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THE ENTERTAINMENT LEADER IN MEXICO: A STRATEGIC ALLIANCE

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ABSTRACT

The research analyzes the case of Ventura Entertainment, a group that is currently a leader in the industry of theme parks in Mexico, this analysis from a strategic management perspective, focused on the strategic alliances that led it to be in that position. This group is of recent creation and has various short and long term strategies which will be specified in the development of the research. Hence the question that was the central axis of this investigation. What was the impact of Ventura Entertainment's strategic alliance? The hypothesis is that the horizontal merger strategy was the success factor for this company. The method followed consisted of reviewing the literature on strategic alliances and corporate mergers, as well as company data.

KEYWORDS: Strategic Alliances, Strategies, Mergers.

JEL CLASSIFICATION: F14, M10, M21.

INTRODUCTION

The industry of theme parks in Mexico has taken a big boom in the last five years, because several decisions in the market have driven new strategies that bring with it strong investment and with it changes, because companies must follow the new growth rhythm to survive in the industry. The research analyzes the case of Ventura Entertainment, a group that is currently a leader in the industry of theme parks in Mexico. This analysis from a strategic management perspective, focused on the strategic alliances that led it to be in that position. This group is of recent creation and has various short and long term strategies which will be specified in the development of the research.

In Mexico, it has been little studied cases of success or failure of strategic alliances, as well as the industry of theme parks which has given a radical change around the world for several years now. It is then, that Mexico takes a slight delay before the trends that are observed globally, so companies are on the edge "Renew or die."

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What are the decisions that have been made in the theme park industry in Mexico? What are the trends of the industry globally? What does the theory about strategic alliances tell us? What have been the success factors, so far obtained, of the strategic alliance implemented by Ventura Entertainment? These are the main questions that will be answered during the investigation.

BACKGROUND

The strategy is fundamental to the success of a company. Peng (2018) defines it as the "Theory of a company about how to compete successfully" (p.10). It is true that the term strategy has been used for many years in different contexts, but in the field of strategic management is how to look through a broad perspective how to manage a company.

The fundamental objective of using a type of strategy is to generate competitiveness and obtain returns above average. The strategies pursue a purpose, they are presented before performing the actions to which they will be applied, and they exhibit the shared knowledge of the vision and the mission of the company. Solid strategic decisions reduce uncertainty (Hitt, Ireland and Hoskisson, 2014, p.104). It is then, that to speak of strategic administration, is to speak of globalization, because to be able to expand the panorama of the managerial administration it is necessary to analyze the surroundings, that every time moves to greater speed. Talking about Globalization means the close integration of people and countries around the world (Peng, 2018, p.20). It is now when the strategy becomes global, by integrating the strategies of companies around the world.

Companies must prepare and plan multiple scenarios, observe and analyze trends in the market, as well as actions that the competition performs to survive or be leaders in such scenarios. Strategy at the business level represents the integrated and coordinated set of commitments and actions that the company uses to achieve a competitive advantage by exploiting its core competencies in specific product markets (Hitt, Ireland and Hoskisson, 2014, p.104).

The essence of the formulation of a competitive strategy is to relate a company with its environment. Although the relevant environment is very broad, and encompasses both social and economic forces, the key aspect of the company's environment is the industry or industries in which it competes (Porter, 1980, p.3). Organizations of all sizes try to create and maintain a competitive axis in the business world, the skills to adapt and respond are critical for survival.

THE INDUSTRY

The companies were then exposed to international competition, seeking, in some cases, to take advantage of new opportunities and protect themselves, most of the time, from the new rules of the economic game. For this, they have come to an important way to review their strategies, incorporating, partially and with little analytical, the latest developments in administrative and organizational matters (Montaño, 2002, p.68).

The structure of the industry has a great influence on the determination of the competitive rules of the game, as well as the strategies potentially available to the company (Porter, 1980, p.3). The industry of theme parks in Mexico has begun a boom of accelerated changes, initially the industry was chaired by two large companies: A national company (Experiencias Xcaret) and one of international stature (Six Flags Mexico), even though there were many other small companies that individually sought to compete, this industry has characteristics of the oligopolies according to Varian (2010) an oligopoly is a market in which there are some competitors, but not many to say that each of them has a negligible effect on the price (p. 473).

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The structure of the industry also determines how quickly competitors will withdraw when there is an oversupply. Exit barriers prevent companies from leaving an industry when there is too much capacity, and prolong periods of excess capacity (Porter, 1985, p.10). This happened in the industry, with the water park "La ola" that eventually changed its name to "El rollo" and that until 2017 was in ruins, it was then that Six Flags obtained the concession to operate the park for 20 years, because the value of this company is in high value of its capital (facilities, the land where it operates, as well as tenders with which the park already had) (González, 2019).

This is how companies could already outline the tendency to renew or bankruptcy due to carelessness in their facilities, due to the high cost of maintenance, operability, constant threats of entry of new competitors (especially foreign investment) among other factors that influence the theme park industry. The traditional limits of companies and business models are being redefined (Schaan, Kelly, Tanganelli, 2012, P. 14.), now the competition can be an ally.

A STRATEGIC ALLIANCE

The process of economic modernization in Mexico has had, as a result, a strong restructuring of economic agents. The arrival of new actors and the disappearance of others, a strong tendency towards concentration -through alliances, mergers and acquisitions-, the development of forms of corporate organization -mainly the holding company-, and the establishment of new relationships with the State are some of the modalities of said restructuring (Montaño, 2002, page 69).

The industry in Mexico is redefined and changes are imminent, from the perspective of strategic management, threats can be transformed into opportunities, Ventura Capital Privado, a company dedicated to financing and investment, decides to bet in favor of the theme park industry in Mexico, analyzing a market with opportunities and that is how the Ventura Entertainment project was born in 2014. Ventura Entertainment (2019a) is currently one of the largest and most influential parks and attractions operators in Mexico and Latin America, with 9 brands, 14 locations, 2 countries and 165 different attractions. It receives around 3.5 million guests a year, keeping the safest operations record in the industry. But how was this possible?

But before describing the strategies implemented, the analysis of some concepts that are necessary for the development of the case will be carried out. It can be understood as an alliance, in general terms, to the union of two or more (people, entities, organizations, etc.) to achieve common objectives. According to Barney and Hesterly (2015) there is a strategic alliance when two or more independent organizations cooperate in the development, manufacture or sale of products or services (p.270). This cooperation must be voluntary and by mutual agreement. Schaan, Kelly, Tanganelli, (2012, pp. 15-16) affirm that alliances are considered an excellent link to obtain growth in the market shares of the company even in conditions of rapid and drastic changes worldwide. Among the factors to establish partnerships can be noted:

a. Globalization
b. The increasing complexity of the business environment.
c. The growing diversity of customers.
d. The composition of the demand and its response capacity.

Figure 1 shows the diversity of strategic alliances, dividing them into two groups:

1. Contractual alliances (not based on share capital)
2. Partnerships based on share capital

Each of the organizations involved in the alliances contributes their skills and, overall, the partnership is much more than a sum of joint

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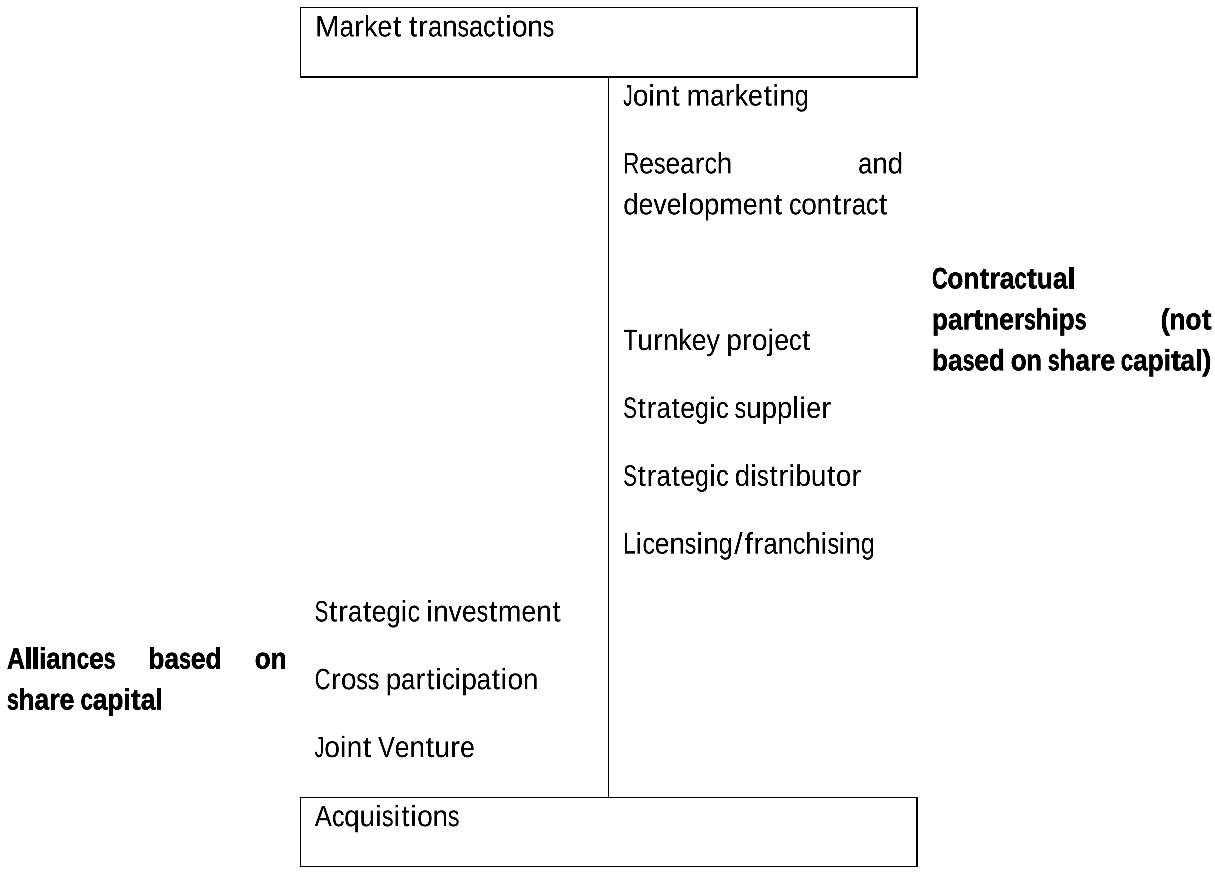
activities. Collaboration is complex and, to be successful, implies the trust and coordination of all the parties involved. When an organization opts for this strategy, it is presented as an associate or member of a team during a specific period of time, for a specific project and, in general, also with specific responsibilities (Chiavenato and Sapiro (2017), p.150). When alliances are successfully formed and managed, strategic and financial benefits can be provided for the participating companies (Schaan, Kelly, Tanganelli, 2012, p.17):

a) Reduction of costs and risk.
b) Access to the necessary technology and distribution networks.
c) Access to new markets and customers.
d) Greater speed of adaptation to new technologies.
e) Improves credibility.
f) Increase in investment.
g) Increase in the stock market (if applicable).
h) Opportunity to learn.
i) Opportunity to develop new skills.



Source: Peng, 2018, p. 375

Figure 1.Diversity of strategic alliances

But in turn, Peng (2014, p. 195) mentions a series of disadvantages:

1. Possibility of making mistakes when choosing the partner.
2. Negotiation and coordination costs.
3. Possibility of suffering the opportunism of the partners.
4. Risk for helping the development of competitors (learning career, in which the members of an alliance aspire to overcome each other, learning the "tricks" of the other party, as quickly as possible.)

Within the strategic alliances, a broad panorama of possible actions is shown, the choice of the best alternative will be based on the needs of the organization and, of course, on the trends in the industry, anticipating is a fundamental factor.

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Every decision process is, in reality, a learning process. Therefore, decisions cannot continue to be taken in the authoritative and conservative manner of before. They require interaction, intuitive reflection and the cooperative development of new mental models. They need to "play." Organizations should plan the scope of various strategic objectives instead of just one and correctly specify them so that they involve all the important areas for the functioning and sustaining of the organization. (Chiavenato and Sapiro (2017), p.156)

METHODOLOGY

For the realization of this work, the method of descriptive case study is followed. It is intended to identify and describe the strategies carried out by Ventura Entertainment from the perspective of strategic management. It follows a documentary design, where various authors and researchers who have written in relation to the topics covered, as well as sources of information in databases, documents, internet and related statistics were studied. The Ventura Entertainment case study is based on the analysis of the content and the relationship that exists on the theory of strategic alliances and their practical execution.

THE FUSION OF ENTERTAINMENT

Mergers and acquisitions (F and A, or M and A, Merger and Acquisition) are as old as the existence of companies, which became more relevant during the second half of the 20th century. From the nineties, the merger and acquisition corporate operations in the different economic sectors have been one of the outstanding phenomena of the international financial markets (Pérez, 2013, p.119).

A merger is a strategy whereby two companies agree to integrate their operations under practically equal conditions (Hitt, Ireland, and Hoskisson, 2014, p.196). It consists of the agreement of two or more companies, legally independent, by which they commit to gather assets and form a new company. If one of the companies absorbs the assets of others, it is said that a merger by absorption has occurred (Mascareñas, 2005).

Mergers and business transformations are fundamentally a more agile growth strategy than internal growth, which is taken as an option when companies have an adequate generation of funds, liquidity, stability and solvency superior to other companies in the market, which generates a surplus that can be used to approach new markets by diversifying, that is, from the operational point of view a combination by conglomerate, acquiring companies not necessarily related to its current operating sector, or becoming stronger in its own line of business through the acquisition of related companies favor the internal operation of the acquiring company.

In this case it is about vertical combinations; or by combining with companies that are in the same business, thus performing a horizontal growth. Just as a growth strategy is also a measure to strengthen companies in the midst of an increasingly competitive and global environment (Mascareñas, 2000, p.25).

Table 1 describes the way in which mergers can be carried out, dividing into two main axes: horizontal and vertical fusion.

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Table 1.Mergers

Horizontal	Vertical
It refers to the case in which a company merges with another that competes in the same industry. Horizontal mergers increase the market power of a company because they allow it to exploit synergies based on costs and revenues.	It occurs when a company merges with another that is a supplier or distributor of one or more of the goods or services of that company.
Research indicates that horizontal mergers improve performance more when companies have similar characteristics; for example, in their strategies, administrative styles and patterns for the allocation of resources.	With the vertical merger, the newly formed company controls additional parts of the value chain, which is why this type of mergers leads to an increase in market power.
The similarity of these characteristics, and the experience obtained by the administrators of previous alliances, supports the efforts to integrate the company.	In an environment where fractures can occur in the supply chain, vertical mergers allow greater forecasting capacity and less chain alterations occur.
Horizontal mergers tend to be more effective when the company's assets are integrated, but it does not do so until after the excess capacity and assets that do not complement the core competencies of the new combined company have been evaluated and liquidated.	

Source: Own elaboration with data obtained from Hitt, Ireland, and Hoskisson, 2014.

In general terms, business mergers by sector do constitute a successful strategy to generate value. This result can be explained through the existence of synergy between the merged companies (Martínez and López, 2003, page 61). That is why Ventura Entertainment decides to grow based on strategic alliances with horizontal merger, the companies that join this group change their market share, since now they have greater presence, and this is the beginning of its consolidation in the market.

IN MEXICO

During the last century in Mexico a constant process of concentration around certain companies was carried out. In fact, it can be said that many of the most important current national economic groups were created and achieved part of their expansion, consolidation and development through mergers and acquisitions. Currently, there is a panorama of the Mexican economy in which, almost without exception, there is no industrial branch or sector of the economy that has not registered significant processes of acquisitions or mergers (Livio de los Ríos, 20017, p.60).

The analysis of the evolution of the process of privatization, mergers and acquisitions of large companies in Mexico, in recent decades, indicate that these have favored transnational corporations, due among other changes to those made in various laws, their flexible application, the retraction of the State in the economy, eliminating restrictions on the action of foreign capital in the country (Pérez, 2013, p.135).

At the beginning of the 1990s, Mexico began to shape a new economic order due to macroeconomic reforms, which, together with various transformations in the international and national economy, led to profound changes in the conditions and modes of operation of the

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Mexican economy. As part of this a new business dynamic has been generated, which has a relevant expression in the realization of investments through the modality of cross-border mergers and acquisitions (FYATs) outward and inward, in novel magnitudes within the modern history in the country, although maintaining the concentration of relations with the United States that characterizes in general the international links of the Mexican economy (Garrido, 2001, p.73).

According to Garrido (2001) in Mexico, the repercussions and results of mergers and acquisitions can be characterized in macro, meso and microeconomic. In the macroeconomic aspect highlights the exposure of the national economy to international competition, economic reforms and privatizations that affected important economic sectors and competition. In the mesoeconomic sector, the opening of the manufacturing and services sectors to foreign direct investment is observed. In the microeconomic sphere, the leadership structure of large companies registered important changes in the type of institutional property, which increased the importance of the transnationals of large companies (Pérez, 2013, p.129).

This is the panorama of mergers in Mexico, however, no evidence of case studies was found on the theme park sector in Mexico.

VENTURA ENTERTAINMENT

Ventura Entertainment arises from the merger between Dolphinaris, Grupo Entreteparq and Selvatica. This merger was led by Ventura Capital Privado, an investment vehicle that consolidates different investors. Since its inception, it has been making investments for more than MXN $ 500 million both in Mexico and in the United States. In order to continue promoting the growth of this platform that began with more than 1,500 employees and 9 amusement parks geographically diversified according to data from Ventura Entertainment (2019a).

In this regard, Javier Molinar, president of the Board of Directors of Ventura Entertainment (2019b), commented that the main objective of Ventura Entertainment is to achieve the growth of the Group, offering, above all, unforgettable experiences and memories to its visitors, through a culture of safety, quality and customer service, which is the main reason for their effort. In turn, Xavier von Bertrab, President of Grupo Entreteparq, affirms that at Ventura Entertainment they are committed to the development of the country, and the most important element for the creation of value in this company is and always will be the human capital, for that reason they want to offer their visitors and collaborators the security of being an organization conformed by the best talent, in constant training and search of opportunities of improvement (Ventura Entertainment, 2019b).

On the other hand, Juan Carlos Aziz and Guido Benassini, from Selvatica expressed: "We are excited to be part of Ventura Entertainment, which is the sum of the best collaborators, distinguished by their dedication and attitude of service, honesty and integrity and teamwork, all in an environment of respect for the environment, society and animal welfare. "Finally, Mauricio Martínez de Alva, General Director of the Group, said: "The evolution of the entertainment industry creates great challenges and aware of this is born Ventura Entertainment with the commitment to provide a unique experience of the highest quality to all our visitors."(Ventura Entertainment, 2019b).

Becoming one of the most solid and important companies in this segment, Ventura Entertainment is the local and tourist offer created under the commitment to continue promoting and expanding the fun alternatives thanks to its 9 developments throughout 3 states and their next one's announcements of plans and

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investments in projects inside and outside the country that will allow you to achieve important business goals, indicated the three companies in Forbes (2015). However, for Ventura Entertainment employees it was clear that it was necessary to continue increasing the number of companies within the group and in 2017 they announced that they signed an association agreement with Topgolf, in which they obtained the exclusive rights of the brand in Mexico. With the signing of the agreement an investment of 3,000 million pesos is included (Calixto, 2017).

This merger was key, because at the beginning, there were still doubts about the stability and presence that could have in the industry, so now it adds prestige, as mentioned above. Reputation is a fundamental factor in the creation of strategic alliances. It is then that Ventura Entertainment and Blau Life, the most important aquarium operator in the country, announced the merger of both companies, incorporating Blau Life into the portfolio of brands operated by Ventura Entertainment, consolidating the new group as the largest operator of amusement parks and entertainment centers in the country, with more than 4 million visitors per year and 2,000 employees.

The transaction is in addition to those made over the last four years by Ventura Entertainment (2019c). He said that Blau Life will make an investment of 300 million pesos over the next three years, which will reinforce the initial amount announced by Ventura and with which it is expected to reach a total of 19 complexes, that is, five more than those that already have (Lara, 2018).

The new ally, is now the factor that places Ventura Entertainment as the most important operator of amusement parks in the country, implies that now the strategies must change because they have passed the period of expansion, however, growing exponentially also It can generate new challenges.

With this consolidation, Ventura Entertainment (2019c) will be operating 18 locations in 2019, including the country's first Topgolf in the city of Monterrey. Ventura's portfolio of brands consists of differentiated activities, including adventure parks, traditional and interactive aquariums, amusement parks with rides, water parks and marine mammal interaction programs, in 5 states of the Republic and with an operation in the United States. Additionally, the group is advising the Chinese company Sun.

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Ventura Entertainment has nine brands among which stand out: Magic Jungle (Guadalajara), The Fair (CdMx), Dolphinaris, Ventura Park, Selvática and Wet'n Wild (four in Cancun). In addition to Mexico, it has a presence in the United States and has 165 attractions. In the last three years, it has invested one billion pesos for its expansion plans (Lara, 2018).

SHOPPING CENTERS, A GLOBAL TREND

Faced with the expectation that traditional shopping centers lose their appeal with the rise of e-commerce, developers are betting on the creation of malls, which include virtual reality experiences, amusement parks and even hot air balloons to maintain and attract more visitors (Ventura, 2019). Around the world, there are already several shopping centers in which, in addition to offering a variety of stores of different

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brands, now also add roller coasters, multiple attractions that were commonly found in amusement parks, virtual reality areas and any Recreation activity that generates the consumer the need to go to the establishment and not make purchases from any device, anywhere you are.

CONCLUSIONS

So far, the horizontal strategic fusion alliance implemented by Ventura Entertainment has been a success, which positions the group at the top of the industry in Mexico, diversifying and consolidating the proposed goals. Although, it was not only this strategy that placed it in this position, it was the most relevant because he generated trust both to investors and consumers. This group has taken advantage of the virtues of strategic alliances, but more than that, it has understood that currently it is not possible to just implement a competitive strategy, but to talk and implement global strategies.

It is a case of study that still has many edges in terms of research topics, but above all it is a young project that still has many challenges to overcome, including the diversification of its market, because the focus of the project must not be lost, who are directed or if it is necessary to carry out a restructuring of their interest groups.

It would also be useful to analyze the brands individually, as this would clear up doubts if they were only mergers and exponential growth in terms of increasing the presence of the complexes, building more and more theme parks or if we are working on strategies based on the proposed tripod by Peng: Resources, industry and institutions.

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