettes in their landscape. By doing this, they can reduce the demands of irrigation and the amount of fertilizer needed to keep the plants thriving. Another landscaping alteration made was the installation of rain sensors on 194 of their properties in the United States. In addition to this, many alterations were made inside of their buildings that reduce the per room water usage, which will be discussed further in respects to Green Buildings. Although their overall water consumption increased 2.6 percent, they actually reduced the per room consumption by 8.2 percent from 2007 to 2009. The overall increase was due to the increase in rooms that were built in that time period (Marriot Hotels Inc., 2008-2009).

As discussed previously, the new laundry formulation implemented in 2010 helped to decrease water consumption used for laundry. After implementing this new system in 31 hotels, the project saved a total of 18 million gallons of water in one year. Many of the full-service hotel kitchens installed dishwashers that not only use less water, but also use less gas and steam energy. They also reduce the use of phosphates that contaminate water by 90 percent. In 2010, Marriott also partnered with a water treatment and process improvement company, Nalco, to launch a program that saves 450 million gallons of waters over a three year time period. This is done by using equipment that monitors the water to optimize its treatment in their hotels worldwide (Marriott Hotels Inc., 2010).

iii. Generation of Waste

With regard to the reduction of waste, Marriott has had more trouble tracking this usage as opposed to energy and water. Their goal is to be able to collect a full year of waste data for all international properties by 2012. They were able to collect the United States data in 2008. In 2009, their total landfill waste in the United States weighed in at 726,993 tons. Although this may seem like an extraordinary amount, it was actually a reduction of 17 percent from their values found in 2007. In order to reduce their amount of waste, they put a large emphasis on recycling in all of their hotels, especially in North America. They plan to expand the "reduce, reuse, recycle" programs to include guests and meetings in addition to just operations (Marriot Hotels Inc., 2008-2009).

In 2010, Marriott updated many of their hotels' kitchen appliances that are not only energy and water efficient, but also waste efficient. These kitchens use Vito Fryfilters in the deep fryers which require much less oil. In the United Kingdom and some United States markets, their used cooking oil can be recycled and used for biofuels. The company has

developed partnerships and relationships with many national waste organizations to expand their recycling and food composting capabilities across their North American properties. They have consistently worked hard to make recycling practices easier to understand and more convenient for both guests and employees. In addition to decreasing normal waste, Marriott has worked towards properly disposing of their eWaste that includes computers, servers, printers, network equipment, and associated components. Since 2006, they have been able to keep 93,097 pounds of eWaste out of landfills (Marriott Hotels Inc., 2010).

Table 1. Environmental Performance Indicators and Results

ENVIRONMENTAL PERFORMANCE INDICATORS	2007*	2008*	2009*	2010	Change from 2007
Total Water Consumption in million cubic meters (Mm^3)	49.6	46.7	44.2	38.3	-22.8%
Intensity[a]	0.66	0.61	0.54	0.47	-29.2%
Total Energy in megawatt hours (MWh)	5.95M	6.04M	5.89M	5.19M	-12.7%
Intensity[a]	79.2	78.2	71.7	63.4	-20.0%
Direct Energy	3.62M	3.67M	3.45M	3.17M	-12.6%
Indirect Energy	2.33M	2.37M	2.44M	2.03M	-12.8%
GHG Emissions (Million tCO_2e)[b]	2.67	2.79	2.70	2.36	-11.6%
Intensity (Lbs.)[a]	78.3	79.7	78.5	63.6	-18.9%

a - Per Available Room b - Scope 1 and 2

** Portions of prior data are restated to reflect changes in boundary and data collection method. Data now include managed hotel properties only, and were aggregated from a property-level data retrieval system. We expect an additional restatement of improved accuracy in our next report as the system is being implemented over the course of 2011.*

(Marriott Hotels Inc., 2010)

As shown in the Environmental Performance Indicators table, the changes that Marriott implemented showed their largest impact in 2010. Compared to the change from 2007 to 2009, the impacts skyrocketed. They are just a short 2.2% away from reaching their goal or reducing water consumption by 25% by the year 2017 and about halfway to their goal of reducing total energy by 25% by 2017. In addition to the previous improvements, Marriott has also decreased

the amount of greenhouse gas emissions by 11.6%, which contribute to the climate changes (Marriott Hotels Inc., 2010).

B. Green Buildings

As government regulation regarding green buildings intensifies, Marriott continues to try and stay ahead of the game. They chose to strive for the best and collaborate with the most elite of Green building certifiers, Leadership in Energy and Environmental Design (LEED). Their certifications, as discussed previously in chapter two, are the most elite and recognized. There are currently numerous "green" certificates that can be awarded, but the LEED certifications are what businesses striving for environment preservation aspire to gain. By the end of 2009, Marriott had 67 properties that were either registered or certified by the LEED. Their goal is to reach 300 certified or registered hotels by 2015 (Marriot Hotels Inc., 2008-2009). Diener, Parekh, and Pitera state in *High Performance Hospitality* that hotel chains are now engaging in a race to gain the most respectable eco-certifications before their competitors in hopes of differentiating their product to gain an advantage. They want to capitalize on their efficient hotel that creates a healthier working, playing, and resting environment (Diener, Parekh, & Pitera, 2008).

In 2009, the United States Green Building Council (USGBC) worked with Marriott to launch a green hotel prototype. This prototype was built under the Courtyard by Marriott brand. One hotel in particular, The Courtyard Pittsburgh Settlers Ridge/Robinson Township, was used as the prototype for future Marriott green hotels. The first hotel using that prototype was the Courtyard Charleston/ Summerville in South Carolina. The prototype received Silver status under LEED, which is second best of their certifications. These prototype followed buildings are

expected to save their owners $100,000 and six months in design time. In regards to their energy and water consumption, they are expected to decrease the consumption by 25 percent. Those savings coupled with other external incentives have the possibility of gaining returns on their investment in about two years.

Many of these hotels built under the prototype are designed using products that will reduce water and energy consumption. One example of this are the products produced by Kohler Co. and Phillips that are designed to enhance water and energy efficiency (Marriot Hotels Inc., 2008-2009). Marriott planned to use the original prototype to branch out into the building and improvement of hotels under their Fairfield Inn & Suites, Residence Inn, SpringHill Suites, and TownePlace Suites brands, which in 2010 they did and gained a total of 89 hotels across these brands that are LEED certified. In 2010, Marriott partnered with PDG Realty to construct 50 Fairfield building throughout Brazil that will optimize environmental performance and efficiency (Marriott Hotels Inc., 2010).

In order to increase their number of LEED certified hotels, Marriott renovated and improved many hotels that were already in existence. The TownePlace Suites Baltimore BWI Airport hotel that was originally built in 2007 earned its certification in February 2010. In order to achieve its certification it replaced all of its plumbing hardware with low-flow devices, reduced the hotel's carbon footprint, composted all breakfast waste, and switched their cleaning products to environmentally sensitive solutions. A hotel that reached an LEED Gold certification was the Ritz-Carlton Charlotte. This was the first environmentally friendly hotel built in Charlotte, NC. Another hotel that reached Gold certification was the SpringHill Suites Atlanta Airport Gateway. This also became the first Gold certified hotel in that area. It was constructed with ten percent of recycled material and used the new landscaping system that

decreased landscape water consumption by 50 percent. What is new about this hotel is that it uses twenty percent of supplies that are sourced within a 500 mile-radius. Another new aspect to this hotel is that it was built with a white roof in order to decrease the amount of heat absorbed. Marriott continues to expand the construction of green buildings and strives to gain LEED certifications for more hotels each year (Marriott Hotels Inc., 2010).

Table 2. Registerd and Certified LEED Hotels

LEED Buildings	2007	2008	2009	2010
Registered [Includes Certified]	18	44	67	89
Certified	1	1	3	14
Renewable Energy Source Hotels (Portion of energy directly generated on-site)	2*	4*	7*	10

*Prior data restated as cumulative.

Note: All data cumulative; registered and certified data includes franchised properties and Marriott Headquarters

(Marriott Hotels Inc., 2010)

C. Supply Chain

With their expansion of corporate social responsibility into their environmental impacts, Marriott Hotels Inc. has worked with their top venders, in their $10 billion supply chain, to supply products that help them reach their goals regarding energy consumption and waste reduction. These changes reduce their negative impacts on the environment as well as offer a new eco-friendly environment and experience for their guests and employees. They partnered with the World Environment Center in 2009 in order to green their supply chain with price-neutral products that would not increase prices for the guests.

In the years of 2008 and 2009, Marriott has used numerous products to reach their goals and green their supply chain. Their use of greener key cards that are made of 50 percent of

recycled material prevent 66 tons of plastic from entering landfills. They use pens that are made of 74 percent recycled material. Biodegradable laundry bags that disintegrate within two to five years reduce their waste as well. A few other interesting waste reducing products are their low environmental impact carpeting and EcoSmart pillows.

To reduce their water consumption in the time period of 2008-2009, they began using "room ready" towels. These eliminate having to wash the towels before placing them in a guest's room which saves approximately 7.5 million gallons of water a year. Water efficient toilets and shower heads were installed at many locations. The toilets save up to 50 percent of water used by toilet flushes and the shower heads use only 2.5 gallons of water per minute. In order to preserve the quality of water, the hotels in Asia began using laundry detergent that reduces the amount of phosphates released into the water by 220,000 pounds per year. An important product that Marriott began using worldwide to reduce energy was low energy light bulbs. These use 80 percent less energy than the incandescent light bulbs that they had previously used. With the use of these products that are supplied through their top vendors, they hope ensure quality and gain economies of scale (Marriot Hotels Inc., 2008-2009).

As of 2010, hotels have increased the number of price-neutral products from their vendors that "reduce energy, water and resource consumption, reduce waste, are recyclable, or use greener, nontoxic materials" (Marriott Hotels Inc., 2010, p. 10). The Ritz-Carlton brand began offering water bottles that are made of 100 percent plant materials. They are all natural bottles that, if in a commercial composting facility, can decompose in 30 days. They can also be reprocessed and made into new bottles. This was made possible by Marriott's partnership with the Prima water company.

In regards to foods, and greening their supply chain, Marriott has increased the amount of foods that they get from local farmers. These include but are not limited to organic foods including beef, wine, beer, and produce. Some hotels have even decided to grow their own vegetables and herbs. They also launched a new seafood program in 2010 called FutureFish. The purpose of this program is to aid their chefs select more sustainable seafood. These chefs work with their global and local fisheries and small fishing communities to purchase fish that has been caught in a sustainable and respectable manner. The company as a whole has teamed up with organizations for this program such as Cleanfish, Monterey Bay Aquarium, and FishWatch. As of 2010, they supplied 65 percent of sustainable seafood to their customers (Marriott Hotels Inc., 2010). Fortunately for Marriott, *Green Lodging News* writer, Glenn Hasket found that out of 1,906 respondents to the Mintel Survey, 57 percent of them would be willing to pay more money for sustainable foods (Hasket, 2011).

Marriott now uses carpeting and wall covering products that are supplied by MDC Wallcoverings and Shaw. From these suppliers they purchase Cradle to Cradle certified products that have recycled backing. They include thirty percent of recycled content and a 20 percent minimum of post-consumer waste. In addition to their wall coverings and flooring, they have also collaborated with companies to provide environmentally friendly furniture, fixtures, and equipments in their hotels (Marriott Hotels Inc., 2010). The previous three sections explained each of the operating activities that Marriott has altered in order to fit them into their green strategy. After looking through their practices as well as their competitor's practices, it is obvious that the majority of these can be imitated. The only barrier that exists to prevent the implementation of these green practices is the lack of large monetary assets, which, surely, all of their competitors would not have. Smaller, non-corporate companies would have trouble buying

products such a\s new HVAC systems and eco-friendly appliances to replace their existing ones. Because each of their activities can be imitated easily, the best they could achieve, according to Michael Porter, is operational effectiveness, which will provide temporary success (Porter, 1996).

D. Educating and Inspiring Associates and Guests

Two major business practices that Marriott engages in are events and meetings. They have increasingly been asked for sustainable meetings and have met the demands of their customers by supplying recycle bins, water pitchers, linen-less tables, pens and notepads made from recycled material, organic flowers, reusable name tags, and safe-to-donate food (Marriot Hotels Inc., 2008-2009). Every employee that is associated with or works with events is required to become certified for the company's green meetings. As a part of their efforts to save the Amazon Rainforest, Marriott donates five percent of the cost of group guest room bookings that are staying for green meetings to their "spirit to preserve" fund. Beginning at the end of 2012, all guests will have the option to donate money to this cause when they make a reservation online to stay in any Marriott hotel.

Another program that Marriott has that serves to inspire and educate their associates and guests is the Ritz-Carlton Give Back Getaways. This program is a chance for guests to work with the Ritz-Carlton and volunteer with social and environmental projects that help the community. Marriott also participates in Environmental Awareness Month program in which their associates focus on the importance of an environmentally friendly workplace as well as bringing that responsibility into their own homes. They perform activities such as cleaning the local community, beach, or city park. They also participate in "Earth Hour" in which they turn of all lights that are not imperative to have lit for one hour (Marriot Hotels Inc., 2008-2009).

Marriott's final activity in their green strategy is the "Spirit to Preserve" initiative. They learned that destroying tropical rainforests results in supplying 20 percent of the Earth's greenhouse gas emissions as well as fueling climate change. In order to preserve this precious and abundant resource, Marriott, "in 2008, pledged to donate $2 million United States dollars in corporate funding to help protect 1.4 million acres of rainforest in the Juma Reserve in the State of Amazonas, Brazil" (Marriot Hotels Inc., 2008-2009, p. 21). In addition to their large donation, they have raised an additional amount of $170,000 for the Juma Reserve by working with multiple partners including the Tauck-Romano Foundation. They were able to generate these funds through the guest donations and green meeting group guest room bookings (Marriot Hotels Inc., 2008-2009).

In 2010, Marriott continued on their "Spirit to Preserve" mission. In March, they provided 29 Juma Reserve communities with electricity as well as demonstrating and educating communities about the nutritional, medical, and economic benefits of protecting rainforests. In 2011, Marriott installed a water well that would provide clean water that the community of Juma could safely drink from and they also improved their solar panel system to make their energy usage more efficient (sustain 2009). While all of their efforts to preserve the Amazon Rainforest do not offer economic benefits directly to Marriott Hotels, it does offer the possibility of increasing their customer appreciation and overall reputation.

E. Reputation

A major factor that can contribute to the financial and overall success of a company is their reputation. By greening their company and putting forth a large amount of effort into their corporate social responsibility, it is possible for Marriott's reputation to increase, causing an increase in customer base. This hypothesis was tested by authors previously mentioned in

chapter two such as Choi, Bruck, and Pain. Glenn Hasket, a writer for Green Lodging News claimed that although many people are not willing to pay more to stay in a hotel that is green and/or sustainable, they are more willing to choose a green hotel over a non-green hotel if it is similar or equal in price (Hasket, Support for the Importance of 3rd Party Green Certifications, 2011). He also found that 70 percent of adults in the Diversey Survey said that if a business has a green certification, their opinion of that business will increase (Hasket, Support for the Importance of 3rd Party Green Certifications, 2011).

According a survey done by Prophet, they found similar findings. They surveyed 4,300 United States consumers based on six pillars of reputation. The first pillar is People which scores the employees and workplace environment. The second is Pacesetters which scores leadership, vision, and governance. The third pillar is the Products which scores the quality and value of the product or service being sold. The fourth pillar is the score of operational and financial performance. The fifth and most important pillar for the study of Marriott's green strategy and sustainability is the Company's Purpose. This studies a company's commitment to making the world a better place which includes their environmental responsibility. Finally, the sixth pillar is the Personal Relevance, which scores the consumer's emotional connection to a company. This pillar is also important to my study because, as stated before, Marriott believes that people will want to do business with them because they share the same values. This also creates an emotional connection to the company. The survey showed that the hotel industry came in 4th place out of 17 industries in reputation. Marriott ranked 27th out of the total of 130 companies in the survey. They were the 1st hotel to appear on the list, coming in at 12 spots before the next hotel company, Starwood (Pearce, 2010). Having a strong and positive reputation is a major competitive advantage that you can have, however, comparisons will show that they did not gain

a financial competitive advantage over rivals. Five companies on Forbes' Top Ten Green companies also appeared on this list including Johnson & Johnson, Intel, Whole Foods Market, Cisco Systems, and Staples (Dolan, 2011). This shows that there is a strong connection between going green and a high reputational ranking if half of the top green companies also appear on the top reputation ranking list.

Table 3 Company Reputational Rankings

Top 50 Reputation Rankings

Rank	Company	Industry	RMI	Rank	Company	Industry	RMI
1	Kellogg's	CPG	82.1	26	Hewlett Packard	Technology	73.9
2	Kraft Foods	CPG	80.5	27	Marriott	Hotel	73.4
3	General Mills	CPG	80.4	28	PepsiCo	CPG	73.1
4	Walt Disney	Entertainment	80.0	29	BMW	Auto	73.0
5	Johnson & Johnson	Pharmaceutical	79.8	30	Costco	Retail	72.7
6	Coca-Cola	CPG	78.3	31	Target	Retail	72.7
7	UPS	Delivery Services	78.2	32	Caterpillar	Agriculture/Industrial	72.4
8	Colgate-Palmolive	CPG	77.8	33	Honda Motor Co.	Auto	72.4
9	Sony	Technology	77.8	34	USAA	Insurance	72.2
10	Google	Technology	77.4	35	General Electric	Conglomerate	71.8
11	Amazon.com	Technology	77.4	36	Unilever	CPG	71.4
12	Nestle	CPG	77.2	37	Dunkin Donuts	Retail	71.4
13	Intel	Technology	76.7	38	Best Buy	Retail	71.2
14	Whole Foods Market	Retail	76.6	39	Starwood	Hotel	71.1
15	Procter & Gamble	CPG	76.0	40	Hyatt	Hotel	70.8
16	Home Depot	Retail	75.5	41	Samsung	Technology	70.6
17	Lowe's	Retail	75.5	42	Dell	Technology	70.6
18	Toyota	Auto	75.5	43	Motorola	Technology	70.6
19	Deere & Co	Agriculture/Industrial	75.4	44	IBM	Technology	70.0
20	Apple	Technology	75.1	45	Cisco Systems	Technology	69.9
21	FedEx Corporation	Delivery Services	75.1	46	Nike	Retail	69.6
22	Sara Lee	CPG	74.9	47	Staples	Retail	69.6
23	Microsoft	Technology	74.9	48	Fairmont	Hotel	69.5
24	3M	Diversified Technology	74.8	49	Southwest Airlines	Airline	69.5
25	Yahoo	Technology	74.6	50	Hilton	Hotel	69.3

Leading: >75 Strong: 70-75 Average: 60–69.9 Poor: 55 – 59.9 Failing: <55

Aneysha Pearce (2010)

III. Financial Analysis and Comparison

Marriott most likely implemented their green strategy in order to help the environment and strengthen their corporate social responsibility as well as reap the economic benefits that will help them to save costs and hopefully gain loyal and larger customer base. Their five point plan,

"Sprit to Serve," incorporates green activities and practices into their business and the world around them as a part of their corporate social responsibility. Because this plan was implemented in 2007, it is too soon to find definitive evidence as to whether or not their plan has simultaneously benefitted the environment as well as the corporation. In order to analyze the effects of implementing the green strategy, the assumption must be made that the "Restructuring Costs" that appear in the years of 2008 and 2009 are costs associated with the changes made in the company to follow their "Spirit to Serve" plan.

Marriott generates revenue through 6 sources: Management, franchise, and incentive management fees, owned, leased, and corporate housing, timeshare sales, and cost reimbursements. Because they are mainly a management companies that oversee their franchised hotels, they make much of their money from managing the hotels that are run under their name. The years 2002, 2003, and 2004 are not shown here, but in each of the annual reports that follow there was a steady increase in revenue since 2002 up until its peak in 2007. As stated earlier, 2007 was the year in which Marriott made major changes and improvements to their company which could account for much of the financial fluctuations that followed. As shown in Table 4, an income statement for Marriott Hotels, the corporation's revenues greatly decreased, which certainly reflect the economic crisis.

Marriott's total costs and expenses also had a steady increase since 2002 up until 2008. This steady increase reflects the fact that Marriott increased the number of hotels they own each year. In 2007, Marriott implemented their green strategy which required many high initial investments. In addition to building their new, eco-friendly hotels, they also built new hotels that followed the green hotel that was discussed previously. As stated before, these new LEED certified buildings are supposed to decrease the amount of energy and water consumption by 25

percent. Because of their environmentally friendly practices and activities, these buildings are to save owners $100,000 compared to non-green buildings in their lifetime. The restructuring costs mentioned earlier were shown in the 2008 and 2009 annual reports. In the fourth quarter of 2008, they had restructuring costs of $55 million and in 2009, their restructuring costs were $51 million. According to the 2010 Annual Report, these restructuring costs that are assumed to be the implementation of green strategy, are to save them a total of 89 million dollars in the future that are to be reflected in the general, administrative, and other category of their operational costs and expenses. As seen in Table 4, there was a decrease in the general, administrative, and other costs of $81 million. Those particular costs increased from 2009 to 2010, but in 2011, they decreased, yet again, to $752 million which was shown in the 2011 fourth quarter earnings report for Marriott (2011 earnings). The company's total operational costs and expenses have decreased since 2008. This is interesting because every year, the company gains more properties and buildings which should cause an overall increase in operational costs and expenses. This decrease can be explained by their green practices that require initial start-up costs, but then decrease costs.

Their net income has also been on a steady increase since 2002, but that came to a halt after 2007. They had their most impressive year in 2007 with a net income of $696 million. The following year, it dropped off to almost half of that, earning only $363 million. From my research, I see this drop as an effect from their investments in new properties, implementing their green strategy, and restructuring. Their biggest loss was reported in 2009 with a net loss of $346 million. After the initial impacts of the economic depression, net income skyrocketed to $458 million in 2010. Unfortunately, according to the fourth quarter Annual Report of 2011, their net income decreased yet again to $198 million. Due to their fluctuations in net income, they have

clearly not achieved a sustainable competitive advantage. The following comparisons will further prove Marriott's lack of strategy according to Porter.

Table 4. 2008-2010 Marriott Hotels Inc. Income Statement

	2010	2009	2008
REVENUES			
Base management fees [1]	$ 562	$ 530	$ 635
Franchise fees [1]	441	400	451
Incentive management fees [1]	182	154	311
Owned, leased, corporate housing, and other revenue	1,046	1,019	1,225
Timeshare sales and services (including net note securitization gains of $37 in 2009 and $16 in 2008)	1,221	1,123	1,423
Cost reimbursements [1]	8,239	7,682	8,834
	11,691	10,908	12,879
OPERATING COSTS AND EXPENSES			
Owned, leased, and corporate housing-direct	955	951	1,088
Timeshare-direct	1,022	1,040	1,334
Timeshare strategy - impairment charges	0	614	0
Reimbursed costs [1]	8,239	7,682	8,834
Restructuring costs	0	51	55
General, administrative, and other [1]	780	722	803
	10,996	11,060	12,114
OPERATING INCOME (LOSS)	695	(152)	765
Gains and other income (including gain on debt extinguishment of $21 in 2009 and $28 in 2008) [1]	35	31	38
Interest expense [1]	(180)	(118)	(163)
Interest income [1]	19	25	39
Equity in (losses) earnings [1]	(18)	(66)	15
Timeshare strategy - impairment charges (non-operating) [1]	0	(138)	0
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	551	(418)	694
(Provision) benefit for income taxes [1]	(93)	65	(350)
INCOME (LOSS) FROM CONTINUING OPERATIONS	458	(353)	344
Discontinued operations, net of tax	0	0	3
NET INCOME (LOSS)	458	(353)	347
Add: Net losses attributable to noncontrolling interests, net of tax	0	7	15
NET INCOME (LOSS) ATTRIBUTABLE TO MARRIOTT	$ 458	$ (346)	$ 362

(Marriott Hotels Inc., 2010)

Table 5. 2005-2007 Marriott Hotels Inc. Income Statement

Fiscal Years 2007, 2006, and 2005	2007	2006	2005
($ in millions, except per share amounts)			
REVENUES			
Base management fees [1]	$ 620	$ 553	$ 497
Franchise fees [1]	439	390	329
Incentive management fees [1]	369	281	201
Owned, leased, corporate housing, and other revenue [1]	1,240	1,119	944
Timeshare sales and services (including note sale gains of $81 million for 2007 and $77 million for 2006)	1,747	1,577	1,487
Cost reimbursements [1]	8,575	8,075	7,671
	12,990	11,995	11,129
OPERATING COSTS AND EXPENSES			
Owned, leased, and corporate housing-direct	1,062	936	778
Timeshare-direct	1,397	1,220	1,228
Reimbursed costs [1]	8,575	8,075	7,671
General, administrative, and other [1]	768	677	753
	11,802	10,908	10,430
OPERATING INCOME	1,188	1,087	699
Gains and other income [1]	97	74	149
Interest expense [1]	(184)	(124)	(106)
Interest income [1]	38	49	79
(Provision for) reversal of provision for loan losses [1]	(17)	3	(28)
Equity in earnings [1]	15	3	36
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND MINORITY INTEREST	1,137	1,092	829
Provision for income taxes	(441)	(380)	(284)
Minority interest	1	–	(2)
INCOME FROM CONTINUING OPERATIONS	697	712	543
Cumulative effect of change in accounting principle, net of tax	–	(109)	–
Discontinued operations, net of tax	(1)	5	126
NET INCOME	$ 696	$ 608	$ 669

(Marriot Annual Report, 2007)

A. Comparison to Rivals

In order to accurately evaluate the success of a company, one must compare that company to its competitors. If Marriott's green initiatives were a strategy, according to Porter (1996), they would perform better than its competitors for an extended period of time. Table 6 shows a comparison of four of the largest hotel companies in the industry: Marriott, Wyndham, Starwood, and Hyatt. Those hotels are listed in order of size with Marriott Hotels being the largest hotel chain with 643,196 rooms, Wyndham having 612,700 rooms, Starwood with

322,300 rooms, and, falling way behind, Hyatt with 127,507 rooms. The total of number of rooms per hotel information is from 2011 and most likely has changed since then. Because Marriott is a much larger company than many of its competitors, it is difficult to make entirely accurate comparisons due to the drastic differences in financial information.

Table 6. Comparison to Competitors

			REVENUES (in thousands)							
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Marriott	12,317	11,691	10,908	12,879	12,990	11,995	11,129	9,778	9,014	8,415
Wyndham	4,254	3,851	3,750	4,281	4,360	3,842	-	-	-	-
Starwood	5,624	5,071	4,712	5,907	6,153	5,979	5,977	5,368	4,630	4,659
Hyatt	3,698	3,527	3,332	3,837	3,738	3,471	-	-	-	-
			EXPENSES (in thousands)							
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Marriott	11,791	10,996	11,060	12,114	11,802	10,908	10,430	9,622	8,637	8,094
Wyndham	3,487	3,133	3,156	5,111	3,650	3,265	-	-	-	-
Starwood	4,994	4,471	4,686	5,288	5,295	5,140	5,155	4,715	4,203	4,072
Hyatt	3,587	3,472	3,378	3,667	3,467	3,142	-	-	-	-
			NET INCOME (in thousands)							
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Marriott	198	458	(346)	362	696	608	669	596	502	277
Wyndham	417	379	293	(1,074)	403	287	-	-	-	-
Starwood	498	477	73	619	858	839	822	653	427	587
Hyatt	111	55	(46)	170	271	329	-	-	-	-
				EARNINGS PER SHARE						
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Marriott	$0.55	$1.26	-$0.97	$0.98	$1.85	$1.50	$1.55	$2.63	$2.16	$1.15
Wyndham	$2.51	2.05	1.61	-6.05	2.2	1.44	-	-	-	-
Starwood	$2.58	2.61	0.41	1.81	2.67	4.91	1.95	1.91	1.53	1.76
Hyatt	$0.67	0.32	-0.3	1.31	2.01	2.29	-	-	-	-
				RETURN ON INVESTMENTS						
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Marriott	18.18	17.75	-3.85	17.42	26.94	21.48	10.71	8.94	7.09	-
Wyndham	11.88	11.16	9.62	-12.49	10.46	8.53	9.1	-	-	-
Starwood	10.95	11.31	0.5	10.93	15.17	11.19	8.85	7.15	4.65	6.27
Hyatt	2.56	1.84	0.9	7.6	-	-	-	-	-	-

(Mergent Online, 2012).

Table 7. Comparison to Competitors (Percentage Change)

				REVENUES						
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Marriott	5.4%	7.2%	-15.3%	-0.9%	8.3%	7.8%	13.8%	8.5%	7.1%	-
Wyndham	10.5%	2.7%	-12.4%	-1.8%	13.5%					
Starwood	10.9%	7.6%	-20.2%	-4.0%	2.9%	0.0%	11.3%	15.9%	-0.6%	
Hyatt	4.8%	5.9%	-13.2%	2.6%	7.7%					
				EXPENSES						
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Marriott	7.2%	-0.6%	-8.7%	2.6%	8.2%	4.6%	8.4%	11.4%	6.7%	
Wyndham	11.3%	-0.7%	-38.3%	40.0%	11.8%					
Starwood	11.7%	-4.6%	-11.4%	-0.1%	3.0%	-0.3%	9.3%	12.2%	3.2%	
Hyatt	3.3%	2.8%	-7.9%	5.8%	10.3%					
				NET INCOME						
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Marriott	-56.8%	232.4%	-195.6%	-48.0%	14.5%	-9.1%	12.2%	18.7%	81.2%	
Wyndham	10.0%	29.4%	127.3%	-366.5%	40.4%					
Starwood	4.4%	553.4%	-88.2%	-27.9%	2.3%	2.1%	25.9%	52.9%	-27.3%	
Hyatt	101.8%	219.6%	-127.1%	-37.3%	-17.6%					
				EARNINGS PER SHARE						
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Marriott	-56.3%	229.9%	-199.0%	-47.0%	23.3%	-3.2%	-41.1%	21.8%	87.8%	
Wyndham	22.4%	27.3%	-126.6%	-375.0%	52.8%					
Starwood	-1.1%	536.6%	-77.3%	-32.2%	-45.6%	151.8%	2.1%	24.8%	-13.1%	
Hyatt	109.4%	206.7%	-122.9%	-34.8%	-12.2%					
				RETURN ON INVESTMENTS						
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Marriott	2.4%	561.0%	-122.1%	-35.3%	25.4%	100.6%	19.8%	26.1%		
Wyndham	6.5%	16.0%	177.0%	-219.4%	22.6%	-6.3%				
Starwood	-3.2%	2162.0%	-95.4%	-27.9%	35.6%	26.4%	23.8%	53.8%	-25.8%	
Hyatt	39.1%	104.4%	-88.2%							

Wyndham is the best company to compare Marriott with because they are similar in size of rooms and they also have a green strategy. Interestingly, Wyndham and Marriott have similar size businesses, but Marriott's revenues are almost double that of Wyndham's, which is certainly another point to take into consideration while making comparisons. Wyndham has had very small corporate social responsibility plans since 2002. They also just recently implemented a green strategy in 2011 (Wynham.com, 2012). Starwood hotels have very minimal literature on green initiatives which shows that either they do not partake in eco-friendly practices or they

simply do not advertise them as strongly as Marriott and Wyndham. The same is true with Hyatt Hotels, they have not shown anything on their websites that let consumers, investors, or interest public believe that they engage in environmentally practices.

The first section in Table 6 compares revenues for the four companies from 2002 until 2011. As shown, Marriott has at least doubled each of its competitor's revenues and, as stated before, has consistently increased until its changes in 2007. In this respect, they look as though they would be a much more powerful company. Because the size of Marriott is much larger than its competitors, it is difficult to make accurate comparisons based solely on the values given in Table 6. Because of this, Table 7 was created to compare the percentage change from year to year.

The size of the corporation should give Marriott market power and provide success, but with Table 6, we see that their expenses and operating costs are also extremely high. Table 6, which shows net income, reveals that even though Marriott has the benefit of size, they have not been as profitable as all of their competitors. Starwood Hotels have consistently remained a more profitable company since 2002. This is interesting to note because they came in at 12 ranks below Marriott on overall reputation in the Prophet Survey and have no green strategic movement that would give them economic benefits as well as increased reputation. What this shows is that the company's reputation is not as strong as one might think. They did rank 39th on the survey, being the second hotel, but one would think that the company with the best reputation would prove to be more profitable (Pearce, 2010). Marriott gained similar success to Starwood's in 2010, gaining a net income of $458 million, just $19 million less. Most of the other years, Starwood gained far more impressive net incomes compared to Marriott.

Wyndham also has proved to earn much more net income than Marriott. As discussed previously, they just recently implemented their green strategy, therefore the effects from that are still too early to detect. Wyndham and Marriott seem to fluctuate with their success and go back and forth between who is more successful each year. Interestingly, Wyndham did not appear on the reputational survey at all, which may show that they were either not even considered to be studied or they have such a poor reputation that they did not make the cut (Pearce, 2010). The only company in this comparison that Marriott triumphed over was Hyatt, which proves to be minuscule because Hyatt is nearly 1/4 of Marriott's size.

Marriott's earnings per share should have been similar to Wyndham's had they been as successful because they are similar in size. Unfortunately, their EPS were the smallest of all of these companies with only $0.55. The only comparison in which they triumphed over all of the competition is the return on investments category. I chose to put in this category because after a making multiple large investments into their green strategy throughout the past 5 years, I thought it would be vital to analyze their returns on those investments. Fortunately, they have consistently, except for in 2009, made much higher returns on their investments compared to Starwood, Wyndham, and Hyatt. Their returns have consistently increased since 2002 and double from 2005 to 2006. By the end of 2007, directly after the implementation of their green strategy, they had the highest return on investments with 26.94. Other than during the recession in 2009, they have kept a steady return on their investments around 17.5. (Mergent Online, 2012).

After going through each of these comparisons, it can be argued that Marriott, in fact does not have a competitive advantage over its rivals. According to Porter, "cost advantages arise from performing particular activities more efficiently than competitors" (Porter, 1996, p.

62). I believe that this is what Marriott was trying to achieve. According to their financial statements since the implementation of green practices, their costs have shown a minor decrease, but it has not been sustained. Their green activities have only showed an advantage, as of 2011, in reputational rankings and not financial success.

An excellent company to relate Marriot's green efforts to is Kimpton Hotels and Restaurants. Because they are not a public corporation, their financial data are not public information, but their green strategy is robust enough for strong comparisons. They have the largest chain of boutique hotels in the United States. Their overall corporate strategy is to be environmentally friendly in all aspects of their business as opposed to Marriot who only chose to implement green initiatives into their business practices. Kimpton is far more thorough in their marketing and advertising that portrays their green strategy. Their program that influences every aspect of the company is called EarthCare. As of 2005, this program was mandatory in each of their hotels, following their mission to "do the right thing without making their guests pay for it" (Kimpton Hotels and Restaurants , 2012). In addition to their mandatory EarthCare program, they also have energetic employees that choose to get involved and work for Kimpton because they have similar values. Similar to what Marriott eventually adopted for their supply chain, Kimpton created a Green Purchasing Policy that makes their entire supply chain as eco-friendly as possible.

After researching each of these hotels, it shows that Kimpton was a first mover in becoming eco-friendly and actually set the stage for many other hotel companies and corporations to follow. In 2011, they were the first hotel in history to be 100 percent certified by the Green-Key Eco-Rating Program. They also were the first to make eco-meeting mandatory in each of their hotels which was implemented in 2006. They had their first LEED certified hotel in

2009, which was around the same time that Marriott achieved theirs. Finally, Kimpton received the highest customer service rating according to the Market Metrix Hospitality Index in the hospitality industry. They also rated the highest in emotional attachment under the same index (Kimpton Hotels and Restaurants , 2012).

IV. Strategy Analysis

Marriott Hotels has an overall variety-based strategic positioning in which they are able to serve a wide array of customers. They offer luxury lodging, full service, select service, extended stay, and ownership resorts. They appeal to many different demographics by offering hotels that fit into everyone's budget and their preferences. According to Porter, "a company can outperform rivals only if it can establish a difference that it can preserve" (Porter, 1996, p. 62). Without a strategy that differentiates your company from your rivals, the best you can achieve is operational effectiveness, which will not produce sustainable success (Porter 62). According to the previous two sections concerning Marriott's green activities and the comparison to its rivals, the argument to be made is that Marriott's green strategy is, in fact, an imitation of what Kimpton Hotels originated many years ago. They almost identically mimicked a large portion of Kimpton Hotel's eco-friendly activities and tried to incorporate them into their overall strategy. From their supply chain, to their sustainable and local foods, to their green certifications, they have copied Kimpton's practices and put a new name on it to replace EarthCare.

Kimpton Hotels seem to be where green strategies for the hospitality industry originated and many other major corporations just followed suit after hearing about the economic benefits. They implemented social responsibility for the environment well before this country started to place regulation and more emphasis on preserving the environment. Kimpton has a strategy according to Porter. After analyzing Marriott's financial statements, their constant fluctuations

in net income show a lack of financial sustainability. Kimpton, however, holds a strong strategy as they continue to expand their company and follow their overall green strategy that their company was built around. They found a niche as a small, more focused company that resulted in becoming the most successful boutique hotel company. They based their company off of their values and beliefs in being environmentally friendly. Marriott followed in Kimpton's footsteps, attempting to achieve operational effectiveness, but ultimately failed to even reach that. The best competitive advantage they have that seems to keep the company going is their excellent customer service and high reputational rankings.

CHAPTER 4- CONCLUSION AND RECOMMENDATIONS

The purpose of this project was to test the hypothesis that going green is a source of sustainable competitive advantage. I used Marriott Hotels Inc. and undertook a case study of their company and their implemented green strategy. Starting out, I was optimistic that their strategy would put them ahead of their competition economically and in reputation. After reading previous literature on the green movements, I found many authors who provided every possible benefit of going green. With the increased regulation that is now being placed upon major corporations, being proactive as opposed to reactive would be the best action to take. Because Marriott showed strong initiatives and marketed their green practices well, I believed that their company would reap the benefits of increasing their bottom line and gaining a more appreciative and respectful customer base.

My research showed that Marriott implemented a five point plan in which it aimed to reduce energy, water, and waste consumption, build more green buildings that are either LEED certified or registered, green their million dollar supply chain, educate guests and associates, and preserve the environment in the Amazon Rainforest. After analyzing each of these practices, I must reject my hypothesis. I used Michael Porter to determine whether or not their initiatives were a sustainable strategy. My findings proved that Marriott's green activities did not form a strategy in the eyes of Porter. Each of their activities are, and have been easily imitated by their competitors. They used no differentiation in their activities, as they were all following the path that Kimpton Hotels paved long before Marriott implemented their "spirit to serve" strategy. Companies such as Wynham hotel have followed in both Kimpton and Marriott's footsteps and recently implemented a green strategy in 2011. Not only are each of Marriott's activities easily imitated, their financial reports showed little benefits from their changes as of 2011. It is still

early to completely rule out the possibility of the company reaping the economic benefits they had planned for.

One can make the argument that their costs did make a drastic turn after their implementation of the green strategy, but there is no definitive evidence to prove that the reason for that shift was in fact due to the cost saving and efficient activities that were implemented. The cost changes were evident in the income statement's total expenses which were discussed in chapter 3. A promising fact to note is that up until 2007, costs were increasing steadily as they continued to build more properties. After 2007, their costs decreased for a short period of time, which could possibly be attributed to their energy and water efficiency and green hotels that, in the long run, are expected to save the company money. Unfortunately, the overall financial success stops there. They had an excellent year in 2007 and then again in 2010, but the fluctuations in their net income do not show that going green is a source of sustained competitive advantage. If their green initiatives were a strategy, according to Porter, they would have sustained competitive advantage and success over their competitors. It is still early to claim that they were unsuccessful in achieving a strategy because there have only been four years of data since their implementation. Currently, their financial statements do not reflect an economic benefit from going green, but it is certainly too early to turn down the hypothesis completely. Although I do not see their initiatives as a strategy, they may still reap the economic benefits in the future once the long-run benefits begin to emerge.

It is important to note the fact that the comparisons may not be as accurate as possible due to the lack of hotel companies that match or resemble the size of Marriott's. The company that is closest in size to them is Wyndham. The others, however, are at least half of Marriott's size. Marriott, although very large, proved to be less successful than two of its major

competitors. This only supports the fact that they did not gain a competitive advantage as of today.

I believe that Marriott still has a chance of gaining competitive advantage because they are such a large and powerful company. However, unless they find a way to differentiate themselves from the competition, the fluctuations in financial performance will continue. The economic downturn certainly hurt their company and poorly reflected the cost saving measures that they took a few years before. As their reputational ranking gets better each year, their customer base will only increase and become more loyal. They have chosen to take the path of corporate social responsibility which their guests will appreciate and react to. I recommend that Marriott searches for a new energy or water efficient product that no other company has access to. Marriott has enormous amounts of resources that I believe they have the ability to partner with energy, water, waste, or any other type of company in their supply chain to create a product unavailable to the competition. This will not only differentiate their practices, but will also work to decrease their costs even further in hopes of making a higher net income.

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