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**A LOCATION ANALYSIS FOR CIRQUE
DU SOLEIL'S ESTABLISHMENT OF
RESIDENT SHOWS**

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“They can do anything, from a permanent location on Broadway, to a traveling show that pops into towns for two to three weeks, to a show that just appears for a day on a football field. That is easy to say and very hard to execute”

- Dawn Hudson (cited in Rastello, 2017) -

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Abstract

With the development of the international business field, the study of location gained importance. It began to distinguish between firms that initiated their internationalisation process to reduce production costs and those that did it in order to access new markets. Most of the literature that emerged since then addressed the former, so, currently, there is a reduced amount of literature that focuses on services companies (including entertainment businesses), which often pursue the latter.

Cirque du Soleil is about to open its first permanent show in continental China. Given that it has encountered failed locations in the past, it is of paramount importance that the company establishes in a successful location that guarantees spectators' attendance. But, are there any factors that may help Cirque du Soleil in its location decision-making to determine its degree of success?

Through the application of a framework adapted to fit Cirque du Soleil's specificities, this investigation identified that the economic factors, the social and cultural factors and the proximity to customers were the three most important factors that the company should consider when establishing a new permanent show in a specific location. When this framework was applied to various locations (two failed: New York and Macau, one attempted: Dubai, and one prospective: Hangzhou), this dissertation concluded that Cirque du Soleil does not offer shows properly adapted to local tastes. As a result, those locations that have major cultural differences end up becoming failed locations. In the case of New York, however, it was caused by a poorly executed attempt to adapt the show to Broadway, leaving it half way between a circus performance and a musical show, which did not appeal to spectators.

Key words: Cirque du Soleil; entertainment businesses; location analysis; location factors; location theory; internationalisation strategy; MNEs.

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1. INTRODUCTION

The times when Cirque du Soleil was considered a small street theatre group founded in a small town near Québec have long gone. Today, Cirque du Soleil is one of the most successful companies in the entertainment industry, responsible for hiring around 4,000 employees and offering shows in more than 400 locations around the world. But, what have been the reasons behind the success of Cirque du Soleil? Just as Welter (2011) explains in *Rightsizing your Business*, “Their [Cirque du Soleil’s] success as a business depended on a location decision. More specifically, it depended on a ‘non-location decision’. The founder Guy Laliberté knew that he had to leave Canada during the winter months if his touring company was to become a real, year-round business” (n.a.). Now that Cirque du Soleil is about to open a new resident show in China, it is important to understand the factors that affect its location decision-making, in order to determine why some locations have been more successful than others.

The scientific discussion among researchers regarding location can be traced back to the 1960s, especially in relation to Vernon’s product cycle model and the role of the US foreign direct investment (Cantwell, 2009). With the rise of the eclectic paradigm¹, the interest in location decreased. This was due to the fact that companies began to focus their attention on issues at a micro-level, i.e. the internal organisation of the company, instead of at a macro-level, i.e. international trade and the country’s balance of payments (Cantwell, 2009). It was thanks to John Dunning’s (1988) paper titled *The Eclectic Paradigm of International Production: A Restatement and Some Possible Extensions* that the location discussion reached a major turning point. Since that moment onwards, the literature that emerged approached the location discussion through different discipline perspectives: Psychology, through location decision-making (i.e. Buckley, Devinney & Louviere, 2007) or locational behaviour (i.e. Stam & Mueller, 2006); Statistics, through location choice, (i.e. Saaty, 2008; Li & She, 2010); Geography, through corporate geography (i.e. Hagström, 1990 or Krugman, 1998); or Management, through logistics management (i.e. Stock & Lambert, 2001), amongst others.

¹ Refer to John Dunning’s (1988) *The Eclectic Paradigm of International Production: A Restatement and Some Possible Extensions*.

Given the importance of location in the International Business field and considering Cirque du Soleil's internationalisation strategy, it is worth analysing its conduct in the past in order to predict its performance in the future.

1.1 Aim and motivation

Nowadays, despite the abundance of existing literature in the international business field, there is hardly any research that focuses specifically on entertainment businesses, sector to which Cirque du Soleil belongs to. This is due to the fact that most of the literature focuses on firms that seek internationalisation to lower production costs, as it is the case for most manufacturing companies, rather than on firms that pursue it to access new markets, as it is the case for most services companies including Cirque du Soleil. In an attempt to reduce the existing gap in literature regarding location decision-making applied to the entertainment sector, this dissertation attempts to:

- Adapt one of the existing frameworks with regards to the factors that affect location decisions, meeting the specificities of service companies, so that it can be used by other entertainment companies when selecting a location for the establishment of a future show.
- Conduct a location analysis using this proposed framework in various locations identified by Cirque du Soleil in order to determine the reasons why some locations have been more successful than others.

The four identified locations analysed in this dissertation have been chosen for geographical reasons and convenience. On one hand, New York, Dubai, Macau and Hangzhou are four locations situated in 3 different continents, which allows for a more wholistic analysis of Cirque du Soleil's location decision-making. On the other hand, each location represents a different degree of success for the company, which helps identify the reasons why some locations have been more successful than others. As such, **New York is a totally failed location**, as the show had to close after less than two years; **Macau is a failed location**, for it appeared to be successful in the short run given the its similarities to Las Vegas (a clear example of a successful location), but ended up closing down after four years; **Dubai is a partially-failed location**, as the company initiated the negotiations for the establishment of a resident show, but ended up dissolving the partnership it had created, prior to any release; and **Hangzhou is a possible successful**

location, given its characteristics, but it is still a prospective location due to the fact that the future resident show has not yet performed in a fixed location. It will do so in November 2018. This point will be discussed in detail in other sections of this dissertation.

With regards to the rationale behind the selection of Cirque du Soleil as the object of study for this dissertation, there are personal, educational and strategic reasons:

First, there is a personal connection to the company, as a result of an exchange year in the province where the company was born. In addition, there is a high degree of admiration for the company itself, due to the recognition it has achieved worldwide and its ability to combine music, dance, acrobatics and make-up effects in one single show. This personal interest has allowed to acquire a prior understanding of the company, thanks to the attendance to several touring shows. Because of this, an insight of the functioning of the non-permanent shows has been obtained, which can be of use when analysing Cirque du Soleil's location choices.

Second, the International Relations degree offers courses such as International Business and International Business Strategy, where examples of successful businesses have been studied (as has been the case of Cirque du Soleil). This, in turn, has guaranteed a theoretical understanding that, when combined with the practical application of these concepts to a real-case scenario, leads to a more integral learning, very beneficial for students about to enter the working environment. Moreover, a deeper and more founded theoretical understanding of important business concepts, such as the ones addressed in the dissertation, might lead to a more prosperous career in the business sector.

Finally, the possibility of investigating a company that might become a possible employer in the future, is a good way of achieving a differential element among other people applying for the same job.

1.2. Hypothesis

This dissertation begins with the premise that the factors that determine Cirque du Soleil's location decision-making in the establishment of resident shows include the

country's economic prosperity, recurring and luxury tourism and lack of direct competition.

In addition, it initially sustains that the success of a location selected by Cirque du Soleil for the establishment of a resident show depends on its ability to adapt the show to meet local tastes. In other words, that it successfully responds to local pressures. As such, those locations that appear to be successful have managed to adapt to the cultural context of that particular location, whereas the fail locations have disregarded important social and cultural factors.

1.3. Objectives and research questions

In order to test both hypothesis, this dissertation will use as a starting point an existing framework for the selection of a new location, in order to establish a ranking for the most relevant factors for Cirque du Soleil. By doing so, a new framework adapted to the specificities of the company will be elaborated. When testing it to one of Cirque du Soleil's identified locations, the location analysis should help determine the reasons why some locations have been more successful than others.

It should be pointed out that there will be some degree of unreliability in the results obtained from the investigation, as the criteria for the establishment of the ranking for determining the most important factors for the selection of a new location will be based on the researcher's own criteria. Given the appropriate resources and a less constrained time frame, a more scientific classification process could be used to establish the new framework. Having said this, the application of the framework will provide more reliable results as the factors will be analysed using numerical data, retrieved from several indicators and well-known organisations and institutions.

Some of the initial questions that arise from the embryonic phase of the investigation regarding Cirque du Soleil's location selection include:

- Why did New York fail as a location if it is one of the major entertainment hubs in the world? Did it have to do with the fact that it hosted the only musical show ever conducted by Cirque du Soleil?

- Would it be wise for Cirque du Soleil to rekindle its attempt to establish a resident show in Dubai?
- Why did Macau fail as a location if it presents many similarities to Las Vegas, which is the most successful location that Cirque du Soleil has?
- Why would Cirque du Soleil turn the touring show Toruk into a resident show in China instead of creating a new show destined exclusively for that location? Was it in order to test the local responsiveness before establishing permanently?

1.4. Contextualisation: Cirque du Soleil and its location decisions

1.4.a. Cirque du Soleil's show classification.

Cirque du Soleil's shows can be divided into resident and touring shows. Nonetheless, for the purpose of this dissertation, only the resident shows will be analysed. In relation to the resident shows, as *Table 1*. (see Annex I) reflects, Las Vegas stands out as the preferred location, currently hosting seven permanent shows at some of the most well-known and luxurious hotels. In addition, Orlando is the other permanent location in United States, hosting a resident show in Downtown Disney, inside Disney World. Moreover, there are currently two international locations hosting resident shows, one in Mexico and the other in China. In the past, Macau, New York and Tokyo were also resident locations, but they are no longer operational. It should be taken into account that the show Toruk: The First Flight is currently touring around China and it will become Cirque du Soleil's next resident show by November 2018.

With regards to its touring shows, Cirque du Soleil gives its shows in two different types of location, just as *Table 1*. (see Annex I) reflects: using an existing arena in the host city or using Cirque du Soleil's Big Top. According to Merriam-Webster Inc. (2018) a 'big top' refers to "the main tent of a circus", which means that the tours that fall into this category perform under a provisional tent set out by Cirque du Soleil staff members, in collaboration with local workers, employed for a specific period of time. Currently, there are six shows performing on arenas and another six performing under Cirque du Soleil's Big Top.

1.4.b. Evolution and expansion of Cirque du Soleil.

Although Cirque du Soleil's history can be traced back earlier in time, for the purpose of this dissertation, the starting point will be placed in 1984, year when Guy Laliberté, co-founder of the company, along with Daniel Gauthier, presented a show proposal for the 450th anniversary of Canada's discovery (Cirque du Soleil, 2018). With a positive reception of the idea, Cirque du Soleil began its first touring show, Le Grand Tour, through the major cities in the province of Québec. The reason for this tour was not only to provide entertainment in the celebration of Canada's discovery, but also make Cirque du Soleil known to the local people. Due to the absence of animals and the use of colourful makeup and costumes, something that, to that day, had never been done before², the tour was an immediate success.

During the following years, Cirque du Soleil released other shows that toured through the whole of Canada. Nonetheless, it was not until 1987 when the Cirque du Soleil reached a major turning point, as it was the year when it was invited to perform at Los Angeles Arts Festival (Grant & Jordan, 2015). This was the first time Cirque du Soleil performed in an international location. The company decided to accept the invitation because it saw the possibility of penetrating a whole new market. In fact, through its participation in the festival, Cirque du Soleil would become known in United States and therefore it would be easier for the company to establish a permanent show in the future. Given the profile of some of the attendants that were invited —including Mr. Brook's 'Mahabharata' and Maguy Marin's 'Cinderella', both of which were extremely successful plays in their locations, Avignon and New York, respectively (Harmetz, 1987)—, spectators would position Cirque du Soleil as an equally successful company, helping it attract new demand. Nonetheless, it should also be pointed out that Cirque du Soleil underwent major economic costs to make the production for the festival. For this reason, just as Casadesus-Masanell and Aucoin (2010) point out, the show "had to be a resounding success at the festival; otherwise, Cirque would not have had enough money to come back to Quebec" (p.3). Despite this, Lamarre considered it was a risk worth taking: "I'm not going to wait 20 years to see if we can make it —he said at the time—

² For more information regarding how Cirque du Soleil revolutionised the circus industry, please refer to Chapter 1 in *Blue Ocean Strategy: How to Create Uncontested Market Space and Make the Competition Irrelevant* (Kim & Mauborgne, 2005)

Cirque du Soleil will live or die in Los Angeles” (Babinski, 2004). Given the interest expressed by producers like Columbia Pictures, that offered Cirque du Soleil a deal for the creation of a movie based on the characters (Casadesus-Masanell & Aucoin, 2010), it can be said that Lamarre was right.

From that moment onwards, Cirque du Soleil began to look for other international locations in which to temporarily host its touring shows. In 1992, Laliberté decided to create a permanent location for Cirque du Soleil, selecting Las Vegas as the best location. One of the factors that influenced his decision was that it was a location that attracted numerous visitors. Just as Toewe (2013) points out:

The thing that Las Vegas possesses that most of Cirque’s other performance locations do not [is] a constant influx of new visitors. According to the Las Vegas Convention and Visitor Authority, of the 38,928,708 visitors to Las Vegas in 2011, sixteen percent were there for the first time (p. 286).

This made Las Vegas a very attractive location, for it guaranteed a constant inflow of new tourists, ensuring constant demand for the show (it is assumed that resident shows attract new tourists as once a spectator watches the show, it does not tend to go more than once or twice). After being rejected by the Caesar’s Palace, Laliberté reached an agreement for the establishment of a permanent show at the Mirage’s Resorts (Grant & Jordan, 2015). Soon after, it established its second permanent location in the Walt Disney Resort in Orlando. Just as Grant and Jordan (2015) explains “the quest for permanent venues encourage[d] Cirque to ally itself with property developers to create mixed-use complexes that would be based on Cirque-created environment” (p.186). This position could help explain why Cirque du Soleil decided to establish a resident show in Disney World, as this location guaranteed a constant flow of new tourists willing to pay for a high-quality entertainment show. Daniel Lamarre explained that they were “incredibly inspired by Disney’s immense creative universe” and believed that “bringing Disney’s magic to life on stage w[ould] touch audiences and bring them back to their childhood” (cited in FOX News Network LLC, 2017). In addition, it was in Los Angeles Festival where Lamarre and Michael Eisner, CEO of Disney, met for the first time and, since then, Eisner had become “obsessed by Cirque du Soleil” (Casadesus-Masanell & Aucoin, 2010, p. 3). Given the contact and admiration expressed by the respective company’s CEO, this

contact could have also been a reason for choosing Orlando as a new permanent location for Cirque du Soleil.

With the quest for permanent venues in mind, Laliberté started looking for partnerships in other, more distant locations, including London and Hong Kong, but none of them came through (Grant & Jordan, 2015). The main reason why these partnerships were unsuccessful was more to do with the conditions of the agreement than the locations themselves. Casadesus-Masanell and Aucoin (2010) explain that Cirque du Soleil was expected to relinquish its creative control over the project and that was something that the company was not willing to do.

In contrast, the touring shows, proved to be very successful and Cirque du Soleil managed to release a new show every couple of years (see *Table 2. Annex I*), reaching many different destinations worldwide. The fact that, during this time, there were no major advances in relation to resident shows could be explained by the success of Cirque du Soleil's touring shows. It could have been the case that Cirque du Soleil was, at the time, more interested in testing the new locations through its touring shows before establishing permanently. Nonetheless, another possible explanation could be found through the words of Casadesus-Masanell and Aucoin (2010): "by the end of 1999, the growth strategy and the multiple productions had left the entire organization exhausted" (p.4). This led to debates concerning the control and artistic direction that the company would pursue in the upcoming years. As a result, several creative directors, including Daniel Gauthier, Cirque du Soleil's co-founder, and Franco Dragone, who had been creative director for most of Cirque du Soleil's shows between 1985 and 1998, abandoned the company to build one of their own.

Even though attempts to establish resident shows in the upcoming years took place, none of them ended up being successful. In 2007, for example, Cirque du Soleil announced a strategic partnership with Istithmar World Capital, Dubai World's investment subsidiary firm, and Nakheel, one of the largest and most pioneering real estate companies in the world. This indicated that the company was continuing with its internationalisation strategy in terms of resident shows. However, with the financial crisis of 2008, the loans that had allowed the financing of some of Istithmar World Capital's ambitious projects nearly led the company to its bankruptcy and Cirque du Soleil decided

to pull out of the agreement. Similarly, a year later, the company moved towards opening a resident show in China. As Las Vegas had proven to be an optimum location for the establishment of its permanent shows, the company decided to settle in Macau, a city that shared many characteristics with Las Vegas. Nonetheless, just as Liu (2015) pointed out, “unlike in Las Vegas [...], Macau proved a disappointment for the company. Most visitors to Macau prefer[ed] to gamble rather than attend shows and performances”. Even Daniel Lamarre, appointed COO after the departure of the co-founder of the company Daniel Gauthier in 2000, believed that Cirque du Soleil made a mistake when entering China with a permanent show: “I think we were too early in the market in Macau I was walking in the casino, and there were 75,000 people in the casino, but only 300 in the theatre” (cited Liu, 2015).

Despite the failures of the first decade of the 21st century, the year 2014 represented a turning point for Cirque du Soleil, as it was when a strategic partnership was finally reached. The company established an agreement with Grupo Vidanta, in order to create a permanent location for a show in Riviera Maya (Grant & Jordan, 2015). As such, it became the first international location that remains operational until today. Similarly, within United States, there was also an expansion in terms of number of resident shows being performed. In that same year, Cirque do Soleil offered 9 resident shows in some of the most luxurious hotels in Las Vegas, including MGM Grand Hotel and Bellagio. This period in Cirque du Soleil’s history could coincide with the company’s accumulation phase, as Stam and Mueller (2006) name it, as it is the period when, once it had grown to become an international company known world-wide, it moved to increase its regional presence through a deeper penetration in the market —achived by the opening of more resident shows in a location that had proven to be sucessful, like Las Vegas or Orlando—.

Cirque du Soleil’s latest strategic partnership took place in 2015, when it entered an agreement with TPG Capital LP, a US private equity firm, and Fosun Capital Group, owned by Chinese conglomerate Fosun International Ltd., by which it would sell part of the company to these entities in order to facilitate the company’s global business development (Cirque du Soleil, 2018c). Just as Lamarre (2015) pointed out in an interview for the Shanghai Daily, “Fosun is now a shareholder of Cirque du Soleil, which is going to become an accelerator for our growth in China” (cited in Wei, 2016). This

observation was brought about due to the fact that, soon after the partnership was established, Cirque du Soleil announced the location of its next resident show: the Chinese city of Hangzhou. Currently, the theater is under construction, but it is expected to premiere by November 2018 (Liu, 2015). In addition, the show that will be performed in Hangzhou is *Toruk: The First Flight*, inspired by James Cameron's movie *Avatar*. Since its first world release in 2015, the show has toured around North America and Europe, and it will soon begin its tour in Asia before definitively settling in Hangzhou, a city located approximately 200km away from Shanghai.

2. LITERATURE REVIEW

2.1. Evolution of location theory

As part of their internationalization process, companies must ensure a good location strategy in order to guarantee that the location they plan to settle in is the appropriate one for their company. There are two main motivations that lead companies to begin this process: production cost reduction and access to new markets. As it can be seen in the previous section of this dissertation, in the last decades, Cirque du Soleil has experienced a rapid expansion, allowing it to establish resident shows in several international locations. With some of them proving to be successful and other unsuccessful, it is important to determine what are the reasons behind these failures and achievements. In order to do so, an overview of the existing literature regarding location must be presented, as it will provide a theoretical understanding of the situation and allow for a more complete analysis in the Case Studies Section. It should be pointed out that, all the scientific researches identified for the purpose of this dissertation are related to firms that seek internationalisation to lower their production costs. This leads to a reduced amount of literature with regards to firms that seek it to access new markets. For a company like Cirque du Soleil, as it tends to be the case for most service companies (mainly entertainment businesses), its motivation lies in the latter, in order to ensure a high rate of show attendance. This situation has led to the discussion of location theory without differentiating between manufacturing and services companies. Nonetheless, this

distinction should be taken into consideration when developing a framework that can be applied to Cirque du Soleil's case. This will be discussed in more detail in Section 3.

The discussion of location can be traced back to the 1960s, when authors like Isard (1954), North (1955), Alonso (1964) or Vernon (1966) first began to talk about international locations and their importance for business growth and development. Nonetheless, scholars like Mccann and Sheppard (2003) consider that location theory finds its origins in the late 19th – early 20th century, through the works of Von Thünen (1826), with his *Isolated State*, being the first scholar to address issues concerning spatial economics and geography; or Alfred Weber (1929), with his *Theory of the Location of Industries*, which lays the foundations for the location of industries, considering they “will lie at the place of consumption” (p.62), among others.

Despite the lack of interest expressed by researchers during the 1970s, the discussion of location was rekindled after John Dunning's (1988) paper *The Eclectic Paradigm of International Production: A Restatement and Some Possible Extensions*³. This award-winning article acted as a major turning point in the study of location theory, as many researchers began addressing this topic from their respective discipline's point of view. As a result, in the following decades, there was diversification and expansion of the literature regarding location theory. Nonetheless, it should be pointed out that all these disciplines used as a basis for their respective investigations the location decision-making of manufacturing companies. Some of the most relevant researchers are mentioned below.

Stam and Mueller (2006) investigated the locational behaviour of companies through a more psychological approach, considering that the behaviour of firms in relation to its location “is the the outcome of a process of initiatives taken by entrepreneurs” (p.1). Another interesting point they make is that locational behaviour will depend on the development stage of the company. As such, those firms in the early stages of development will just seek to establish in one location, those in the early growth phase will pursue expansion within the region, and those in the accumulation phase will pursue the expansion of new international branches. When compared to the subject study of this

³ John Dunning also publish other very influential articles that acted as basis of other investigations, including *Trade, Location of Economic Activity and the MNE: A Search for an Eclectic Approach* (Dunning, 1977) or *Towards an eclectic theory of international production: some empirical tests* (Dunning, 1980), amongst others.

dissertation, there is a clear connection between the existing theory and the company's practical behaviour. Taking resident shows into consideration only, Cirque du Soleil began its growth phase in the 90s, when it decided to establish the first resident show in Las Vegas. This coincides with what Stam and Mueller (2006) refer to as "expansion within the home region" (p.7). Similarly, the accumulation phase, defined by the authors as the moment when the company has an excess in tangible and intangible assets and therefore seeks to increase its market share to reallocate these assets, coincides with the second half of the 2000s, when Cirque du Soleil expanded internationally and decided to establish a resident show in Tokyo and Macau. Given that these two locations only performed their respective resident shows for several years, it could be argued that Cirque du Soleil misinterpreted the development phase they found themselves in and were too hasty in pursuing international locations when they were not really ready. This position coincides with Lamarre's opinion, as reflected in Liu's (2015) article.

Krugman (1998), on his part, rekindled the discussion of location and spatial economics initiated by Von Thünen (1826) to adapt it to the new economic geography of the time, considering that "sites with good access to large markets are preferred locations for the production of goods" (p.8). Although his observations are more related to manufacturing rather than services companies, as in the case of our subject study, he makes good observations as to why some locations (like London), which appear to be good locations for some businesses, are often rejected. In relation to our subject study, this observation could help explain why Cirque du Soleil has not established a resident show in hubs, such as London. As the author claims, "city's traffic, crime, etc. is such a nuisance" (p.8) that companies sometimes seek for other, easier locations to establish their operations.

Similarly, Yang, Chuang, Huang and Tai (2008), Li and She (2010) or Saaty (2008), among others, provided a more statistical approach, through the application of the Analytical Hierarchy Process, in order to come up with a hierarchy of the most important factors that determine location. A specific section of this dissertation is destined to the authors that investigate the factors that affect location in particular, reason why their findings and connections to the subject study will be discussed below.

Finally, Buckley's (2004) contribution in the field of International Business, is also worth highlighting. Although he placed Chinese companies as the main focus for his research, some of the observations he makes are of value to this dissertation. According to him, every MNE faces two major decisions when carrying out its operations. "These are: (1) where should the activity be located and (2) how should it be controlled" (p. 4). In a future article, along with Devinney and Louviere (2007), Buckley shifts his attention to location decisions in terms of firm's foreign direct investment, defending that it has received too little attention from researchers. This point of view is also defended by other scholars such like Mudambi and Navarra (2003). According to them, the most important factors that determine the location of investment are locational and infrastructural factors, followed by local political tradition.

2.2. Factors that determine new locations

Given that this dissertation investigates the factors that determine the location for the establishment of Cirque du Soleil's resident shows, it is worth paying attention to the literature with regards to location factors. Again, these researchers investigate location factors for manufacturing firms, not services companies as is the case of our subject study.

Some researchers (i.e. Mitra & Golder, 2002; Henisz & Macher, 2004) address location factors in general terms, often mentioning one or two important factors that companies take into consideration. For example, while Mitra and Golder (2002) sustain that cultural distance and economic knowledge are the most important factors, Henisz and Macher (2004) defend that the most important factor is technological development. However, there are other researchers (i.e. Dunning, 1998 or Buckley & Casson, 2009) that provide a more detailed list of the factors that determine the selection of a new location: Dunning (1998) compares the factors that affected firm location decisions in the 1970s and 1990s, considering that access to skilled labour, presence of firm competition, quality of infrastructure, support facilities, government policies, presence to knowledge clusters and promotional activities are the most important factors that firms in the 90s take into account when seeking to enter a new market; Atthirawong and MacCarthy (2003) believe that the most important factors are: costs, infrastructure, labour characteristics, government and political factors and economic factors; Farrel (2006) identifies cost, market potential, availability of skill, risk profile, environment and quality

of infrastructure as the most important factors when choosing a location; Yang et al. (2008) believe there are both qualitative and quantitative factors to take into consideration when selective a sustainable location, including market, labour, operation, community, delivery, and government policies and laws; Buckley and Casson (2009) argue that “location strategy is complicated in practice by a number of factors” (p.1564): cost, type of activity conducted, type of market and the effect that the previous factors exert on the firm; Szymańska and Plaziak (2014) sustain that location factors can be grouped into: sales markets, including proximity of suppliers, and presence of other companies, supply markets, including access to raw materials and energy sources, retail property, transport infrastructure, labour markets and costs. A summary of the most relevant findings is presented below:

Table 1. Non-exhaustive summary of location factors according to researchers

Most relevant researchers	Most relevant factors					
	Economic / costs	Labour	Market characteristics	Infrastructure	Government policies	Other
Dunning (1998)	-	✓	✓	✓	✓	·Support facilities ·Knowledge clusters
Mitra and Golder (2002)	✓	-	-	-	-	·Social & cultural
Atthirawong and MacCarthy (2003)	✓	✓	-	✓	✓	-
Henisz and Macher (2004)	-	-	-	-	-	·Technological development
Farrel (2006)	-	✓	✓	✓	-	·Risk profile ·Environment
Yang et al. (2008)	-	✓	-	-	✓	·Operations ·Community ·Delivery
Buckley and Casson (2009)	✓	-	✓	-	-	·Type of activity
Szymańska and Plaziak (2014)	✓	✓	✓	✓	-	·Retail property

Source: Own elaboration

The existing literature, as reflected above, suggests that there is an agreement between the researchers of the field, as most of them identify cost, infrastructure and labour as the most important factors. Nonetheless, the existing literature only takes into account the behaviour of manufacturing companies. This is the reason why this dissertation attempts to come up with a framework that can be suitable for Cirque du Soleil, but also other similar service companies that wish to carry out its activity in another location.

3. THEORETICAL BACKGROUND

This dissertation will use the results obtained by Atthirawong and MacCarthy's investigation in relation to the factors that affect location decisions in international operations as a basis for discussion.

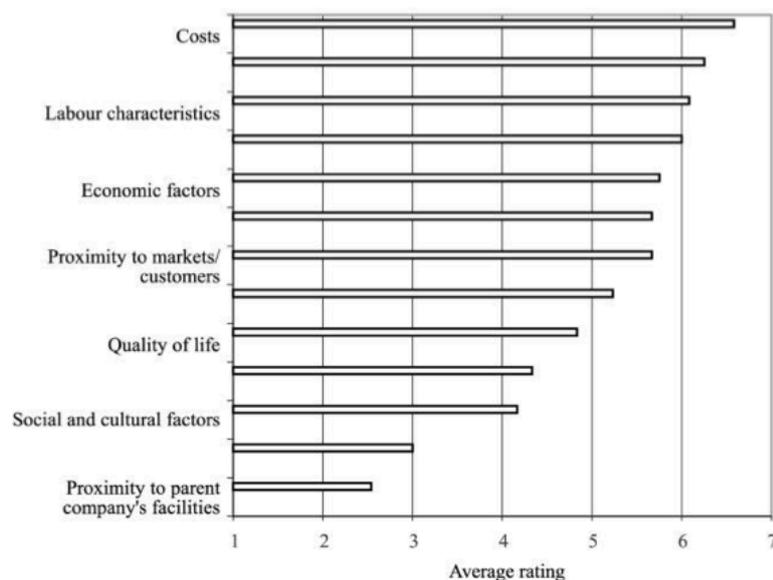
The main reason for selecting their framework out of the existing literature lies in the fact that it is one of the few researches that provide some hierarchy within the factors, classifying them in terms of relevance: "major factors" and "secondary factors" (Atthirawong & MacCarthy, 2003). In addition, the time when this research was conducted coincides with the period in which Cirque du Soleil attempted to expand internationally, in order to find new locations for its resident shows. Although their investigation refers to international operations in general, the conclusions they reach to are taken under the same international circumstances. This makes their findings more relatable to our subject study, making Atthirawong and MacCarthy's framework the best one to adapt for the purpose of this dissertation.

In their paper, Atthirawong and MacCarthy came up with a list of 13 factors that influenced location decisions, based on a review of the existing literature⁴. Once identified, they used these factors to elaborate a survey in order to determine the most relevant ones for their subject study. They followed the Delphi Method in order to come up with a hierarchy that ranked the 13 identified factors in terms of relevance. Their

⁴ Refer to *Factors affecting location decisions in international operations – a Delphi study* (Atthirawong & MacCarthy, 2003) for the complete bibliography used in the selection of their 13 factors.

application of the Delphi Method consisted in the interviewing of a panel of experts, including government representatives, academics and consultants.

Figure 1. Key factors affecting international location decisions



Source: Atthirawong and MacCarthy (2003), p.804

The figure above portrays the results obtained by Atthirawong and MacCarthy when they asked the panel to rate the 13 factors identified in terms of importance. With 1 being 'not important' and 7 being 'most important', the panellists considered costs, labour characteristics and economic factors to be the most important. However, in the adaptation of this framework to meet Cirque du Soleil's specificities, this dissertation will not use the results obtained by these researchers' investigation, but rather the initial 13 factors identified in their literature review. By doing so, a better adaptation of the framework will be developed to meet Cirque du Soleil's specificities. Some of the reasons for the adaptation of Atthirawong and MacCarthy's framework are displayed below:

First, Atthirawong and McCarthy's investigation focused on manufacturing companies, reason why the proximity to parent company is positioned as one of the most important factors for international location decisions. However, Cirque du Soleil falls into the category of services companies. This difference will lead to the prioritising of other factors that were not taken into consideration during the investigation.

Second, Atthirawong and McCarthy's framework takes into consideration cost reduction as the basis for company's decision-making. Nonetheless, Cirque du Soleil's decisions are oriented towards profit maximisation. For them, the most important thing is that the location selected allows for a sold-out theatre. Again, the dichotomy between the production cost focus, predominant in the literature, and the market extension focus, which represents Cirque du Soleil's case, can be observed.

Third, Atthirawong and McCarthy's research dates back to 2003. Although no major advances have occurred in the last 15 years, it is still important to update existing frameworks in order to maintain the discussion of location decision-making up to date.

As there is a need to adapt Atthirawong and MacCarthy's framework to meet the specificities of this dissertation's subject study, it is not appropriate to use the results achieved by these researchers, but rather their initial selection of location factors without any hierarchical order. This will allow for the development of a hierarchy, suitable for Cirque du Soleil. This process will be discussed in the following section.

4. METHODOLOGY

Given the lack of literature in relation to the factors that affect the establishment of a new location for service companies, an adaptation of the existing frameworks must be conducted in order to be able to apply it to the case of Cirque du Soleil. As mentioned in the previous section, the existing framework that will be used as a basis for the proposed framework is Atthirawong and MacCarthy's (2003) investigation on the factors that affect the location decisions for international operations. Due to time and resource limitations, the methodology they used to determine their framework (the Delphi Method) cannot be carried out in this dissertation. For this reason, a new methodology will be conducted: it will use the factors identified by Atthirawong and MacCarthy and will classify them in order of importance, taking into consideration Cirque du Soleil's past behaviour. As such, this dissertation will use deductive reasoning when providing arguments that will enable the ranking of location factors suitable for its subject study. For this reason, the results obtained through the application of the proposed framework will contain a certain level

of subjectivity, leading to some degree of unreliability in the results obtained. Just as Saaty (2008) points out:

Using judgements has been considered to be a questionable practice when objectivity is the norm. But a little reflection shows that even when numbers are obtained from a standard scale and they are considered objective, their interpretation is always, I repeat, always, subjective. We need to validate the idea that we can use judgements to derive tangible values to provide greater credence for using judgements when intangibles are involved (p.85).

It should be pointed out, however, that given the appropriate resources (i.e. access to Cirque du Soleil experts), the Delphi Method would be the best method to use in order to make a hierarchy of the most important factors that Cirque du Soleil takes into consideration when selecting a new location. If this were the case, the adaptation of the framework would be more reliable.

On the other hand, as this dissertation also attempts to use this framework in order to determine whether the four proposed locations are a good option for Cirque du Soleil to establish a resident show, another methodology will be used for this part. In this case, the methodology will be quantitative, as several indicators will be used to provide numerical data for each of the factors used in the analysis. By doing so, the results achieved in the application of the framework will be reliable, even if the hierarchy of the factors is not. As such, it could be argued that the only risk that this dissertation faces is that it may be providing a detailed analysis of one factor that in reality may not be a priority for Cirque du Soleil. Nonetheless, it should be pointed out that this risk is more likely to occur given the space constraints imposed to this dissertation, which has led to the prioritisation of factors in order to simply and shorten the analysis. If there was no space limit and a thorough analysis of all Atthirawong and MacCarthy's factors could have been conducted, this risk would have probably been avoided.

4.1. Adaptation of Atthirawong and MacCarthy's framework

Bearing in mind the differences between this dissertation and Atthirawong and MacCarthy's subject study, the adaptation of the framework will use all 13 factors identified by these researchers in their literature. As mentioned before, this will allow to

provide a more complete and accurate framework adapted to the specificities of Cirque du Soleil.

The following table weighs the relevance of all 13 factors for Cirque du Soleil in order to establish some form of hierarchy between all factors. This approach has been adopted, given the impossibility of carrying out the Delphi Method, just as it was done in Athirawong and MacCarthy's research. In order to make the framework as reliable as possible, justifications for the decision of categorising each factor as high, medium or low will also be provided.

Table 2. Evaluation of the major criteria affecting international location decisions when applied to Cirque du Soleil (CDS)

Major factors	Relevance to CDS	Justifications
Costs	MEDIUM	Although most of the existing location theory indicates that cost-reduction is one of the main important factors, CDS values quality over price so costs will not be considered as one of the most relevant factors.
Labour characteristics	LOW	CDS has its own personnel and would not require a full hiring of workers in the given location. Even though some locals will be hired, the impact is not considered to be too great.
Infrastructure	LOW	There is no pressure for CDS to establish in a location that already offers the necessary infrastructure, as there have been cases where the CDS has ordered the construction of a new theatre.
Proximity of suppliers	LOW	Most of the costumes and sets are designed and elaborated in CDS's headquarters in Montreal. Therefore, this factor does not apply in relation to a new location.
Proximity to markets/customers	HIGH	As it is a services enterprise, the proximity to customers is essential to consider the new location, especially in terms of proximity to demand and variance of demand.
Proximity to parent company's facilities	LOW	The international profile of the company suggests that the proximity to the parent company is indifferent. In fact, most of the resident shows are located in the US when CDS' headquarters are in Montreal (Canada).
Proximity to competition	MEDIUM	CDS tends to be a first mover so it does not really take competition into consideration. Nonetheless, now that Dragone (one of CDS's

		major competitors) is present in some of CDS' locations, it has gained importance, as they both target the same audience.
Quality of life	MEDIUM	It is fairly important, for it helps to define the type of customers and the environment where the show will be located. Nevertheless, there are other factors to take into consideration before this one.
Legal and regulatory framework	MEDIUM	As any international company, the country's regulatory framework is important, but this factor is not specific to CDS, reason why it is considered medium.
Economic factors	HIGH	As CDS offers a premium service, locations that do not meet a medium-high economic standard will not be considered.
Government and political factors	MEDIUM	CDS will automatically discard any location that does not have government of political stability, as potential customers are less likely to travel to those locations. However, as this is the case of most international companies, it will not be considered of high relevance for CDS.
Social and cultural factors	HIGH	As it is a service company, it is important to take into account the customs and culture of the country in order to guarantee the success of the chosen location.
Characteristics of a specific location	MEDIUM	It is relevant in the sense that it has to be a location accepted by the community and easy to access. However, there are other factors to take into consideration prior to this one.

Source: Own elaboration

Due to time and space constraints, only the factors considered of high relevance to Cirque du Soleil will be considered when conducting the location analysis in the subsequent section. Similarly, even though Atthirawong and MacCarthy differentiate between major factors and sub-factors, this dissertation will not make this distinction as such, but it will comment, in general terms, on some of these sub-factors when conducting the location analysis. For the display of the framework adapted to meet Cirque du Soleil's specificities, refer to Annex II, where a table displaying Cirque du Soleil's hierarchy for its location decision-making process, based Atthirawong and MacCarthy's investigation results will be presented.

5. CASE STUDIES

In this section of the dissertation, New York, Dubai, Macau and Hangzhou will be analysed. The reasons for the selection of these locations has been displayed in Section 1.1. A location analysis for each city will be conducted, based on the factors considered of high importance to Cirque du Soleil, as identified in the previous section: economic factors, social and cultural factors and proximity to customers.

5.1. New York

In the last decade, Cirque du Soleil has established two permanent shows in the city of New York: Wintuk and Paramour. In relation to the former, the show premiered in 2007 at the WaMu Theater, currently known as The Madison Square Garden, and lasted until 2010. In relation to the latter, the show performed during 2016-2017 at the Lyric Theater on Broadway. It should be pointed out that that these two shows present noticeable differences with the rest of Cirque du Soleil' shows. For example, Wintuk is the only seasonal show the company has ever organised, and Paramour is the only musical show Cirque du Soleil has ever created. Nonetheless, for the purpose of the location analysis only Paramour will be taken into consideration, given that Wintuk was a seasonal show and may share more characteristics with the touring shows rather than the resident ones. Still, it is important to bear in mind the uniqueness of the shows that Cirque du Soleil has taken to New York because it may be the case that the reason behind the failure of these shows has to do with the innovation behind the configuration of the show and not the location *per se*.

5.1.a. Economic factors.

United States is the second largest economy in the world, with a GDP of \$18.6 trillion (The World Bank Group, 2017). In addition, 12 American cities are found within the top 100 economies in the world. New York is the wealthiest city in the US, with a GDP of \$1.3 billion and the 19th richest economy worldwide (The Chicago Council on Global Affairs, 2016). It is worth highlighting that this metropolitan GDP is higher than the one recorded by countries like Iran, Thailand or Nigeria. Moreover, according to The Chicago Council on Global Affairs (2016), New York “enjoy[s] a lasting reputation as global business destination” (p. 1) and it appears that it will continue to do so in the

upcoming years. It is expected that by 2030, New York's GDP will increase by 1.8 % (Oxford Economics, 2017). This growth rate is not as drastic as other cities that will be analysed in this dissertation (i.e. Hangzhou), but it is still quite significant, given its current position within the world's economy. In fact, as forecasts from the Oxford Economics (2017) indicate, by 2035, New York will remain among the most important cities in the world in terms of economic activity.

5.1.b. Social and cultural factors.

Figure 2. Comparison of Canada and United States' cultural differences



Source: Hofstede Insights (2018)

As indicator to analyse social and cultural factors, this dissertation will use Geert Hofstede's Six Dimension's Model that allows the comparison between countries in relation to five scales. For each scale, this model provides a numeric value to the countries that are being compared, which allows to see the degree of cultural difference between them. The closer the value provided, the more similar the two countries will be. These dimensions include: distance to power vs. proximity to power, masculinity vs. femininity, uncertainty avoidance vs. tolerance, long-term orientation vs. short term orientation and indulgence vs. restraint (Hofstede Insights, 2018). In this analysis, Canada, Cirque du Soleil's country of origin, will be compared to the other locations, in this case United States, to determine the cultural differences between both countries.

Just as *Figure 2.*, suggests, there are no major differences between Canada and United States, as the numeric scores are fairly equal. The most noticeable differences are in relation to the masculinity vs. femininity and long-term and short-term orientation. In relation to the former, United States is relatively more masculine than Canada. This means that the society is more driven by competition and success than Canada, which values more quality and care (Hofstede Insights, 2018). In relation to the latter, Canada is more long-term oriented than United States. This means that the Canadian society has stronger ties to its own past when compared to the American society, which is more pragmatic (Hofstede Insights, 2018). Following this line of thought, it could be argued that this inclination towards change has been the driving force behind Cirque du Soleil's attempt to present the American society with shows that differ from the rest of its shows, like *Wintuk* or *Paramour*.

As it can be seen, there are no significant differences between the Canadian and the American society, which facilitates the reception of Cirque du Soleil' shows in this location. Nonetheless, it should be pointed out that New York has a long tradition of being the preferred location for traditional circus companies like Ringling Bros. and Barnum & Bailey Circus. In fact, for the past 140 years, the city has hosted the company's resident show (Mele, 2017). This could be seen as a double-edged sword. On the one hand, this argument proves that New York is indeed a good location for the establishment of a resident show, for it has allowed a resident show to perform for more than a century. However, on the other hand, the fact that New York is seen as location associated with the traditional conception of a circus could work in detriment of Cirque du Soleil. If the company were to establish a resident show in New York, it would risk people placing it as another traditional circus show, and this could discourage people from attending the show. It should be pointed out that Ringling Bros. and Barnum & Bailey Circus show ended up closing down in May 2017 due to a decrease in ticket sales and increase of animal rights activist groups that pushed for a show without animals (Mele, 2017).

5.1.c. Proximity to market/ customers.

According to Euromonitor International (2017), New York City is the 8th most visited city in the world, receiving 13.1 million tourists in 2017. This represents a 3.6 % increase in relation to the previous year, when it reached 12.7 million tourists. As recent

forecasts (e.g. Euromonitor International, 2017) predict, this positive trend will continue in the upcoming years as, by 2025, the number is expected to rise to 17.1 million tourists.

In terms of economic impact, the total tourist expenditure in 2016 was \$43 billion (NYC & Company Inc., 2018), out of which more than \$21.2 billion belonged to the arts-motivated tourists (Alliance of the Arts, 2007). It should be pointed out that this amount will probably have increased since then, but no updated report has been located, illustrating this idea. It could be assumed that, given the positive trend in total tourism, the amount of arts-motivated tourist has most likely increased as well.

For Cirque du Soleil, the fact that there is a positive trend in the number of total visitors arriving to the city of New York is very promising, for it guarantees a constant influx of potential show attendants. In addition, it should be pointed out that, from the whole amount of money spent by tourists in New York City, the arts industry represents roughly half the amount. This means that the tourists that go to this location are willing to spend money in shows like Cirque du Soleil, making it a good location to consider.

With regards to the entertainment sector, an analysis of New York's musical sector will be provided. This could help clarify whether Paramour's failure was due to a poorly selected location or that the configuration of a Cirque du Soleil's show as a musical was not well received by the audience.

According to The Broadway League (2017), musical attendance between 2016 and 2017, time when Paramour was performing, was of 11.4 million people for musicals and 109,797 for specials, which refer to those shows that are not musicals nor plays (just as Cirque du Soleil). This could be a possible explanation for Cirque du Soleil's decision to adapt its show into a musical, as the number of attendants to musical shows highly exceeded that of the number of attendants to special shows. Another explanation for this decision could be found in terms of revenue, as there is a significant difference between musical and special shows. With regards to the former, spectators spent an average of \$113.10 per show, whereas they spend \$95.23 in the case of the latter (The Broadway League, 2017). As such, by adapting it to a musical show, Cirque du Soleil would increase the amount of revenue earned per ticket sold.

An evaluation of Broadway's performance also helps sustain the reason why Cirque du Soleil opted to establish a musical show in this location. Just as the New York City Economic Development Corporation (2018) points out, there was an 11.8 % increase in Broadway revenue in comparison to the previous year. Nonetheless, the positive trend can be traced back to the early 2000s as, since then, Broadway's gross revenue has seen a constant positive growth (The Boston Consulting Group Inc., 2015). This, once again, reflects the soundness of the musical industry, which could have been one of the driving forces behind Cirque du Soleil's decision to create its first musical show in New York.

5.2. Dubai

In 2007, there was an attempt on behalf of Cirque du Soleil to establish a resident show in Dubai. Due to the financial crisis and the fallout of its strategic partner, the project was finally abandoned⁵. However, this did not prevent Cirque du Soleil's competitor, Dragone, to establish a resident show in this location, nearly a decade later. The company's former Creative Director, Franco Dragone, premiered its show in 2017 and, to the day, the show continues to be very successful.

Moreover, it should be pointed out that, in 2017, the international consultancy firm BuroHappold Engineering, elaborated a preliminary report regarding the possibility of establishing a Cirque du Soleil theater in Dubai that briefly detailed the challenges and solutions Cirque du Soleil and BuroHappold Engineering would face if they were to pursue this project⁶. No direct connection or public release has been found in relation to a possible collaboration between both companies. Nonetheless, the fact that a preliminary analysis has been elaborated suggests that a possible strategic alliance could come in a near future. If this were the case, Cirque du Soleil would be opting for a more challenging project than in the past, for it would be contemplating the creation of a brand-new theater destined, exclusively, for Cirque du Soleil's shows. In the 2007 project, the idea was to establish the permanent show in Palm Jumeirah's theater.

Taking into account Cirque du Soleil's past history and the presence of its competitor in this location, it is worth conducting a location analysis in order to determine

⁵ For a more detailed explanation of the unveilings of this strategy, please refer to Annex III.

⁶ For more information regarding this project, please refer to *Cirque du Soleil Theatre* (BuroHappold Engineering, 2017)

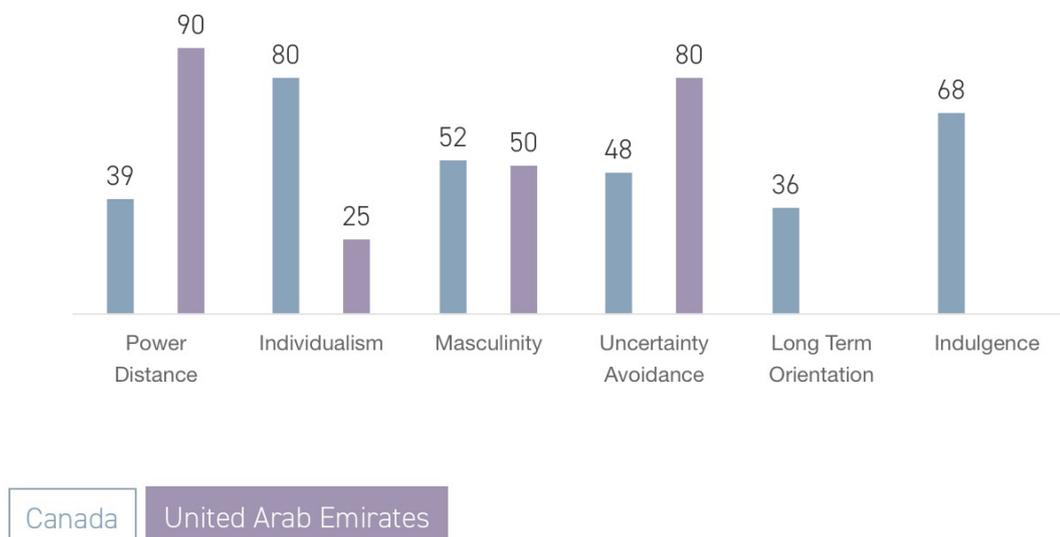
whether Cirque du Soleil should pursue, once again, the establishment of a resident show in Dubai or not.

5.2.a. Economic factors.

United Arab Emirates is the 37th strongest economy in the world (The Chicago Council on Global Affairs, 2016), with a GDP of \$348.7 billion (The World Bank Group, 2017). There are no Emirati cities among the top 100 economies but, by 2035, the city of Dubai is expected to experience a drastic increase in terms of GDP, which will lead the city to reach the 89th position within the ranking (Oxford Economics, 2017). This trend has been observed since 2014, when the city of Dubai was ranked 160th in terms of most prosperous city in the world, with a GDP of \$82.7 billion (Berube, Leal Trujillo, Ran, & Parilla, 2014). In two years, the city's GDP had increased to \$108.2 billion⁷ (Government of Dubai, 2017). In addition, according to A.T. Kearney Inc. (2016) the city of Dubai was ranked in 28th position in terms of the world's most globalised cities.

5.2.b. Social and cultural factors.

Figure 3. Comparison of Canada and United Arab Emirates' cultural differences



Source: Hofstede Insights (2018)

⁷ Currency conversion 1 AED = 0.272294 USD, as recorded in February 11th, 2018. Retrieved from Xe.com (2018).

Figure 3. reflects the cultural differences between Canada and United Arab Emirates, obtained through the application of Hofstede's Six Dimensions Model. Unfortunately, there is no data available for two dimensions: long-term orientation and indulgence. For this reason, only an analysis of the remaining four dimensions will be done. To the exception of the masculinity vs. femininity dimension, focused on whether the society is motivated by competition, in case of the former, or quality of life, in case of the latter (Hofstede Insights, 2018), there are significant differences between both countries.

With regards to power distance, which reflects the degree of inequality within the society (Hofstede Insights, 2018), United Arab Emirates has a very high score, meaning that there is a well-defined and uncontested social structure. As such, people accept the decisions made by their superiors without contesting them. In contrast, Canada has a much lower score, which suggests that the society is more equal and that there is hardly any hierarchical order within it. This translates into a more open society where cooperation and the sharing of information are always present.

In relation to individualism vs. collectivism, United Arab Emirates is seen as a collective society, one which values the creation of strong relationships and loyalty (Hofstede Insights, 2018), contrary to the Canadian society that is more individualistic. In the discussion for location decision-making, this cultural difference must be taken into consideration when establishing any form of partnership with an Emirati company.

Finally, regarding uncertainty avoidance, United Arab Emirates has a high score, which means that it does not appreciate ambiguous or unknown situations (Hofstede Insights, 2018). In contrast, Canada appears to be a society that embraces change and is willing to try new things and experience new sensations. This could help explain why Cirque du Soleil experiments when elaborating new shows, even though it may not satisfy all spectators (as the case of the Paramour show in New York).

5.2.c. Proximity to market/ customers.

In terms of tourism, Dubai is ranked 6th in relation to the most visited cities around the world (Euromonitor International 2017). In fact, Dubai's travel and tourism sector alone contributed \$43.3 billion to the country's GDP (World Travel and Tourism Council,

2017b). In addition, between 2016 and 2017, the city experienced a 7.7 % increase in number of tourists, moving from 14.9 million to little more than 16 million people (World Travel and Tourism Council, 2017b). According to the forecasts conducted by Euromonitor International (2017), by 2025, the number of tourists is expected to reach 26.8 million.

In relation to the size of the market, the arts, entertainment and recreation sector represents 0.3 % of the total city's GDP (Government of Dubai, 2017), which corresponds to \$325 million⁸. Despite the small contribution to the Emirate of Dubai's GDP, the arts, entertainment and recreation sector has been one of the three economic sectors that has experienced a higher growth rate in comparison to the previous year, representing, in 2016, 15.5 % of the city's total GDP (Government of Dubai, 2017). In this regard, it should be pointed out that the Government has invested in creating an "Orlando 2.0" (PriceWaterhouseCoopers, 2018, p.1) in the city of Dubai, in order to turn it into a leisure and entertainment destination, defined by PwC (2018) as "location that has multiple offerings appealing to a wide range of holidaymakers all within close proximity; for example: theme parks, beaches, resorts, nature and cultural activities", among others.

Nonetheless, this sector is already quite successful, just as figures from Dubai Tourism (2016) indicate. In fact, within the entertainment sector, the most successful shows were Disney on Ice and Mamma Mia, as they were the ones that sold most tickets in 2015. Although they are not Cirque du Soleil productions *per se*, they still target the same audience. This suggests that, if Cirque du Soleil were to establish a resident show in Dubai, people would be willing to attend.

5.3. Macau⁹

Given its similarity to Las Vegas¹⁰, a location that had proven to be very successful in the establishment of resident shows, Cirque du Soleil decided to open a new

⁸ Currency conversion 1 AED = 0.272294 USD, as recorded in February 11th, 2018. Retrieved from Xe.com (2018).

⁹ For the purpose of this dissertation, Macau will be treated as an independent location from China, even though it technically an autonomous region within China. This is done to simplify the location analysis.

¹⁰ For detailed information in relation to the differences and similarities of Macau and Las Vegas, please refer to *Gaming Anyone? A comparative study of recent urban development trends in Las Vegas and Macau* (Balsas, 2013)

show in Macau. In 2008, the new resident show, *Zaia*, premiered in the Venetian-Macau Hotel Resort. Despite the initial promise that this location offered, by 2012, the company had to close down its show due to a low ticket-sale. It should be pointed out, however, that in 2010, Franco Dragone established one of his shows in this very same location, *The House of Dancing Water*, and, contrary to *Cirque du Soleil*, the show appears to very successful. Just as Lavender (2011) commented in this regard, “If *Cirque* was struggling to pull in the punters from the gaming tables (the theatre was perhaps half-full when I attended), Dragone offered a ‘wow factor’ that was putting their bums in a different theatre’ seats”. (p.28-29).

The fact that *The House of Dancing Water* in Macau has been a success, suggests that the reason behind *Cirque du Soleil*’s failure has more to do with a bad conceptualization of the show rather than a matter of location. The subsequent location analysis will help clarify this initial assumption.

5.3.a. Economic factors.

According to the IMF (2017), in 2017, Macau SAR’s GDP was \$51.2 billion, which represented a 13.4 % increase in relation to the previous year. This was brought about due to its recovery from a period of economic downturn, which began in 2014. It should be pointed out that, despite it being an autonomous region, it is “heavily dependent on China as a growth driver” (Oxford Economics, 2016, p. 5). In 2015, when China developed policies towards Macau in order to fight against “corruption and conspicuous consumption” (Oxford Economics, 2016, p. 5), there was a significant decrease in GDP, moving from \$55.35 billion in 2014 to \$45.42 billion in 2015 (The World Bank Group, 2017). This downward trend reached its lowest point in 2016, with a -2.14 % growth in relation to the previous year (The World Bank Group, 2017). Nonetheless, according the forecasts conducted by Trading Economics (2018), by 2020, Macau’s GDP is expected to nearly double in size: \$80.4 billion.

As for the city of Macau, in 2012, it led the Brookings Institution’s Economic Performance Index, with an increase in GDP PPP of 8.0 % in relation to the previous year. In 2011, it dropped to the 11th position, recording a GDP PPP of \$67.78 (Berube, Leal Trujillo, Ran, & Parilla, 2014). However, according to the forecasts from McKinsey

& Company (2011), by 2025, the city will move to 4th position, following Oslo, Doha and Bergen.

5.3.b. Social and cultural factors.

For this section of the analysis, we will not be able to apply Hofstede's Six Dimension's Model. This is due to the fact that the model does not differentiate between continental China and its autonomous regions, even though there may be significant differences due to their differing colonial past. In addition, the fourth location analysis will be conducted on a city within continental China. If we were to use the same model for the two analyses, we would not be able to establish the differences between Macau and Hangzhou. For this reason, the model will only be used for Hangzhou. In this case, the numeric data for this section's location analysis will be obtained from various studies conducted by different researchers (Zhen, 2004; Loi, 2009) and several institutions (Gaming Inspection and Coordination Bureau, 2018; Statistics and Census Service Macau, 2018).

The most remarkable trait of Macau's society is its gaming culture. In fact, just as Ptak (2001) points out "Gambling is an important facet of Macau's daily life" (p.557). The reason behind this, is the region's long lasting gaming tradition. According to The Gaming Inspection and Coordination Bureau (2018), Macau's gaming industry began to develop in the 16th century. By the 1960s, time when Macau was still under Portuguese influence, the Governor designated position Macau as a "permanent gaming region" (The Gaming Inspection and Coordination Bureau, 2018). As this same source indicates, by the end of 2017, there were a total of 40 casinos in Macau. It can therefore be said that the economic impact of the gaming industry is quite significant. In fact, according to the The Statistics and Census Service Macau (2018), Macau's gross gambling revenue was \$33.1million¹¹ in 2017, which represented a +19 % variance in relation to the previous year.

From his analysis of the major entertainment cities in the world, Loi (2009) identified Macau as one of the top entertainment cities. Nonetheless, when compared to the other 5 cities analysed (Las Vegas, Genting Highlands, Gold Coast, Atlantic City,

¹¹ Currency conversion 1 MOP =0.124109 USD, as recorded in February 13th, 2018. Retrieved from Xe.com (2018).

Monaco and Sun City), Macau's results were not very promising¹². As it can be seen, while the city of Macau ranked second in the entertainment element of table games and slot machines, it was ranked last in relation to circus and acrobatics. Another study conducted by Zheng (2004), where he carried out a SWOT analysis in relation to Macau's gambling industry, stated that the city "should keep its market niche as a gaming destination for gamblers rather than for entertainment-seekers" (p.95).

5.3.c. Proximity to market/ customers.

According to Euromonitor International (2017), Macau is ranked 5th among the most visited cities in the world. In 2017, the number of tourist arriving to the city increased by 5.9 %, moving from 15.4 million to 16.3 million (Euromonitor International, 2017). By 2025, the number is expected to reach 27.9 million (Euromonitor International, 2017). In addition, the contribution of travel and tourism on the Macau's GDP, in 2016, was \$25.6 billion dollars, which accounted for 57.2 % of its GDP (World Travel and Tourism Council, 2017a). Moreover, the type of tourism that Macau receives is luxury tourism. According to the Macao Government Tourism Office (2017), 60 % of the rooms available are found in 5-star hotels. The fact that there is such an offer of luxury rooms suggests that many visitors are high-end tourists. Nonetheless, one of Macau's pitfalls lies in its dependency on China. In terms of tourism, 66 % out of the total number of tourists come from continental China (Consulate General of Switzerland in Hong Kong, 2017).

In terms of its industry, as the Consulate General of Switzerland in Hong Kong (2017) pointed out, in 2016, the services sector in Macau accounted for 92.2 % of its GDP. In previous years, this amount had been even higher. This is the reason why the Government is committed to diversifying Macau's economy through various policies, in order to turn it "into a premium tourist destination and a leisure, entertainment, exhibition and convention hub" (Consulate General of Switzerland in Hong Kong, 2017).

In addition to its dependency to the gaming industry, Macau has another problem that, to some extent, also affects the entertainment industry: its dependence on foreign casino operators, mainly from the United States. According to Shenga and Gu (2018),

¹² For the display of Loi's results, refer to *Table 2.* located in Annex III.

there are 6 major casino operators, in charge of controlling Macau's gaming and entertainment industry. These are: Wynn Resorts Macau, Galaxy Casino, Venetian Macau, MGM Grand Paradise and Melco Crown Macau. The reason for this situation was due to the fact that the central government of China, prevented Chinese operators to enter the Macanese market. Despite this situation, in the past years, there has been a drastic increase in the number of entertainment businesses located in Macau. Just as Luo and Lam (2018) point out, the number of new entertainment companies moved from 68 in 2001 to more than 300 in 2015.

5.4. Hangzhou

The failure in Macau did not prevent Cirque du Soleil from continuing with its expansion strategy towards the Asian continent. In 2015, Cirque du Soleil entered a strategic partnership with TPG Capital LP, a US private equity firm, and Fosun Capital Group, owned by Chinese conglomerate Fosun International Ltd., by which it would sell 90 % of the company (Mergermarket Limited, 2018) to these entities in order to facilitate the company's global business development (Cirque du Soleil, 2018b). The remaining 10 % would continue in the hands of COO Daniel Lamarre (Mergermarket Limited, 2018). Just as Lamarre (2015) pointed out in an interview for the Shanghai Daily, "Fosun is now a shareholder of Cirque du Soleil, which is going to become an accelerator for our growth in China" (cited in Wei, 2016). This observation was brought about due to the fact that, soon after the partnership was established, Cirque du Soleil announced the location of its next resident show: the Chinese city of Hangzhou. Currently, the theater is under construction, but it is expected to premiere by November 2018 (Liu, 2015). In addition, the show that will be performed in Hangzhou is *Toruk: The First Flight*, inspired by James Cameron's movie *Avatar*. Since its first world release in 2015, the show has toured around North America and Europe, and it will soon begin its tour in Asia before definitively settling in Hangzhou, a city located approximately 200km away from Shanghai.

Given Cirque du Soleil's previous experience in China, it is worth conducting a location analysis in Hangzhou in order to determine whether this location will end up being successful or not. If the latter were the case, Cirque du Soleil would have to reconsider its internationalisation strategy in Asia as it would seem that all locations and

up being unsuccessful. As such, this location analysis is, probably, the most relevant out of the four conducted, as the results might have larger implications for Cirque du Soleil.

5.4.a. Economic factors.

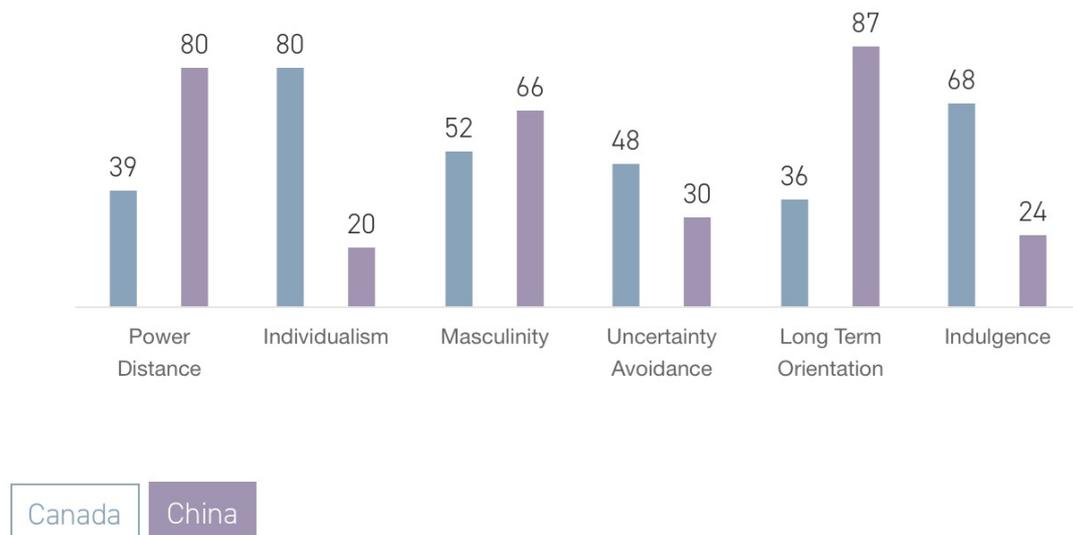
In terms of national GDP, China is considered the world's strongest economy, listed 1st in the Top 100 Economies Ranking. In 2016, the country recorded a GDP of \$11.2 trillion (The World Bank Group, 2017). It is one of the few countries to have various metropolitan areas among the top 100 economies. These include: Shanghai, Beijing, Guangzhou, Tianjin, Shenzhen, Suzhou and Chongqing. It is clear that the influence of China within the world economy is quite predominant. Moreover, in the upcoming years, its influence is expected to grow. According to Oxford Economics (2017), "Chinese cities like Chengdu, Hangzhou and Wuhan will become as prominent in 2030, in economic terms, as cities like Dallas and Seoul are today" (p.1).

Despite it being one of the fastest growing economies in all of China during the last years, Hangzhou has not managed to enter the top 100 economies ranking, just as its counterpart city, Shanghai, located close to Hangzhou, has. Nonetheless, with a current GDP of \$175.8 billion¹³ (Jones Lang LaSalle IP Inc., 2017), the city is expected to reach \$263 billion by 2030 (Oxford Economics, 2017). Taking into consideration that it is one of the cities that expects to have the most rapid increase in terms of population and GDP in the upcoming years, as indicated by the forecasts made by Oxford Economics (2017), it could be argued that, by 2030, Hangzhou could enter the top 100 economies ranking, which takes into account the world's highest GDPs, no matter if they are countries or metropolitan areas. Similarly, Hangzhou is considered to be a "global city", defined by A.T. Kearney Inc. (2016), as a city that has the "ability to attract and retain global capital, people, and ideas, as well as sustain that performance in the long term" (p.1).

¹³ Currency conversion 1 CNY = 0.159091 USD, as recorded in February 6th, 2018. Retrieved from Xe.com (2018).

5.4.b. Social and cultural factors.

Figure 4. Comparison of Canada and China's cultural differences



Source: Hofstede Insights (2018)

Figure 4. reflects the cultural differences between Canada and China, obtained through the application of Hofstede's Six Dimension's Model. There is a significant difference between both countries in terms of power distance, individualism, long-term orientation and indulgence. Given that the dimensions of masculinity and uncertainty avoidance do not present such a drastic difference, they will not be discussed in this section. Nonetheless, it should be said that uncertainty avoidance is important to consider when establishing any activity in China.

To begin with, China's high score in relation to power distance suggests that there is an uncontested hierarchy within the society. In contrast, Canada has a more egalitarian society, where cooperation and exchange of information are always present.

With regards to individualism, Canada is a much more individualistic society than China. This means that Canadians put themselves and their closest family members first. Similarly, the society is based on meritocracy. In contrast, the Chinese society is more collectivist. This makes them value the people within their collective group but are reluctant to accept those who are not within it.

In relation to long-term orientation, Canadians are more pragmatic than Chinese, which makes them more accepting to changes in traditions and within the society. In contrast, the Chinese society is more reluctant to change and has a lot of respect for its own traditions.

Regarding indulgence, Canada has a fairly high score, making it a society that gives a lot of importance to leisure activities. In addition, Canadians tend to value more those things that give them joy. Contrastingly, the Chinese society considers that these activities are wrong, as they put a lot of emphasis in controlling their own desires.

5.4.c. Proximity to market/ customers.

In 2016, Hangzhou recorded 6 million people living in the city (Jones Lang LaSalle IP Inc., 2017). In addition, in the last years, the city has experienced an increase in tourism. According to Euromonitor International (2013), between 2011 and 2012, Hangzhou moved from the 46th to the 41st position in terms of top 100 city destinations worldwide. In 2016, the number of tourists rose by 13.54 %, reaching 3.6 million people, which represented a gross revenue of \$22.5 million¹⁴ (World Tourism Organization and World Tourism Cities Federation, 2017). In addition, the tourism and leisure industry alone, represented 7.3 % of the city's total GDP (World Tourism Organization and World Tourism Cities Federation, 2017).

In relation to the entertainment industry, according to Statista.com (2018), in the past years, there has been an increase in the value of the entertainment and media market in China. In fact, between 2010 and 2015, this industry grew at a faster rate than the country's GDP (Dezan Shira & Associates, 2015). Moreover, as forecasts predict, by 2020, the market is expected to reach \$258.21bn (Statista.com, 2018).

With regards to theatre and touring performances, it is interesting to point out that there is hardly any difference in terms of preference for Chinese spectators. A survey conducted by Dezan Shira and Associates (2015) showed that, out of the total tickets sold, 38 % went to theatres and 36.3 % went to touring performances. This could be a possible

¹⁴ Currency conversion 1 CNY = 0.158298 USD, as recorded in February 27th, 2018. Retrieved from Xe.com (2018).

explanation as to why Cirque du Soleil has decided to turn a touring show into resident, as there are no major differences in preference for touring or theatre tickets.

6. CONCLUSIONS AND DISCUSSIONS

6.1. Framework for location decision-making applied to Cirque du Soleil

The adaptation of Atthirawong and MacCarthy's framework to meet Cirque du Soleil's specificities has helped to validate this dissertation's initial hypothesis with regards to the factors that affect the company's decision-making process: a country's economic prosperity, recurring and luxury tourism, and lack of direct competition. Nonetheless, the naming of these factors has suffered some modifications in order to follow Atthirawong and MacCarthy's nomenclature. As such, the country's economic property factor corresponds to Atthirawong and MacCarthy's (2003) "economic factors", the recurring and luxury tourism factor corresponds to their "proximity to market/customers", and the lack of direct competition corresponds to their "proximity to competition".

This framework's adaptation has also allowed to incorporate to the hypothesis other relevant factors that were discarded initially, including "proximity to customers/markets", "quality of life" and "government and political factors" (Atthirawong & MacCarthy, 2003), among others. It should be reminded that this framework revolved around firms that sought a new location for manufacturing purposes (i.e. lowering production costs). This is why, when adapting it to meet Cirque du Soleil's specificities, the proposed framework had to incorporate those factors that were important for firms seeking a new location for attracting new customers. In addition, it has helped to rank the identified factors in terms of relevance to Cirque du Soleil, which helps to simplify the application of this framework.

For these reasons, this dissertation can conclude that: the most important factors that Cirque du Soleil takes into consideration when selecting a new location for its

resident shows are the location's economic factors, its proximity to markets/customers and its social and cultural factors.

6.1.a. Limitations and proposals for improvement regarding the framework's adaptation.

Due to resource constraints, no scientific method of factor classification was conducted in the adaptation of Atthirawong and MacCarthy's framework for Cirque du Soleil. For this reason, it should be pointed out this dissertation may have provided a ranking of factors that does not necessarily reflect Cirque du Soleil's priorities. Given that the location factor classification has been carried out using the author of this dissertation's own knowledge and criterion, if conducted by another researcher, this framework could suffer minor modifications, leading to a different hypothesis. For this reason, it should be stated that this hypothesis, *ceteris paribus*, is valid. Nonetheless, it is not reliable as, if something changes (i.e. the researcher conducting the classification), the hypothesis would most likely suffer slight modifications.

Having said this, the need for establishing a ranking of location factors for Cirque du Soleil came to be due to the space constraints imposed to this dissertation. If this had not been the case, the unreliability of the results could have been avoided. This is due to the fact that the location analysis could have taken into consideration all 13 factors identified by Atthirawong and MacCarthy, eliminating the need for prioritisation. By doing so, based on the results obtained and the use of deductive reasoning, the analysis could have determined whether the location was suitable for the establishment of a resident show or not and the reasons why this was the case, without making any initial assumptions that could bias the results.

Taking into consideration the limitations of the adaptation of Atthirawong and MacCarthy's framework, several proposals for improvement can be made:

- Conduct an investigation, using the Delphi Method, in order to determine the factors that affect Cirque du Soleil's decision-making through a more scientific approach. By using a sample of Cirque du Soleil experts, the criteria they would use to come up with the factors that determine the company's location decision-making would be more representative of the company's real behaviour. In

addition, this would eliminate the need of turning to frameworks already created for other companies, as this dissertation had to do.

- If resource constraints are still present, conduct the same investigation, taking into consideration all 13 factors that Atthirawong and MacCarthy identified. By doing so, the unreliability of the results from the location analysis would be less likely, as the subjectivity present in the factor prioritisation would be avoided. This would allow the location analysis to provide reliable results based on a quantitative approach (i.e. using indicators from well-established organisations and institutions). Of course, there would always be some form of unreability, given that the interpretation of results is subject to the researcher's own perception.

On another note, throughout the elaboration of this dissertation, it was apparent that there is a limited amount of literature with regards to location factors applied to entertainment businesses. For this reason, this dissertation also proposes a further investigation in the matter in order to come up with a framework that is not only suitable for Cirque du Soleil, but also other entertainemnt companies. This would help normalise the location theory by showing that there is a distinction between service and manufacturing companies in terms of location decision-making. This was one of this dissertation's original objectives but, given the limitations encountered, it could not be extrapolated to other entertainment businesses as the criteria for the framework's adaptation is only taking into consideration Cirque du Soleil's behaviour. However, this could be done through the elaboration of an investigation, using the Delphi Method, by selecting a sample of experts from the major entertainment companies.

6.2. Location analysis results and implications for Cirque du Soleil

Through the application of the location analyses conducted on the four locations identified, it can be concluded that the second hypothesis of this dissertation was correct: the success of a location selected by Cirque du Soleil for the establishment of a resident show depends on its ability to adapt the show to meet local tastes. In order to explain why this is the case, an overview of the results of the location analysis will be provided, as well as an explanation of the implications it has for Cirque du Soleil.

Table 3. Summary of main findings of the location analyses and other considerations

	Economic factors	Social & cultural factors	Proximity to customers	Other considerations
NY	<ul style="list-style-type: none"> · Good economic prospects · Good business environment 	<ul style="list-style-type: none"> · Long history of traditional circus location · Society driven by success & competition · Pragmatic 	<ul style="list-style-type: none"> · Increasing tourism trends · Well consolidated Entertainment industry 	<ul style="list-style-type: none"> · Broadway's impact
DU	<ul style="list-style-type: none"> · Good economic prospects 	<ul style="list-style-type: none"> · Uncontested social structure · Collective society · Aversion for uncertainty & new situations 	<ul style="list-style-type: none"> · Increasing tourism trends · Strong increase in Entertainment industry 	<ul style="list-style-type: none"> · Presence of competitor · Impact of past alliances
MA	<ul style="list-style-type: none"> · Good economic prospects · Too dependent on China 	<ul style="list-style-type: none"> · Strong gaming culture. · Within entertainment sector, circus shows not popular. · Gaming is the main source of entertainment 	<ul style="list-style-type: none"> · Presence of luxury tourism · Increasing number of entertainment companies · Government's interest in diversifying the economy 	<ul style="list-style-type: none"> · Success of competitor · Failed location in 2010
HA	<ul style="list-style-type: none"> · Good economic prospects 	<ul style="list-style-type: none"> · Major social and cultural differences · Uncontested social structure · Collective society · Reluctant to change and respect tradition · Chinese prefer to control desires 	<ul style="list-style-type: none"> · Increase in tourism trends · Increase in the entertainment sector 	<ul style="list-style-type: none"> · Presence of competitor · There is still time to make rectifications

Source: Own elaboration

6.2.a. Economic factors.

For most companies seeking to establish their activity in another country, economic stability in the new location is very important, for it guarantees the activity's sustainability over time. This is the reason why, in terms of economic factors, all four locations are good options for Cirque du Soleil to establish a resident show. They have

an important relevance within the world economy and the forecasts made predict that their influence will remain the same and even increase in the upcoming years.

Taking this into consideration, the fact that New York and Macau were unsuccessful as locations for resident shows leads to believe that the reason behind their failure lies elsewhere. In the case of Hangzhou, it is early to determine whether the location is successful or not, as the resident show has not yet been released. Nonetheless, in terms of economic factors, the location appears to be a good location for Cirque du Soleil, as the city's wealth is expected to increase in the upcoming years.

6.2.b. Social and cultural factors.

For a service company that directly interacts with people, both residents of the selected location, as well as tourists, being aware of the country's culture and tradition helps to provide a service that will be better received by clients. From the use of Hofstede's Six Dimension's Model, several conclusions can be made. For starters, to the expectation of New York, the other three locations were present in countries with significant cultural differences to Canada, country where Cirque du Soleil was founded in.

With regards to the location analysis conducted on New York, it should be said that United States and Canada are not as different in cultural terms. The fact that New York failed as a location has to be due to the configuration of the show rather than the location *per se*. As the location analysis showed, Cirque du Soleil's decision for turning the show into a musical was well supported in terms of revenue. On the one hand, spectators spent more money in musical shows than other entertainment shows and, on the other, Broadway's revenue reflected a positive increase in the past years, which guaranteed the sustainability of the show in the future. Nonetheless, as the show ended up closing down, it could be argued that this decision was a mistake. Based on the analysis and research made, this dissertation sustains that Cirque du Soleil disregarded the importance that Broadway and the traditional circus shows had on the society. Even though the society embraced innovation, changing the configuration of the show into a musical was not enough to make people attend the show. Cirque du Soleil ended up creating a show that was half way between a musical and a circus show, reason why it was not as successful. As such, it could be said that Cirque du Soleil failed in the adaptation of the show to

respond to local pressures; there was too much adaptation and it ended up backfiring. This dissertation is still optimistic and believes that New York could be a good option for Cirque du Soleil to establish a resident show. Nonetheless, it should consider introducing a show similar to the ones it creates for other locations. The innovation, for example, could come in the theme of the show or the technical acrobatic performance.

In relation to Dubai's location analysis, the major cultural differences between Canada and United Arab Emirates present various implications for Cirque du Soleil, as the society dislikes new situations, values their own traditions and it is respectful and committed in its business agreements. For this reason, Cirque du Soleil should: first, make sure it offers a show that is not seen as disrespectful or offensive by Emirati people (i.e. the show *Zumanity*, which explores human sensuality, would not be an option); second, before establishing any form of collaboration, it should ensure that it is not likely to back out of the business deal because that would be very frowned upon; third, it should consider establishing a show that Emiratis relate to, either because it has a well-known theme or it is a show that has already toured through the country. On another note, given *Dragone's* success in this location, Cirque du Soleil should analyse the impact it is having in order to see whether the society would embrace another similar show. It should be pointed out that, in 2007, when Cirque du Soleil attempted to enter Dubai through the establishment of a strategic partnership, it would have acquired first mover advantages, for it would have been the first company to establish a show with these characteristics. Now, Cirque du Soleil would no longer be as innovative, for *Dragone* offers a similar show, but considering that the Emirati population dislikes new situations, the company could benefit from the fact that it is the second company to establish a resident show in this location.

With regards to Macau, given that Hofstede's Model could not be used for this location (as explained in Section 5.3.b.) the location analysis in terms of social and cultural factors was determined by the results of other investigations made by researchers and the information retrieved from well-known organisations and institutions. Through Loi's (2009) analysis of the major entertainment locations, Macau did not appear to be a good location for Cirque du Soleil to establish its resident show. Even though Macau was considered one of the most important entertainment locations, the fact that the survey respondents placed it last in relation to circus and acrobatics suggests that the city had

limited presence in the market sector it operated. As Zheng (2004) points out, “just as Casino goers in Macau have high gaming propensity and are more like gamblers rather than entertainment-seekers who are the majority of Las Vegas and European markets” (p.91). It is clear that even though Macau and Las Vegas show a lot of similarities, the Chinese population prefers gambling to other forms of entertainment. On another note, according to David Anthony, one of Cirque du Soleil’s managers, Cirque du Soleil had to change several numbers in the show, once it had been released, in order to adapt to the Chinese culture. As he pointed out, “they were becoming truly aware that we are not in Las Vegas” (Anthony, cited in Macau Daily Times, 2012). Contrastingly, Dragone’s show had a:

creative concept that incorporate[d] and reflect[ed] cultural and storytelling traditions from both Asia and the West in an ‘East meets West’ entertainment extravaganza (Melco Group, cited in Macau Daily Times, 2012).

This could have been the reason why Dragone’s show ended up being successful in this location while Cirque du Soleil’s one was not, as the former adapted to local tastes from the very beginning. As such, this dissertation could conclude that the failure of Cirque du Soleil in Macau was not due to a poorly selected location. In fact, as Lavender (2011) sustains neither Cirque du Soleil nor Dragone’s shows were “not determined entirely by their location” (p. 630). This leads us to believe that the failure was not a matter of location but rather a poor implementation of the show’s local adaptiveness.

Finally, with regards to Hangzhou’s analysis, Hofstede’s Model indicates that there are major cultural differences between Canada and China. These present several implications for Cirque du Soleil. First, the fact that the Chinese society is reluctant to accept those people that do not belong to their collective group could present an obstacle to the company when establishing its resident show. Nonetheless, the fact that 9 cities are placed among the 100 most important economies in the world suggests that this is not an impediment for international firms seeking to establish in a Chinese location. Second, the Chinese society prefers controlling their impulses and therefore do not value things that give them joy. For an entertainment company such as Cirque du Soleil, this could pose as an obstacle if the show is not well configured. For this reason, the company should ensure it responds to local tastes through the offering of a show that incorporates the

elements associated to the Chinese tradition. Third, the Chinese society is more reluctant to change and has a lot of respect for its traditions. In this sense, Cirque du Soleil's decision to make its future resident show a touring show before establishing permanently in Hangzhou is a good way to test whether the Chinese population will accept the show or not. In this sense, it should be remarked that the movie *Avatar*, which gives inspiration to Cirque du Soleil's future resident show, is "the all-time number 1 movie in China" (Landreth, 2013), having raised \$182 million in 2009. Given the movie's success in the country, and Cirque du Soleil's efforts to adapt its strategy to meet China's cultural differences, this dissertation considers that Cirque du Soleil will be successful in Hangzhou.

6.2.c. Proximity to markets/ customers.

In order to guarantee the success of a resident show, Cirque du Soleil must ensure that the location in which it establishes has a constant inflow of tourists. Based on the location analysis and the information received through the process of documentation, it can be concluded that all four locations are favourable in this sense, as all of them will experience an increase in tourism trends in the upcoming years.

With regards to the presence of the entertainment market, some locations are more favourable than others. For example, the city of Hangzhou is experiencing a drastic expansion of the sector. It should be pointed out that the local Government is heavily committed to turning the city into a major cultural and entertainment hub. This is the reason why it has supported numerous projects to turn it into a city of "entrepreneurial creativity" (OECD, 2014, p.112). For Cirque du Soleil, which has always been a company recognised for its creativity and innovation, this suggests that it will have a very promising future in this location.

In the case of Macau, however, the industry analysis was not as positive. Given that information focused on the Macau's show entertainment industry alone (excluding the gaming industry) was hard to obtain due to the presence of giant entertainment operators that offered their information as one sector, a quantitative analysis of the industry could not be done. Nonetheless, accounts from various researchers (i.e. Lavender, 2011; Luo & Lam, 2018) leads us to think, as explained in the previous section of this dissertation, that the reason why Cirque du Soleil's show closed down was

due to the presence of Dragone's House of Dancing Water. In fact, throughout the first three years of performance, Dragone's show had attracted over 3.2 million spectators (Shum, 2015).

6.2.d. Limitations and proposals for improvement regarding the framework's application.

Through the application of the proposed framework for the location of Cirque du Soleil's resident shows, this dissertation identified several limitations. First, the absence of indicators or rankings which included all four locations. This hampered the establishment of comparisons between all locations, as the rankings took into consideration different indicators to make their rankings. Second, in some cases, the available information was not updated, and therefore the results of the location analysis may not reflect the most recent reality found in these locations. Third, the model used to analyse the cultural differences present in the identified location was subject to its own limitations. For example, this model makes no distinction between the cultural differences found within a same country. This would not have been as problematic if the locations identified belonged to four different country locations. Nonetheless, Macau, as it is considered an autonomous region of China and not a country, did not present information of its own. As another of the locations analysed was Hangzhou, located in continental China, this model could not be used in Macau, as it would have not allowed to establish the differences between both locations. In addition, in some cases, this model lacked information with regards to some of its dimensions. The reason why this model was used, instead of others, was due to the fact that it helped quantify the cultural differences, making it easier to compare locations. Nonetheless, as some countries lacked information of their locations (as United Arab Emirates) and it made no distinction at a regional level, the comparison between them was hard to establish.

Taking into consideration the limitations of this dissertation, this dissertation proposes:

- Use another model to identify the cultural differences between locations, which can be used in all locations identified, to make comparisons. Hofstede's Model is useful if the locations are situated in different countries, as the cultural differences are treated at a country level.

- Introduce Atthirawong and MacCarthy's (2003) "competition factors" in the location analysis. The argument to rank this factor as medium lied in the fact that, although important, it was not something that would prevent the company from establishing in that location. However, through the application of the framework, it was seen that Cirque du Soleil was in fact the first one to enter the locations in which Dragone now resides. As such, if Cirque du Soleil wishes to enter the location once again, the impact of competition should be considered of high importance, as it could make the Cirque du Soleil reconsider its establishment if Dragone is already covering all the available market.

6.3. Final thoughts and recommendations

To conclude, this dissertation pursued two main objectives: first, the adaptation of a location framework suitable for Cirque du Soleil's case (in the hope that it could serve as a basis for other investigations that could replicate it in other service companies); second, the application of this new framework to several locations that represented a different degree of success for Cirque du Soleil (failed, attempted, prospective locations).

As such, the location analysis conducted throughout this dissertation suggests that Hangzhou will be a successful location for Cirque du Soleil's next resident show. In addition, it recommends the locations of New York and Dubai as locations for future resident shows, taking into consideration the remarks made throughout this dissertation. However, it does not advise the establishment in Macau, given the location's particularities and the fact that Cirque du Soleil has failed in the past. The following table has been established to reflect these ideas more visually.

Table 4. Considerations for the future establishment of resident shows in the locations analysed

	Failed show?	Recomended location?	Comments
NY	✓	✓	·Show innovation should come in terms of technologic or acrobatic performance rather than a change of event (in other words, not turning it into a musical show)
DU	✗	✓	·The show should take into all cultural differences and local tastes before releasing the show

	Negotiations did not conclude		·Cirque du Soleil will no longer have the first mover advantage, given the presence and success of Dragone's show. Impact of competition should be taken into consideration before deciding to establish permanently
MA	✓	✗	·The gaming culture is so strong that there is hardly any room for other forms of entertainment ·Dragone's show is very successful and given that Cirque du Soleil failed in the past, it would be best for it to focus its efforts in establishing correctly in other location in continental China.
HA	✗ Show will premiere on Nov 2018	✓	·The show should learn from its mistake at Macau and adapt to local tastes before releasing the show permanently. ·Using a show based on the Avatar movie, which was a huge success in China, and testing local responsiveness through the touring of the show before its final establishment in Hangzhou were good decisions.

Source: Own elaboration

Having said this, this dissertation hopes to have shed a light in the field of location decision-making for entertainment businesses by identifying the need to establish a framework for location selection applied to service companies.

Similarly, this dissertation hopes to have identified some of Cirque du Soleil's obstacles in the establishment of resident shows, especially with the adaptation of the show to meet local tastes, in an attempt to help it continue with its successful international expansion. This could help Cirque du Soleil remain among the major entertainment companies in the future. Just as Kristina Heney, Chief Marketing Officer at Cirque du Soleil, commented: "Cirque du Soleil is looking to develop new forms of entertainment, speak to new audiences and further expand its global reach [...] Our vision is to apply our creative kaleidoscope to build unique worlds" (cited in Cirque du Soleil, 2018c).

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8. ANNEXES

ANNEX I. Cirque du Soleil's show classification

Table 1. Classification of Cirque du Soleil's shows

Resident Shows	Las Vegas	The Beatles LOVE, Criss Angel Mindfreak, KÀ, Michael Jackson ONE, Mystère, O, Zumanity
	Orlando	La Nouba
	Mexico	Joyà
	China	Toruk The First Flight (as from November 2018)
	Retired	Criss Angel Believe, Iris, Paramour, Viva Elvis, Wintuk, Zaia, Zarkana, Zed
Touring shows	Arena	Corteo, Cristal, Ovo, Sép7imo Día, Toruk The First Flight, Varekai
	Under the Big Top	Amaluna, Kooza, Kurios, Luzia, Totem, Volta
	Retired	Alegría, Banana Shpheel, Le Cirque Reinventé, Delirium, Dralion, Fascination, Le Grand Tour du Cirque du Soleil, La Magie Continue, Michael Jackson The Immortal World Tour, Nouvelle Experience, Quidam, Saltimbanco

Source: Adapted from Cirque du Soleil (2018a)

Table 2. Classification of Cirque du Soleil's shows in relation to release year, type of show and location as of January 2018

Name of show	Opening year	Closing year	Type of show	City location	Specific location
Mystère	1993	-	Resident	Las Vegas, United States	Treasure Island Hotel & Casino
O	1998	-	Resident	Las Vegas, United States	Bellagio Hotel & Casino
La Nouba	1998	2017	Resident	Orlando, United States	Downtown Disney
Zumanity	2003	-	Resident	Las Vegas, United States	New York - New York Hotel & Casino
KA	2004	-	Resident	Las Vegas, United States	MGM Grand Hotel & Casino
The Beatles LOVE	2006	-	Resident	Las Vegas, United States	The Mirage Hotel & Casino
Wintuk	2007	2010	Resident (seasonal)	New York, United States	Madison Square Garden
Criss Angel Mindfreak	2008	-	Resident	Las Vegas, United States	Luxor Resort & Casino
Zed	2008	2011	Resident	Tokyo, Japan	Disneyland Tokyo
Zaia	2008	2012	Resident	Macau, China	Venetian Macau
Criss Angel Believe	2008	2016	Resident	Las Vegas, United States	Luxor Resort & Casino
Viva Elvis	2009	2012	Resident	Las Vegas, United States	Aria Resort & Casino
Iris	2011	2013	Resident	Los Angeles, United States	Kodak Theater
Zarkana	2012	2016	Resident	Las Vegas, United States	ARIA Resort & Casino
Michael Jackson ONE	2013	-	Resident	Las Vegas, United States	Mandalay Bay Resort & Casino
Joyà	2014	-	Resident	Rivera Maya, Mexico	The Cirque du Soleil Theater
Toruk	2015	-	Resident	Hangzhou, China	Hangzhou XTD (currently under construction)

Paramour	2016	2017	Resident	New York, United States	Lyric Theater
Le Grand Tour	1984	-	Touring	Canada	-
La Magie Continue	1985	1986	Touring	Canada	-
Le Cirque Reinventé	1987	-	Touring	North America	-
Nouvelle Experience	1990	-	Touring	North America	-
Fascination	1992	-	Touring	Asia	-
Saltimbanco	1992	1997	Touring	International	-
Alegria	1994	-	Touring	International	-
Quidam	1996	-	Touring	International	-
Dralion	1999	-	Touring	International	-
Varekai	2002	-	Touring	International	-
Corteo	2005	-	Touring	International	-
Delirium	2006	2008	Touring	North America	-
Kooza	2007	-	Touring	International	-
Ovo	2009	-	Touring	International	-
Banana Shpeel	2009	2010	Touring	North America	-
Totem	2010	-	Touring	International	-
Michael Jackson: The Immortal World Tour	2011	2013	Touring	International	-
Zarkana	2011	2016	Touring	International	-
Amaluna	2012	-	Touring	International	-

Kurios	2014	-	Touring	International	-
Toruk	2015	-	Touring	North America	-
Luzia	2016	-	Touring	International	-
Volta	2017	-	Touring	North America	-
Crystal	2017	-	Touring	North America	-
Soda Stereo Sep7imo día	2018	-	Touring	North & South America	-

Source: Adapted from Casadesus-Masanell, & Aucoin (2010); Cirque du Soleil (2018a); Cirque du Soleil (2018b)

ANNEX II. Proposed framework for Cirque du Soleil's location decision-making

The framework adapted to meet Cirque du Soleil's specificities is provided below. It has been adapted from the Atthirawong and MacCarthy's summary of major criteria and sub-factors affecting international location decisions, as reflected in Atthirawong and MacCarthy (2003), p.797.

Table 1. Factors for Cirque du Soleil's location decision-making process

Major factors	Relevance to CDS	Sub-factors
Proximity to markets/customers	HIGH	Proximity to demand; size of market that can be served/potential customer expenditure; responsiveness and delivery time to markets; population trends and nature and variance of demand
Economic factors	HIGH	Tax structure and tax incentives; financial incentives; custom duties; tariffs; inflation; strength of currency against US dollar; business climate; country's debt; interest rates/exchange controls and GDP/GNP growth, income per capita
Social and cultural factors	HIGH	Different norms and customs; culture; language and customer characteristics
Costs	MEDIUM	Fixed costs; transportation costs; wage rates and trends in wages; energy costs; other manufacturing costs; land cost; construction/leasing costs and other factors (e.g. R&D costs, transaction and management costs etc.)
Proximity to competition	MEDIUM	Location of competitors
Quality of life	MEDIUM	Quality of environment; community attitudes towards business and industry; climate, schools, churches, hospitals, recreational opportunities (for staff and children); education system; crime rate and standard of living
Legal and regulatory framework	MEDIUM	Compensation laws; insurance laws; environmental regulations; industrial relations laws; legal system; bureaucratic red tape; requirements for setting up local corporations; regulations concerning joint ventures and

		mergers and regulations on transfer of earnings out of country rate
Government and political factors	MEDIUM	Record of government stability; government structure; consistency of government policy; and attitude of government to inward investment
Characteristics of a specific location	MEDIUM	Availability of space for future expansion; attitude of local community to a location; physical conditions (e.g. weather, close to other businesses, parking, appearance, accessibility by customers etc.); proximity to raw materials/resources; quality of raw materials/resources and location of suppliers
Labour characteristics	LOW	Quality of labour force; availability of labour force; unemployment rate; labour unions; attitudes towards work and labour turnover; motivation of workers and work force management
Infrastructure	LOW	Existence of modes of transportation (airports, railroads, roads and sea ports); quality and reliability of modes of transportation; quality and reliability of utilities (e.g. water supply, waste treatment, power supply, etc.) and telecommunication systems
Proximity of suppliers	LOW	Quality of suppliers; alternative suppliers; competition for suppliers; nature of supply process (reliability of the system) and speed and responsiveness of suppliers
Proximity to parent company's facilities	LOW	Close to parent company

Source: Atthirawong and MacCarthy (2003), p.797

ANNEX III. Further information

1. Dubai as a possible permanent location.

Following the natural success of Cirque du Soleil's touring shows and regional resident shows, Cirque du Soleil decided to expand to new permanent international locations. As such, in 2007, the company announced a strategic partnership with Istithmar World Capital, Dubai World's investment subsidiary firm, and Nakheel, one of the largest and most pioneering real estate companies in the world.

Through this agreement, both companies would acquire 20 % of Cirque du Soleil's stake and the other 80 % would remain in the hands of Guy Laliberté and his team. This partnership came along with a 15-year plan to develop a resident show in Palm Jumeirah, one of Dubai's three artificial islands destined for luxurious hotels and apartments. The idea was to build a 1,800-seat theater that would host Cirque du Soleil's first resident show outside North America. Given *Alegría*'s success as a touring show, it was agreed that this show would prelude for two years before the resident show premiered in summer 2011 (Cirque du Soleil, 2018). One of the reasons why Cirque du Soleil and its strategic partners decided to make Dubai the next location for their resident show Dubai is reflected through the words of Istithmar World Capital's CEO, David Jackson (2008):

Besides being a global tourist hub, Dubai is home to one of the fastest growing entertainment and media markets in the world, presenting a huge opportunity for such world-class cultural and entertainment facilities to add to the emirate's rich tourism and leisure offerings. This partnership comes in line with Istithmar World's strategy of realising the true growth and expansion potential of portfolio companies, as it continues to diversify and strengthen its private equity initiatives (cited in Cirque du Soleil, 2018)

Nonetheless, with the financial crisis of 2008, the loans that had allowed the financing of some of Istithmar World Capital's ambitious projects nearly led the company to its bankruptcy. It should be pointed out that, during this time, Dubai World, father company of Istithmar World Capital, faced a litige against another of its strategic partners, MGM. Both parties entered a joint venture agreement for the construction of CityCenter, a project that consisted on the creation of a "city within a city" (MGM Mirage Securities

Litigation, 2012, p. 1) in Las Vegas, with luxury casinos and hotels, appartments, high rises and 550,000 square feet of retail, dining and entertainment space. The agreement entitled Dubai World to possess 50 % of CityCenter in exchange for the investment of \$5 billion in MGM and another \$100 million once CityCenter was completed on time (MGM Mirage Securities Litigation, 2012). However, when the financial crisis struck, MGM found itself incapable of continuing with the construction of the venue due to a lack on investment. For this reason, Dubai World filed a plaintiff, claiming that “the Defendants had grossly underestimated the cost to complete CityCenter” (MGM Mirage Securities Litigation, 2012, p. 4).

As a result, the strategic partnership between Cirque du Soleil and Istithmar World Capital dissolved, along with the plans of establishing a resident show in Dubai. However, this location has not been rejected by other entertainment companies. In fact, as of August 2017, Dragone, company created by Franco Dragone when he left Cirque du Soleil in 2000, has established a resident show in Al-Habtoor City. The setting and performance reminds that of Cirque du Soleil, but the show’s stage is equipped with cutting edge technology that allows the stage to turn from a water tank into a normal stage. Just as Mohammed Al Habtoor, CEO of Al Habtoor Group, Dragone’s strategic partner in Dubai, stated: “it is something that the people have never seen before” (cited in GulfNewsTV, 2016)

2. Macau.

Table 1. Brief summary of the two agglomerations (approximate numbers, percentages and amounts)

	Las Vegas	Macau
Land area (square miles)	500	11.3
Development approach	Infill within the strip	COTAL's new centrality
Land available for redevelopment/ expansion	Plenty of desert land available	Land reclamation to the Pearl River delta
Density (people per square mile)	4000	44,000
Population growth	22% in the last decade	29% between 2000 and 2011
Built heritage recognition	100th year anniversary in 2005	UNESCO World Heritage in 2005
Main clusters of casinos	Two concentrations: old downtown and Las Vegas boulevard	Two concentrations: Peninsula's riverfront and COTAL's new landfill area
Major investments	\$33 billion – The Encore – Planet Hollywood – CityCenter	\$6 billion Venetian City of Dreams Galaxy
Visitors (million)	36–40 a year	11.5 in 2002 and 28 in 2011
Potential visitor's within a 5-h radius	410 million	2.2 billion

Source: Balsas (2013), p.300

Table 2. Destination ranking in various entertainment elements¹⁵

Entertainment Elements	Las Vegas	Macau	Genting Highlands	Gold Coast	Atlantic City	Monaco	Sun City
Live concerts & shows (general)	1	6	2	3	4	5	7
Opera & musical	1	6	4	3	2	5	7
Theatre	1	6	4	2	3	5	7
Circus & acrobatics	1	7	4	2	3	5	6
Slot machines	1	2	3	5	6	4	7
Table games	1	2	4	6	5	3	7

Source: Loi (2009)

Table 2. reflects the results of Loi’s (2009) study, whereby he interviewed 400 people, both Macau residents and tourists in order to determine their perceptions of the city that provided the best entertainment elements.

¹⁵ “A rank of 1 means the destination was MOST FREQUENTLY mentioned as a destination that provides the BEST entertainment element concerned” (Loi, 2009, p.129).