

COMMERCE

Starwood and Marriott join together to tune of \$12.2B

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Exterior rendering of the W Beijing

By FORREST CARDAMENIS

Starwood Hotels and Resorts is taking its services to a much wider consumer base in an unorthodox way.

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On the morning of Nov. 16, Starwood and Marriott International announced that the companies have agreed to a merger that will create the world's largest hotel company. The merging of a smaller company closely associated with luxury brands with a much larger chain could make loyalists apprehensive, but a good match allows great service to be expanded rather than compromised.

"Both of these hotel companies have continued to expand their brands to include a number of exclusive brands underneath the Marriott International and Starwood umbrellas, so when evaluating all of the possible scenarios involving this acquisition taking place, Marriott International does seem like a natural fit," said Damon M. Banks, media consultant and editor at [LuxeGetaways](#).

"While it's fair for many guests to worry about one brand having such a monopoly over this many properties internationally, with the Starwood brands having such a strong base, we can hope for the continued expansion and attention to detail by Marriott International to these Starwood brands such as St. Regis, Luxury Collection and Design Hotels," he said.

Mr. Banks is not affiliated with Marriott or Starwood, but agreed to comment as an industry expert.

Neither [Starwood](#) nor [Marriott](#) could respond by deadline.

Two-for-one

The merger saw Marriott purchase Starwood for \$12.2 billion. Together, the two companies operate upwards of 5,500 hotels and more than 1 million rooms.

A large, global group of hotels will allow the combined company to leverage economies of scale and continue to grow at a fast rate. A business move that will make expansions and improvements less expensive has considerable benefit to consumers in the long run, who will be able to stay with the company in more locations and enjoy better services and amenities.



Ritz-Carlton New York, Central Park

Both companies have large and loyal followings, and the Marriott group includes the Ritz-Carlton brand, which leads all brands in consumer satisfaction ([see story](#)). The Marriott Rewards loyalty program has 54 million numbers to go along with 21 million Starwood Preferred Guests. If the merged company can successfully maintain each set of loyalists, it will begin its life with a built-in set of consumers who can now stay at more convenient locations around the world.

"The driving force behind this transaction is growth," said Arne Sorenson, president and CEO of Marriott International, in a statement. "This is an opportunity to create value by combining the distribution and strengths of Marriott and Starwood, enhancing our competitiveness in a quickly evolving marketplace."



The Canyon Suites at The Phoenician, a Luxury Collection Resort, Scottsdale

"This greater scale should offer a wider choice of brands to consumers, improve economics to owners and franchisees, increase unit growth and enhance long-term value to shareholders," he said. "Today is the start of an incredible journey for our two companies."

"We expect to benefit from the best talent from both companies as we position ourselves for the future. I know we'll do great things together as The World's Favorite Travel Company."

As evidence of the commitment to shareholders, the transaction, which also includes a merger with Interval Leisure Group, Starwood shareholders will see a 6 percent gain over the 20-day VWAP ending Nov. 13 and of 19 percent over the 20-day VWAP ending Oct. 26 prior to recent acquisition rumors.

Starwood Preferred Guests and shareholders are both strong believers in the company and likely contain a good deal of overlap, so providing gains for shareholders will assure Preferred Guests that the new company will continue to look out for them.



Ritz-Carlton Abu Dhabi

Moreover, Marriott intends to accelerate the growth of Starwood brands, which include St. Regis and The Luxury Collection, among others, rather than stifle them to advance its own brands. The expansion of Starwood brands will enable the consumer to experience her favorite brand in more locations, improving consumer satisfaction and strengthening the relationship between brand and client.

Come together

Although a purchase was widely expected, Marriott was not the unanimous pick for frontrunner.

In late October, it was thought that Starwood Hotels & Resorts Worldwide Inc. might soon have been bought by a Chinese firm.

In April, Starwood announced that it would be open to potential buyers due to concerns that it was not growing at the same pace as its competitors. At the time, there were three Chinese bidders interested in purchasing the hotel chain; if the sale was completed it would have been the largest Chinese takeover of a United States company ([see story](#)).

Spreading resources thin can sometimes dilute a brand's offering in global sites.

A September study on consumer satisfaction with a concentration on luxury hotels and resorts reveals surprising rankings for some of the most well-known brands.

Established and recognizable brands not performing as well as expected included Four Seasons Hotel and Resorts ranking thirteenth, Peninsula twentieth, St. Regis at twenty-sixth and Waldorf Astoria barely placing, at fiftieth. The study, undertaken by London-based consultancy Luxury Branding, consists of an analysis of 2.25 million TripAdvisor reviews, suggesting that results may tell more about the way a younger demographic experiences a luxury brand ([see story](#)).

The capital and global presence of Marriott will help allocate resources evenly and avoid diluting a brand's offerings.

"It's still a little early to know how the changes will be seen to the public, since Marriott International is still very much involved with details of the acquisition while maintaining 'life as normal' for guests at all of the 5,500 properties worldwide," Mr. Banks said. "Since Marriott International has seen such great success with their brands such as the Autograph Collection, Ritz-Carlton and Edition, we expect this acquisition to be beneficial for all the brands involved, and without any more drama than can be expected with any hotel transaction of this magnitude."

Final Take

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