



Analysis of the strategies of the film chains that have determined their market structure: Cinépolis approach

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Abstract

This work identifies the market structure to which Cinépolis belongs through the strategies of differentiation (innovation and localization) and the one based on the resources executed by Cinépolis and Cinemex. It is analyzed through the structure-behavior-performance model of the industry. with a focus on Cinépolis, in a way that made it possible to understand the proposal of the COFECE regarding the fact that fewer companies do not always mean less competition, since the number of competitors does not determine the competition, but rather those that have the capacity to convert a consecutive to simultaneous game through the use of their resources and capabilities, being innovative in quality and variety, thus generating greater utility for consumers through prices determined by the market.

Keywords: strategy, market structure, oligopoly, movie theater chains

1. Introduction

The number of companies in the entertainment sector in Mexico dedicated to the offer of movie theaters is abundant, however, the control of the market is led by two Mexican giants with a worldwide presence. In 2018 the Mexican market was composed of 63 companies, the most important according to the number of rooms are: Cinemagic, Cinemas Henry, Citicinemas, Cinépolis and Cinemex, the last two being the most profuse. On the one hand, 323 cinemas are part of 58 small chains around the country, which represent 4.5% of the total rooms, while the other 5 represent the rest.

As for the most important movie theaters, they have the following characteristics

- A. Citicinemas is a company with 60 movie theaters in 2018 (Canacine, 2019) ^[2], the company is created with the intention of not allowing the failure of a commercial plaza, which was consolidated and expanded to 3 more cities.
- B. Cinemagic is a company that was born in 2005 under the precept of bringing the experience of quality cinema to small communities at an affordable price (Forbes, 2013) ^[10]. By 2018, they had 67 movie theaters in 8 communities of the country (Canacine, 2019) ^[2].
- C. Cinemas Henry, is the third chain of movie theaters in Mexico, with 80 theaters in 2018 in 10 cities (Canacine, 2019) ^[2].
- D. According to its website, Cinemex has more than 23 years in the Mexican market, which has positioned itself in the "Top 10" of the best cinematographic chains in the world. By 2018, they have 335 complexes with 2,930 rooms in 98 cities of the Mexican Republic, being the strongest competition for Cinépolis (Cinemex, s.f.) which is from 2011.

- E. Cinépolis, on the other hand, began its history in 1963, but it was not until 1971, after various events, that the Ramírez society (father and son) materialized. Years later, precisely in the 90's, a strong crisis floods the company, so that the grandson Alejandro Ramírez Magaña faces the problem being as CEO of the chain. In the final course of the 20th century at the present time, the company overcame the crisis, it was internationalized, consolidated its value proposition and became a business icon of innovation in the services sector for entertainment, taking it to be the second chain of most important cinemas in the world and the fourth with the largest number of showrooms. Cinépolis is the strongest competitor in this industry. By 2019 the company has 440 complexes in Mexico with 3,733 rooms.

2. Background and delimitation of the problem

As is known, the largest cinema chains in the country in terms of exhibition, distribution and income complexes are Cinemex and Cinépolis, which, until 2018, had 91.8% of all the screens offered in the country, while their competition are small chains. At first impression, it could be said that these two companies form a duopoly.

However, in 2013 Cinemex announced its intention to acquire the Cinemark company. After a thorough review of the Federal Economic Competition Commission (hereinafter Cofece) in which he evaluated the feasibility of the concentration in order to avoid incurring risks to competition, gave a resolution that was in favor of Cinemex, under the argument that Cinemark represented weak competition due to the low number of cinemas, box office sales in recent years was in decline and that it operated in the same area where Cinépolis and Cinemex were present. Therefore,

the Cofece alluded that "a smaller number of companies does not always mean less competition: together, Cinemex and Cinemark could compete more intensely against Cinépolis" (Cofece, 2013) [8].

According to Cinépolis corporate website (Cinépolis, 2019) [5], Cinépolis has a market share in Mexico equivalent to 67.1% in 2019, while Cinemex has 29.5% of the participation and the other chains have only 3.4%. Therefore, Cinépolis is the leader in terms of rooms and booking. In addition, in the competition not only is involved number of rooms, so is the variety of them, the candy store and advertising.

- A. Cinépolis and Cinemex form a duopoly in showrooms in Mexico?
- B. What have been your competitive strategies?

3. Justification

The cinema hall market is a sector that is apparently known, but the allusions made by the COFECE six years ago are significant for it to be raised again on what is the market structure in this subsector of entertainment, because this it cannot be determined solely by the number of participants in the market, or, according to the market share held. In the last 6 years, research has been carried out on the strategies of these Mexican companies (Cinépolis and Cinemex), which have focused on their expansion strategy that analyzes what these companies have done to reduce their market share (Vargas-Hernández and Casanova-Casanova, 2013) [19] and another in which the strategic alliances of the film industry are analyzed, in particular the purchase of Cinemex from Cinemark (Vargas-Hernández, Mares-Galindo, 2016) [18].

The framing of this paper is the analysis of strategies, not only expansion and acquisition that have been carried out in this sector, but also other strategies that give a broader vision to help identify the structure of the market to which they belong.

4. Hypothesis

- H0: The organizational strategies of Cinépolis and Cinemex set the market structure of the subsector.
H α 1: The differentiation strategy (location) fixes the market structure.
H α 2: The strategy of differentiation (innovation) innovation fixes the market structure.
H α 3: The resource-based strategy fixes the market structure

5. Objective

A. General objective

Identify the market structure to which Cinépolis belongs through the strategies implemented by Cinépolis and Cinemex through the structure-behavior-performance model, in order to understand the proposal of the COFECE regarding the lower number of Companies do not always equate to less competition corresponding to movie theater chains in Mexico.

B. Specific objectives

1. Analyze the different strategies carried out by Cinépolis and Cinemex
2. Compare the market share of the companies analyzed
3. Discerning the market structure

6. Conceptual framework

It is prudent to start defining what is and what are the market structures to be able to enter into the context of the object of study of this research. The market structure are the different forms that the competition can adopt. They are differentiated by the number and size of producers and consumers in the market, the type of goods and services that are traded, and the degree of transparency of the information (Resico, 2011) [15]. The structure can be of 4 types: perfect competition, monopolistic competition, oligopolistic competition and monopolistic competition.

- a. Perfect competition. It occurs when no buyer or seller has market power or influence on the price. There is a large number of suppliers and demanders in the market, homogeneous products and perfect information.
- b. Monopoly. It is a market where there is only one bidder of a good. This can occur when there is an innovation, state protection or patents. Relatively high prices are sought in a competitive situation.
- c. Oligopoly. It happens when markets are between these two extremes where there may be some competitors, but who do not have the power to influence prices. The companies within this structure have different options of strategies with which they can act. According to Varian (2010) [20] they can be the following:

1. Consecutive game

- a. If one of them manages to fix its price before the other, we say that the former behaves as a leader in the choice of price, and the latter as a follower;
- b. in the same way, if one of them manages to choose the quantity before the other, we say that the former behaves as a leader in the choice of quantity, and the latter as a follower.

2. Simultaneous play

- It happens when a company makes its decisions and does not know what the other has taken.
- a. Companies can choose prices simultaneously
 - b. Or they can choose by the quantities.

3. Cooperative game

It happens when companies collude instead of competing with each other, in which they agree to jointly set prices and amounts that maximize the sum of their profits.

- B. Monopolistic competition.** According to Varian (2010: 517) [20], this structure "is a type of oligopoly". It occurs when companies have a differentiating phenomenon that consists of the benefit obtained by marketing a product that cannot be imitated perfectly and in how much more success it has, more monopoly power and less elasticity it will have. In a monopolistic industry:
1. has some small market power to set prices instead of the market;
 2. However, you must compete for customers based on both the price and the types of products you sell;
 3. there are quite a few companies competing with brands to which they can change;
 4. There is also no limitation on the entry of new companies.

On the other hand, Michael Porter (1996) [13] in his book "what is

a strategy?" Says that a strategy is the creation of a unique and valuable position, involving a different set of activities. On the other hand, Michael Parkin and Eduardo Loria (2010) [11] under the context of game theory, mention that strategies are all possible actions that a player can take. Therefore, an organizational strategy is the actions that companies put into practice to play in the market in order to achieve a position in it.

Next, a brief explanation of each of the strategies analyzed in this work is presented. The strategies of differentiation do not refer to the generic strategies of Michael Porter, but are based on the strategies proposed by the microeconomic area regarding the issue of monopolistic competition, particularly the strategy based on localization, however, based on innovation he was given a product differentiation approach based on innovation.

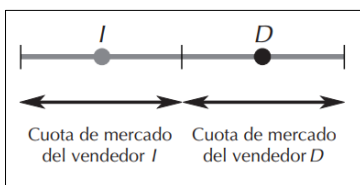
A. Differentiation strategy (innovation). Innovation can be a barrier to the entry of new competitors, so it represents a latent risk, innovation can give the possibility of increasing the price or benefit over the competition. The innovation can be of the product, processes or transactions (Spulber, 2005) [17].

B. Differentiation strategy (location). This differentiation is explained by the linear city model of Hotelling, which makes a metaphor of two competing companies in a beach area consisting of the following (Sanchis and Mañez, 2002) [16] (Varian, 2010) [20]:

1. Consumers are evenly distributed with unit density along a segment of length L.
2. There are two companies (companies I and D) that sell a product that is identical except in the location of the company. That is, the differentiation is given by the location of the company.
3. The unit cost of production is identical for the two companies and equal to c ($c_1 = c_2 = c$)
4. Each consumer decides whether or not to buy a product unit

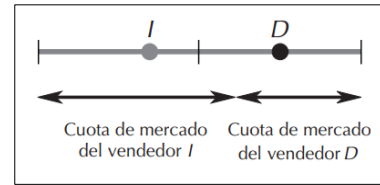
The game is considered in two stages

1. Stage 1: the two companies simultaneously choose their location (long-term decision)
2. Stage 2: the two companies simultaneously choose their prices (decision to CP) at the moment, maximum differentiation is imposed and they are focused on determining the Nash equilibrium in prices (Stage 2). Assuming that the companies are located at the ends of the segment: company 1 is located at $l = 0$ and company 2 is located at $l = L$.
3. The guideline of socially optimal location is I is located at a distance from the beginning of the walk equal to a quarter of its length and D at a distance equivalent to three quarters.



But if the company I moves a little to the right, some of the clients of company D would be attracted and without losing any of the I, so it will remain the company closest to all the customers on the

left, and it will be closer to the clients located on the right. Therefore, it will increase both the market share and the benefits.



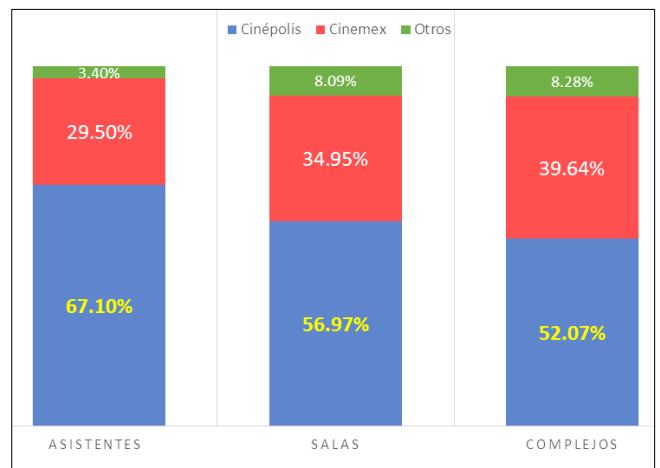
A. Strategy based on vision based on resources and capabilities. It focuses on the use of the resources and capabilities of the company. The resource-based vision focuses on the aspects of value (which adds value to the company), rarity (not common), imitation (impossibility of imitation) and organization (by the organization) of resources and capabilities, by its abbreviations "VRIO" (Peng, 2012) [12].

7. Structure

For 2018, the total revenue per box office reached 16,810 million pesos with 332 million tickets sold at an average price of 50.6 Mexican pesos and an average attendance of 2.65 times per person. Revenues from 2012 to 2018 increased 57.3%, while attendance increased by 45% (Canacine 2019) [2] which means that the growth of the market share for the exhibitor chains is increasing.

The market share reflects the leadership of Cinépolis in the three areas evaluated: number of attendees, exhibition halls and complexes (see graph 1). The greatest relevance of this comparison is the difference between the percentage of number of rooms with the attendees, which would be expected is that the number of attendees is aliquot to the number of rooms offered. However, the results reflect that the preference of the consumers by cinema is proportionally larger than its offer.

The market shares of Cinépolis and Cinemex accounts for 96.6%, which means that the reach of small competitors is small, which is understandable due to the number of rooms they offer. These conditions at first glance indicate an oligopolistic market concentration.



Source: Own elaboration based on data from Canacine (2019) [2] and Cinépolis (2019) [5].

Fig 1: Market share

In order to determine the market structure, it is possible to use a concentration index in which the number of competitors and the relative participation in it is taken into account and which indicates the number of companies that represent the total production. For this work it has been decided to use the Herfindahl-Hirschmann index (HHI). The concentration is calculated as follows (Banco de la República Colombiana, 2008): Equation 1 Herfindahl-Hirschmann Index (HHI)

$$\sum_{i=1}^n \left(\frac{X_i}{X} 100\right)^2$$

Where $\left(\frac{X_i}{X} 100\right)$ is the percentage share of the i-th company in the market and N is the number of companies in the industry.

Table 1: Market share of showroom companies

Company	Market share
Cinépolis	67.1%
Cinemex	29.5%
Others	3.4%

Source: Own elaboration based on data from Cinepolis

Once the IHH formula is applied, the concentration index is 5384.22 (see equation 2).

Equation 2 IHH of the companies of exhibition halls

$$\sum_{i=1}^n = (67.1)^2 + (29.5)^2 + (3.4)^2 = 5384.22$$

It indicates that there is a high level of high concentration, which is above 1000, so it can be said that the cinema showrooms market in Mexico is under oligopolistic competition. But, to

confirm this, it is necessary to evaluate the behavior of companies in this market, particularly Cinépolis and Cinemex.

8. Behavior

The Cinépolis Group is made up of 18 brands around the entertainment industry in the world. In Mexico, the Cinépolis brand is the most important and recognized brand that corresponds to exhibition hall complexes that, together with the Cinépolis VIP brand (luxury movie theaters), are composed of other business units such as candy store, cinecafé, coffee tree Ice cream, spyral, baguis and sushi and bar. According to 2015 information, cinemas in Mexico receive higher accounting profits from the sale of food than with booking (taquilla), and up to 60% of the income of a complex is obtained from the candy store with high prices (El financiero, 2015) [9].

The other brands in Mexico have specialized in the innovation of the exhibition halls such as Cinépolis Plus (gamma premier), Cinépolis IMAX Theater (IMAX screens), Junior Hall of Cinépolis (aimed at infants), Macro XE (larger screens in comparison to the traditional), 4DX (specialized rooms with fourth-dimensional technology), Art Room (only exhibition of "art cinema"), Xtreme Cinemas (best audio), Cinema Park (Educational entertainment exhibition).

A. Resource-based strategy

Cinépolis has taken advantage of its resources and capabilities, which has positioned it as one of the best cinema chains in the world, being considered as an innovative company in the subsector. The following analysis of the VRIO Framework is based on Mexican conditions and competence:

B. Resource-based strategy

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Table 2: Marco VRIO

Resource	Value	Rarity	Inimitable	Organization	Competitive advantage
IMAX screens	Yes, option for the consumer	Yes, in Mexico, there are no similar screens	Yes, there is already an exclusive contract with the Canadian company	Yes, financial capacity to maintain the contract	Sustainable competitive advantage
Brand size	Yes, it allows to increase market share	Yes, since they have been innovative	No, since some brands have already been imitated by Cinemex	Requires restructuring work activities	Temporal competitive advantage
Gourmet food and variety of popcorn	Yes, allows to increase the market share	Yes, since they have been innovative	No, since some brands have already been imitated by Cinemex	Yes	Temporal competitive advantage
Own distributor	Yes, it allows you to reduce costs	Yes, since the competitors are not distributors	Yes, experience and high entry costs are required	Yes	Yes Sustainable competitive advantage

Source: Own elaboration

C. Differentiation strategy based on innovation.

The consolidation of the different brands of Cinépolis, both in complexes and halls, have been the result of one of the strategic axes of the company: innovation. This axis is part of the differentiation strategies of Cinépolis, in which the company has not only sought a greater market share from the expansion of the complexes around the Republic, but has also developed new

products (in which the majority of these implementation has been the leading player). That is, has innovated with new ways and concepts of rooms that has allowed them to meet their objective as they have attracted and have adapted to the market stratified in other ages, preferences and socioeconomic level.

The innovations that have allowed it to be the leading player in the market have been:

1. Stadium type rooms
2. IMAX and Macro XE screens
3. gamma premier rooms, aimed at infants, extreme and 4D
4. While Cinemex was the leader in terms of luxury complexes.

D. Differentiation strategy based on location

The differentiation strategy of Cinépolis is led by the action of geographical expansion of complexes throughout the country based on the location of the real estate, this action is carried out thanks to one of the policies of the company since 2015 is the reinvestment a high percentage of profits, a reason for the large-scale growth of the number of rooms offered each year, which has precisely led them to position themselves in the fourth place of the world's largest exhibition chains.

The geographical expansion of Cinépolis is accompanied by the relationship between the company and the shopping centers, due to the fact that synergy has been made between them because both are centers of attraction for themselves. That is, consumers who are attracted by the cinema with potential to be visitors of the shopping center and vice versa. Because of this relationship, the agreements between the shopping malls and Cinépolis made it furtive. For investors the opening of a center is conditioned by the inclusion of an exhibition complex, so that Cinépolis has monopolized most of the last centers built in the country.

From these negotiations, the Group began to open complexes exclusively in a commercial environment and not independently. The decisions on which brands of the Group will be part of the new complex will depend on the characteristics of the shopping center. That is: the location of the property, the market to which it is addressed, proximity to its subsidiaries and those of the

competition, among other results that they show the previous studies, in which it is evaluated what will be differentiation between the complexes of the area (Real estate, sf).

In addition to this strategy, the expansion of Cinépolis is accompanied by interests of the owners of the Group, which are related to the real estate sector, which is why the Ramírez Organization decided to create INGRA years ago, now CITELIS, in order to diversify the Group. This developer aims to create commercial environments that allow to integrate the projects to the family company (Cinépolis) and adapt it to the needs of the same, creating attractive centers thanks to the synergy already explained, so it allows them to lease hundreds of commercial premises and at the same time fulfill the expansion objectives of Cinépolis.

The strategy of expansion of Cinépolis through the physical reproduction of the properties of its subsidiaries could be said to be an obvious action on the part of the company since the exhibition hall companies belong to the retail sector, consequently strategic points will be sought for the location of these businesses is crucial, since beyond the innovation that is offered in their facilities, it is necessary that the subsidiary is located in an accessible, visible and attractive point. Now, the industry behavior is given by the two main players, which are Cinépolis and Cinemex. The following table is about a comparison of the difference of the offer in terms of the type of consumer, type of room, location and level socio-economic area of the complex, which allows us to assess the characteristics of competitiveness between the two main exhibiting companies in the country.

Table 3: Differentiation of the offer

Aspects	Cinépolis	Cinemex
Type of consumer	NSE: ABC+ Mexico City 68%, Interior 44%. CD+ Mexico City 27%, Interior 52% Age: (13-18) 30%, (19-22) 19%, (23-34) 25%, (35-44) 16% y (45-+) 12%	NSE: ABC+ 77% CD+ 23% Age: (13-18) 34.6%, (19-24) 25.4%, (25-34) 22.6%, (35-44) 10.6% y (45-+) 6.7%
Type of rooms	Complex: VIP (logo) Cineole's plus, 4DX Extreme cinema, Sala de arte Macro XE, IMAX Junior Hall, Cinema Park	Complex Platinum (logo) Premium 4D Cinemextremo Art house
Locality	Most of the complexes are located in shopping centers.	Number of complexes divided proportionally between independent spaces and shopping centers.
Socioeconomic level of the zone	A/B (Cinépolis VIP) C+ (higher proportion) y CD+	A/B (Cinemex Platinum) C+C (Greater proportion) y D+D

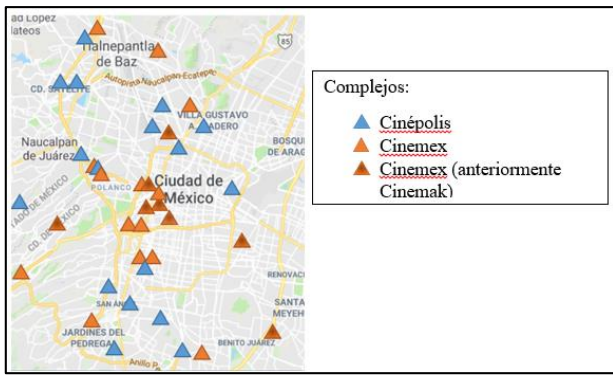
Source: Own elaboration based on data from Cinépolis (s.f.) and Cinemex (2015) [3]

As for the variety of room type that is offered, it is higher in the case of Cinépolis, so that consumers have more consumption options. Regarding the type of consumer, in both cases, the main consumers are young people between 13 and 18 years old, however, in the case of Cinépolis, the number of people who attend this establishment between the ages of 22 and 34 years is greater. Respect to Cinemex, so it could be inferred that professionals prefer Cinépolis.

The relationship between the socioeconomic level of consumers and the location of the complexes is interesting because most of the consumers of Cinemex have a higher socioeconomic level

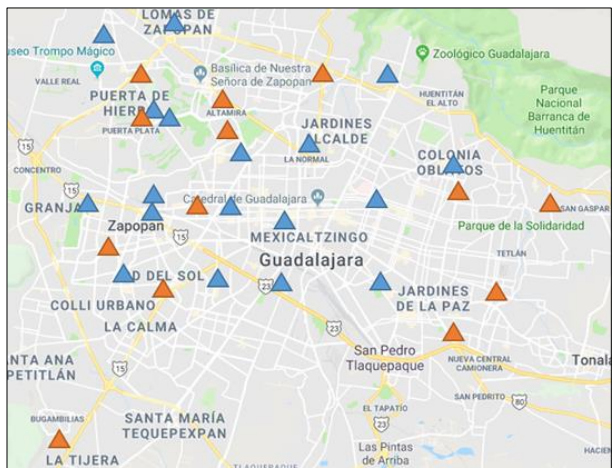
even though the company owns complexes in less favorable areas; instead, Cinépolis has a proportional relationship in Mexico City, but in the interior of the Republic the location of most of the complexes are in C + zones, which is a function of the location of the shopping centers, while a little more of half of its assistants belong to a CD + level, a fact to which the generalized assistance to the commercial centers of the population between these levels could be attributed.

Next, the following illustrations (figures 2, 3 and 4) show the location of the cinema complexes in the most important metropolises of the country: Mexico City, Guadalajara and Monterrey.



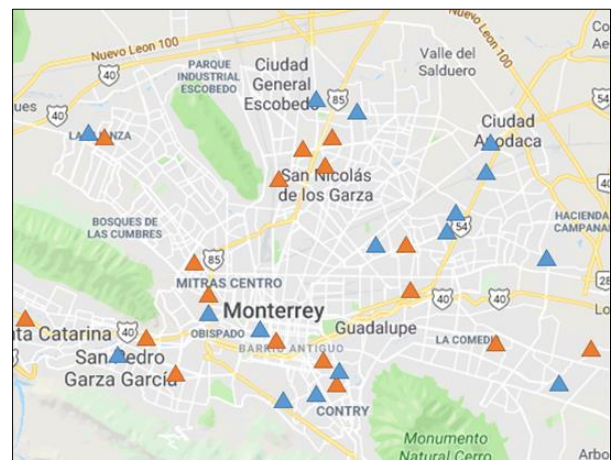
Source: Own elaboration.

Fig 1: Location of complex Metropolitan Area of Mexico City



Source: Own elaboration.

Fig 2: Location of complex Metropolitan Area of Guadalajara



Source: Own elaboration.

Fig 4: Location of complex Metropolitan Area of Monterrey

Regarding Mexico City, there is a concentration of Cinemex complexes in the center of the city due to the purchase of the Cinemark complexes, which allowed it to monopolize the market of areas of Polanco, La Condesa, Roma, Chapultepec, between others, while Cinépolis preferred to locate in the north and south of the city, mainly in areas with a higher socioeconomic level.

In relation to the Metropolitan Zone of Guadalajara, Cinemex is mostly located in the municipality of Zapopan, a municipality that has a higher socioeconomic level than the others, however, it is also located in the Far East, in the municipalities of Tonalá and Tlaquepaque with a lower socioeconomic level, leaving the municipality of Guadalajara clear, which is occupied by Cinépolis. Similarly, Cinépolis is mostly located in the municipality of Zapopan.

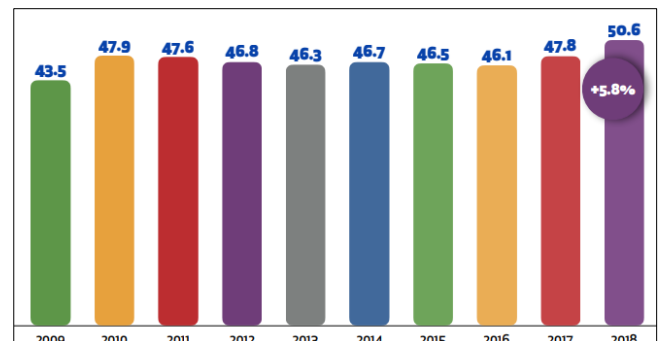
For what corresponds to the Metropolitan Area of Monterrey, in the southern zone, corresponding to the municipalities of Monterrey and San Pedro Garza García, which have a higher socioeconomic level, there is an equitable location between the two parties. In the case of the northern zone it is divided, on the one hand Cinemex has monopolized the area of the municipality of San Nicolás de Los Garza, while Cinépolis has done it in the municipality of Apodaca.

Through this analysis it is perceived that both companies are willing to share space in areas with a higher socioeconomic level. On the one hand, Cinépolis is not only a leader in market share, it is also a leader in the number of complexes and, therefore, in the number of cinemas, so it has an advantage over Cinemex to win the market. To abound in this analysis, two hypothetical games are made that allow us to pose two possible situations for the same result:

1. Consecutive game: If it is considered that Cinépolis under the construction leadership was also the first to shoot, that is, the company that wins the geographical area, Cinemex takes a follower posture only in areas with higher income, however in the other zones it prefers to make agglomerations of cinemas outside where Cinépolis has thrown; Under this assumption, one might think that Cinemex managed to win the central zone of Mexico City thanks to the acquisition of Cinemark that allowed it to take over the area.
2. Game: Assuming that both of them shoot at the same time, both bet on zones with higher incomes and at the same time they differ in others because Cinemex, in contrast, bets on areas with lower incomes.

D. Behavior of consumer prices

The prices of the tickets have had a controlled increase. The graph shows the variation of the average prices (total income / number of attendees) from the year 2009 to the year 2018, it can be seen that the variation during these 10 years has been both increasing and decreasing, in which It has increased by 7.1 Mexican pesos.



Source: Final results 2017 of Canacine, 2019 [2].

Fig 5: Average movie ticket prices

The prices of each company depend on the city and location of the complex in it. Cinemex and Cinépolis are the chains that present the highest prices, followed by Citicinemas, Cinemagic (which has the lowest price in any of its complexes) and Cinemas Henry that has a fixed price of 40 Mexican pesos regardless of location.

Table 4: Prices of cinema tickets per company

Cinema	Price range in traditional room
Cinépolis	\$ 41 - 77
Cinemex	\$ 44 - 74
Citicinemas	\$ 39 - 65
Cinemagic	\$ 30 - 56
Cinemas Henry	\$40

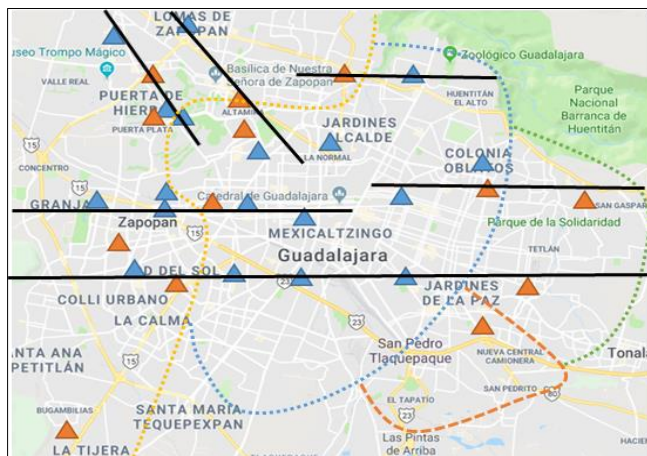
Source: Own elaboration based on data from the online billboards of each company

9. Performance

A. Hotelling's linear city model

Cinépolis and Cinemex compete with the same conditions in terms of product differentiation, since most of the rooms are similar, the same concept of sweetshops and cafeterias and similar digital services. In addition, the price variation is very similar.

It was taken to the city of Guadalajara to describe the linear city model of Hotelling. According to data of Cinépolis (sf) they have 86.6% of the market, so it is intuited that there is a market imbalance even when the difference of complexes is 5. We considered 6 hypothetical trips that both Cinépolis (Cp) and Cinemex (Cmx) may have taken



Source: Own elaboration

Fig 6: Model of hotelling.

1. Cmx, despite being in the center, the left side is wide (not shown on the map), so Cp has the possibility of taking market because it represents the nearest complex. In the right area it is dominated by two complexes Cp on one of Cmx. Cp leads the left side, while Cmx and Cp compete closely on the right side.
2. There is a balance in the market share.
3. There is almost absolute dominance on the part of Cp since there is only one Cmx complex that competes.

4. There is a balance because there are two complexes of each company in the center, one of Cp in the far left and one of Cmx in the extreme right.
5. This is the longest walk, consisting of 4 complexes of each company, however, Cp is located with a complex of downtown and another on the right so it can take market of the complexes of Cmx. The left zone dominates Cp since not only could Cmx market take on this walk but also the walk that borders the north.

Conclusions

A. Market structure of the industry

The higher prices of Cinépolis and Cinemex in some cities and specific locations in the city are justified for two reasons: the costs of localization or the purchasing power of consumers. The price difference, although some areas the prices of these two companies are the same or similar to the small chains, is due to the value and positioning of both brands.

There are no collision symptoms between Cinépolis and Cinemex to establish the prices, however they are in a location war described in the Hotelling model, because the chains for the high installation costs, position strategies and transaction costs it is not possible to change or go through a complex, opting for the construction of new complexes close to the competition for market reduction, or close to their own subsidiaries in order to respond to demand and competitive strategies. Although Cinemex has a good number of complexes, the market share is less than the offer. That is why the COFECE proposal makes sense, since there is a latent risk that Cinépolis practically dominates the entire market, which is why Cinemex was allowed to purchase Cinemark, in order to make competition more intense against Cinépolis.

The market structure of the movie theater industry is an oligopoly with monopolistic competition since the competition between these companies is based on the differentiation of the service they offer, having the power of the market and probably the highest profits with respect to the competition. Why monopolistic competition and not a duopoly? Because there are no agreements between Cinépolis and Cinemex for pricing, they are also based on the added value they offer, they do not present anti-competitive activities as barriers to entry as small chains such as Citicinemas, Cinemagic and Cinebox grow through of the years. Also, there are differences in the offer in terms of consumer type and socioeconomic level of the area.

In this structure there is clear leadership on the part of Cinépolis. According to the COFECE (2018: 2) "economic competition means rivalry between companies that participate in a market applying their best strategies so that they can minimize their costs, maximize their profits and thus remain active and innovative compared to other rival companies." Given the leadership of Cinépolis and low monopolistic competition conditions, has managed to be innovative in the service of entertainment, coupled with agreements with CITELIS, achieved an expansion at a faster pace than the competition that allows them to stay active and maximize the benefit thanks to the quantity offered and the high prices of its business units.

That is why the number of competitors does not determine the competition, but those who have the ability to convert a consecutive game to simultaneous by taking advantage of their resources and capabilities, being innovative in quality and

variety, thus generating greater utility for consumers through prices determined by the market.

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