

Maximize the monetization of Cirque du Soleil

University of Muenster Consulting

Adressee: Daniel Lamarre

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Presented by: Niklas, Christoph, Tobias and Christian

“Virtual reality is the first step
in a grand adventure into the
landscape of imagination.”

Frank Bioca
New Jersey Institute of Technology

Goals of the meeting



- Presentation of strategy based on current challenges
- Illustrate initiatives for implementation
- Provide information on financial impact

Agenda

1. Management summary

2. Analysis and development of alternatives

3. Recommendation

4. Implementation

5. Financials and risks

6. Conclusion

In order to clearly define where to play and how to win the strategy “Feel the real” is recommended providing US\$ 1.5 bil. revenue in 2026

Why change the direction?

Status quo

Under pressure by Covid-19

- Dependent on ticket sales
- Little digitization
- Room for additional monetization

Cirque du Soleil

- Strong brand
- Unique experience

How to change direction?

Initiatives

“Feel the real”

Short term:

- Live online gym sessions
- Improve social media activity

Long term:

- Virtual reality experience
- Partner with an expert

What does this change provide?

Outcome

Old brilliance - New world

- Secure future through fast action
- Strengthening the relationship with the customer
- Further monetization without compromising on core values
- Revenue of US\$ 1.5 bil. in 2026

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Both internal and external factors influencing CDS organization need to be considered – strength of global brand and opportunity of digitalization are most influential to CDS

<p style="text-align: right;">External Factors</p> <p style="text-align: left;">Internal Factors</p>	<p>Opportunities</p> <ul style="list-style-type: none"> • Multiplier of digitalization • Unused potential of e-commerce • Potential to address young and tech-savvy customers 	<p>Threats</p> <ul style="list-style-type: none"> • Covid-19 • Growing consumption of digital media (young people are less energetic) • Effort and costs of traveling
<p>Strengths</p> <ul style="list-style-type: none"> • Global brand • High customer satisfaction • Product is unique experience (not replicable) 	<p>Which strength can be used to realize opportunities?</p> <p>Global brand to quickly distribute digital products and address young customers</p>	<p>Which strength minimizes threats?</p> <p>Unique experience product may vitalize people</p>
<p>Weaknesses</p> <ul style="list-style-type: none"> • Neglected digital focus • Dependent on ticket sale only & brand not monetized completely • Only every second year in same city 	<p>Which opportunity can be used to eliminate weaknesses?</p> <p>Use digitalization to equalize location bound and dependence on ticket sale only</p>	<p>Which methods to use so that weaknesses do not become threats?</p> <p>Provide big locations making the show available for people who cannot travel overseas or in a distinct point in time</p>

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Different strategy alternatives for CDS future can be deduced from key results of previous analysis – Virtual reality & gym sessions, Theme park and Movie studios

SWOT analysis



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Combined key results



Brand to quickly distribute digital products and address young and energetic people

Provide fixed locations for the opportunity to visit every time without high effort of traveling

Equalize location bound and dependence on ticket sale only



Deduction of alternatives



Virtual reality and gym session

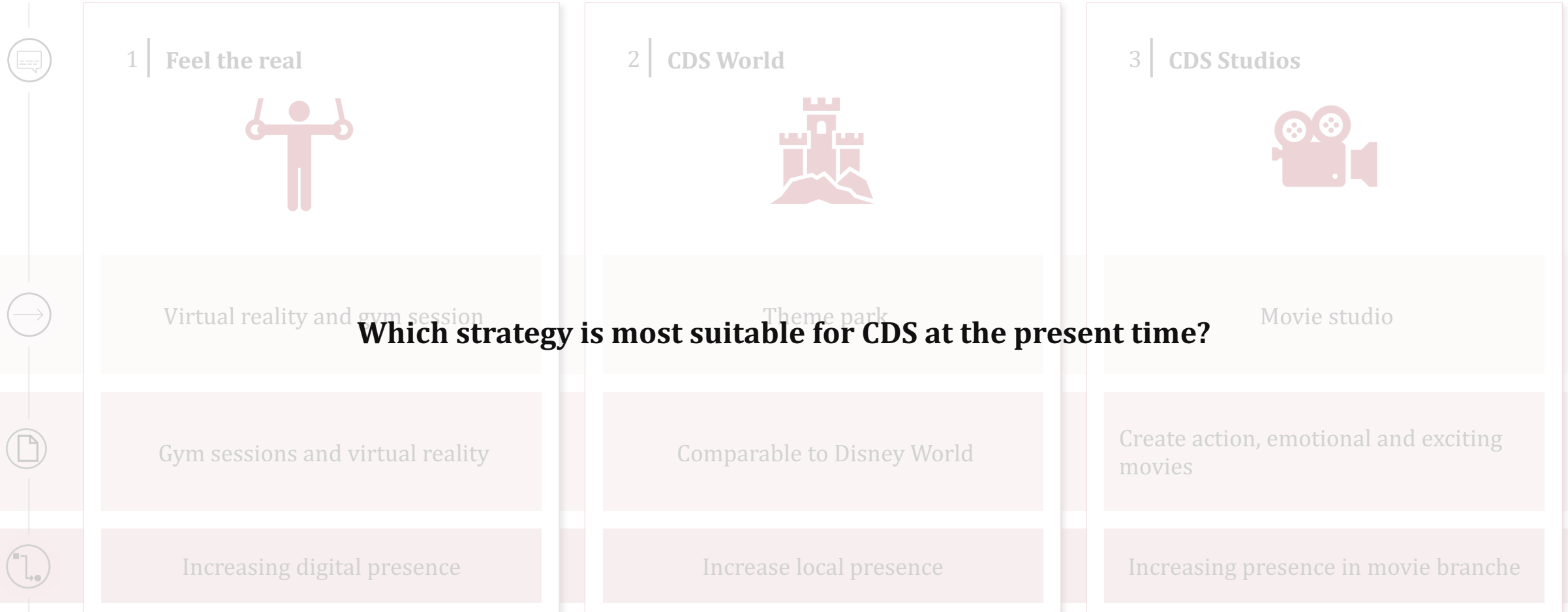
Theme park

Movie studio

Three alternatives transferred into strategies have been figured out to be most suitable to CDS – each of the derived strategies has different scope and impact



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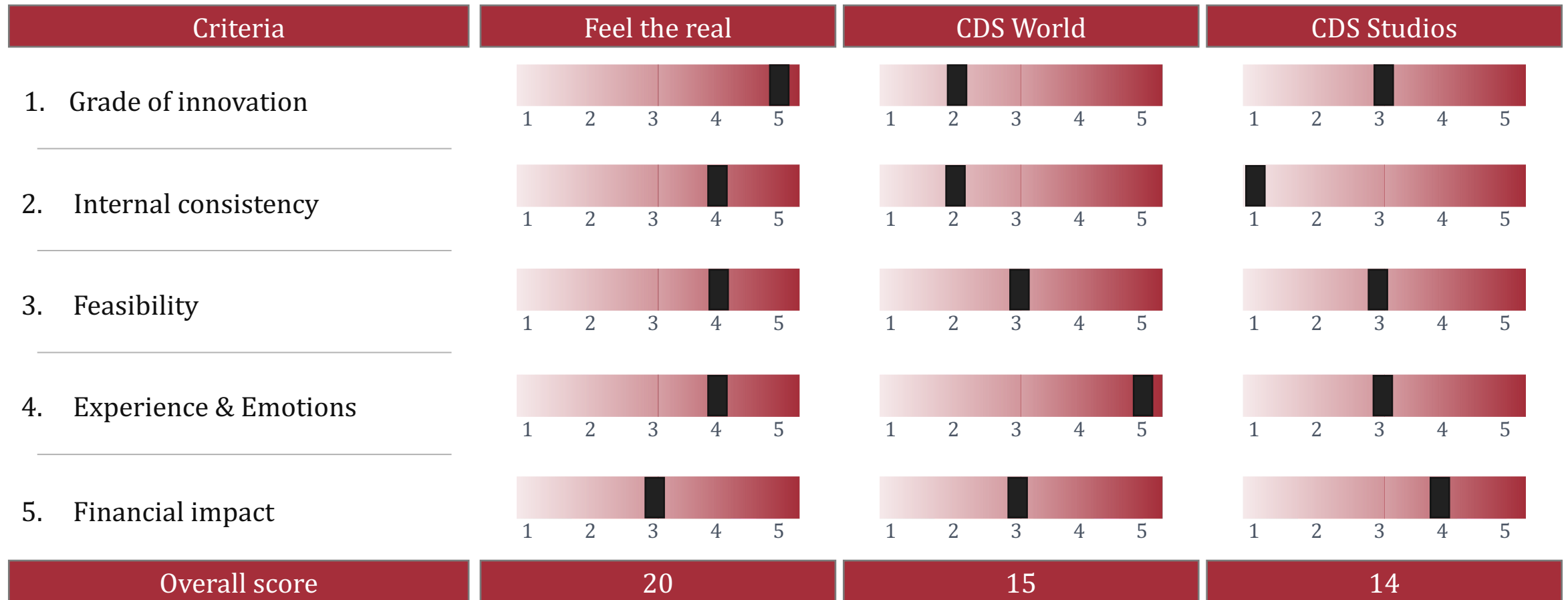
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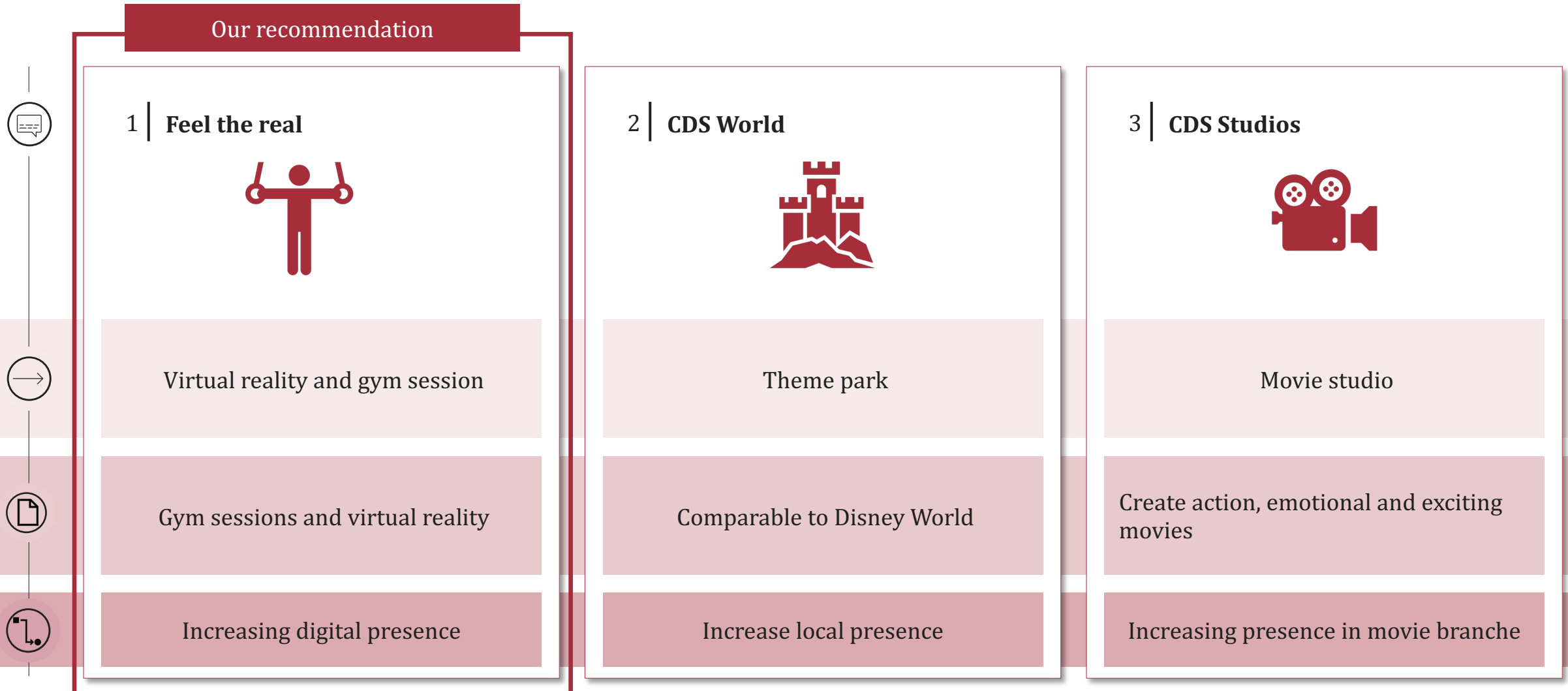
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“Feel the real” scores best compared the the other strategies especially due to its advantages regarding grade of innovation and internal consistency

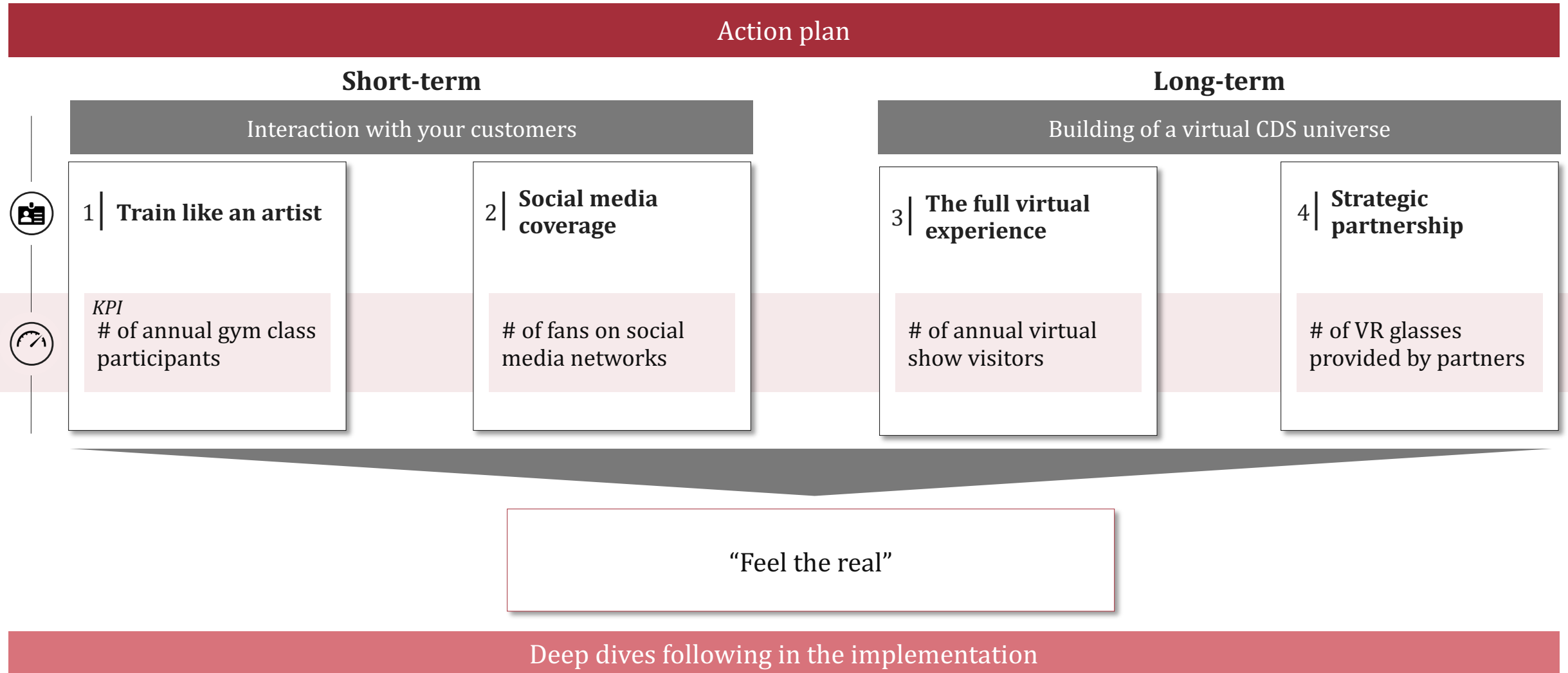


Key: 1: not satisfied 5: fully satisfied

Different strategies may fit to CDS - By choosing “Feel the real” digital presence is increased intensively



The action plan to successfully implement “Feel the real” is divided into two main pillars – short-term and long-term – each pillar consist of two initiatives



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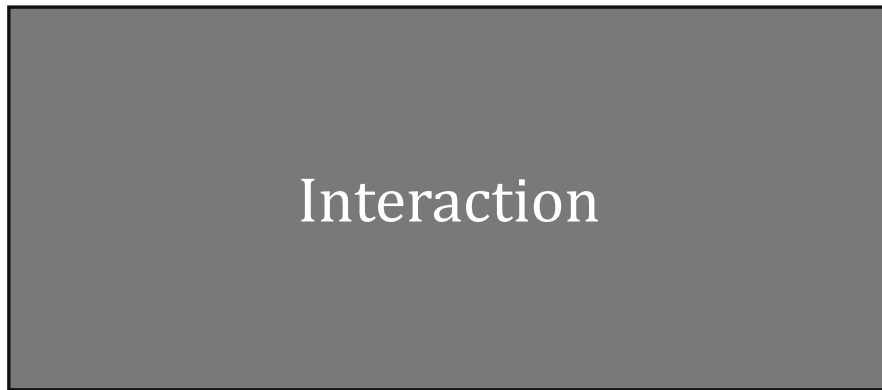
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Short-term









Long-term



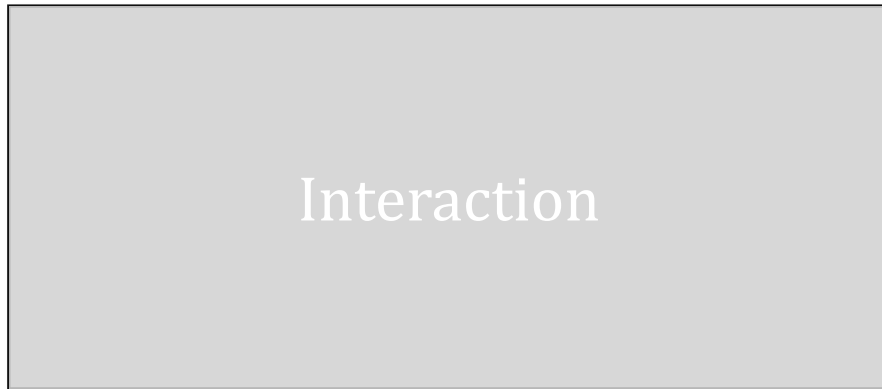
Interaction| Creating a connection to CDS through gym classes allows to respond to the pandemic and addresses the desired target audience

What is it?	 Train like an artist	Interaction	Virtual universe
Why is it needed?	 <ul style="list-style-type: none"> The Covid -19 pandemic demands short-term reaction to ensure cash inflows CDS's target audience must be addressed with appropriate initiatives 		
How does it work?	 <p>Start artistic training as a gym class</p> <ul style="list-style-type: none"> Cooperate with large gym and fitness club chains Gyms offer visitors an additional class where they exercise easy artistic moves from your artists Make sessions available for in-presence gym classes and for online gym classes Enable sponsorships <ul style="list-style-type: none"> Opportunity for additional partnership acquisition Artists use equipment in videos that is supplied by sponsors 		
Which KPI to use?	 Number of annual gym class participants	Strategic priority  low high	Effort required  low high

Interaction| Increasing social media activities aligns well with other initiatives and targets an underserved customer group

What is it?	 Social media coverage	Interaction	Virtual universe
Why is it needed?	 <ul style="list-style-type: none"> • Target audience being addressed the least so far is reached • CDS can base its activities on an existing digital presence 		
How does it work?	 <p>Increase customer interaction through social media</p> <ul style="list-style-type: none"> • Social media coverage of artistic gym classes <ul style="list-style-type: none"> • Artists motivate participants to record some of their artistic moves • Participants subsequently share recordings on social media • Content surveys <ul style="list-style-type: none"> • Ask fanbase on their favorite types and storylines of future shows • Incentivization for participation: Give away free tickets for a future show • Introduce short “behind-the-scenes” sequences 		
Which KPI to use?	 Number of fans on social media networks	Strategic priority  low high	Effort required  low high





Short-term







Long-term



Virtual universe | Creating a virtual experience allows for generating additional revenue streams while not compromising on the fundamental values of Cirque du Soleil

<p>What is it?</p>	 <p>The full virtual experience</p>	<p>Interaction</p>	<p>Virtual universe</p>
<p>Why is it needed?</p>	 <ul style="list-style-type: none"> • Introduce digital offerings to further monetize the CDS brand • Through offering a virtual experience, the unique features of a CDS show are maintained 		
<p>How does it work?</p>	 <p>Let customers experience shows through VR glasses</p> <ul style="list-style-type: none"> • Possibility to buy tickets to watch a show through VR glasses • Visit possible of shows acted out in country of residence • Customers will receive an exclusive package <ul style="list-style-type: none"> • VR glasses for the virtual experience • Program booklet and discount vouchers • Pamphlets from sponsors 		
<p>Which KPI to use?</p>	 <p>Number of annual virtual show visitors</p>	<p>Strategic priority</p> <p>■ ■ ■ ■ ■</p> <p>low high</p>	<p>Effort required</p> <p>■ ■ ■ ■ ■</p> <p>low high</p>

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<p>How does it work?</p>	 <p>Create the virtual merchandise store</p> <ul style="list-style-type: none"> • Setting up E-commerce as an added distribution channel • Once the show is over, virtual visitors walk into a virtual merchandise store • Further product offerings <ul style="list-style-type: none"> • Book a physical or virtual meet & greet • Book or visit a physical or virtual artistic training session 		
<p>Which KPI to use?</p>	 <p>Number of annual virtual show visitors</p>	<p>Strategic priority</p> <p>■ ■ ■ ■ ■</p> <p>low high</p>	<p>Effort required</p> <p>■ ■ ■ ■ ■</p> <p>low high</p>

Virtual universe | Introducing a strategic partnership enables sponsorships and a simplified integration of the digital format into the shows

What is it?	 Strategic partnership	Interaction	Virtual universe
Why is it needed?	 <ul style="list-style-type: none"> • Support in building a digital infrastructure to build a virtual CDS universe is needed • Partnering saves time, costs and offers potential for sponsorships 		
How does it work?	 <p>Partner with a capable tech company providing digital infrastructure</p> <ul style="list-style-type: none"> • Partner will provide the VR glasses branded with their company name • Partner will supply glasses and CDS is responsible for logistics • CDS will distribute glasses prior to shows giving a 24h delivery guarantee • Possible partners: Meta, Google, Apple • Customers having own VR glasses get discounted tickets and availability to all shows 		
Which KPI to use?	 Number of VR glasses provided by partners	Strategic priority  low high	Effort required  low high

The different initiatives of “Feel the real“ have to be implemented within five years – First results of initiative ”train with an artists“ can be seen in the second quarter of 2022

Initiative	2022				2023				2024				2025				2026				Milestones and Results
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Train with an artist																					Immediate start of the “train with an artist” program together with gyms
Social media campaign																					Focus on a regional marketing campaign over the existing marketing channels
Strategic partnerships																					Fixed contracts and agreements with potential partners for VR-support until 2023
The virtual experience																					Creation of customer-friendly VR user experience and launch until 2024

Legend: Milestone

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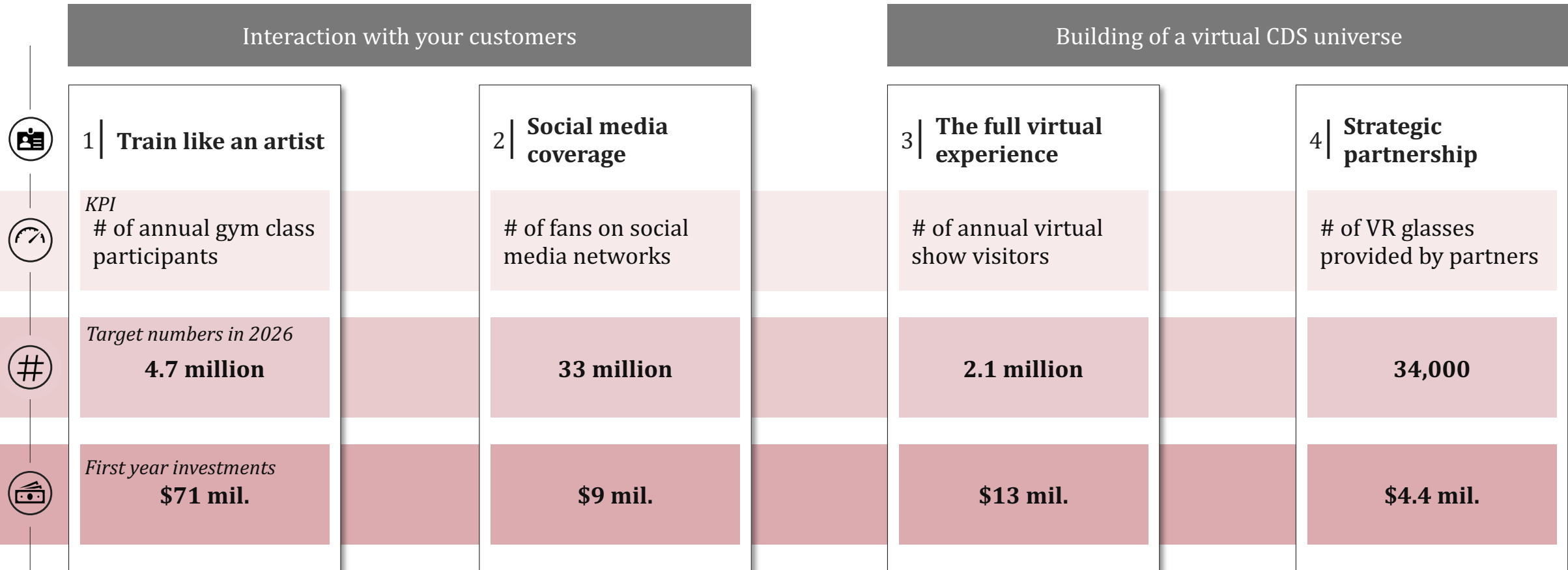
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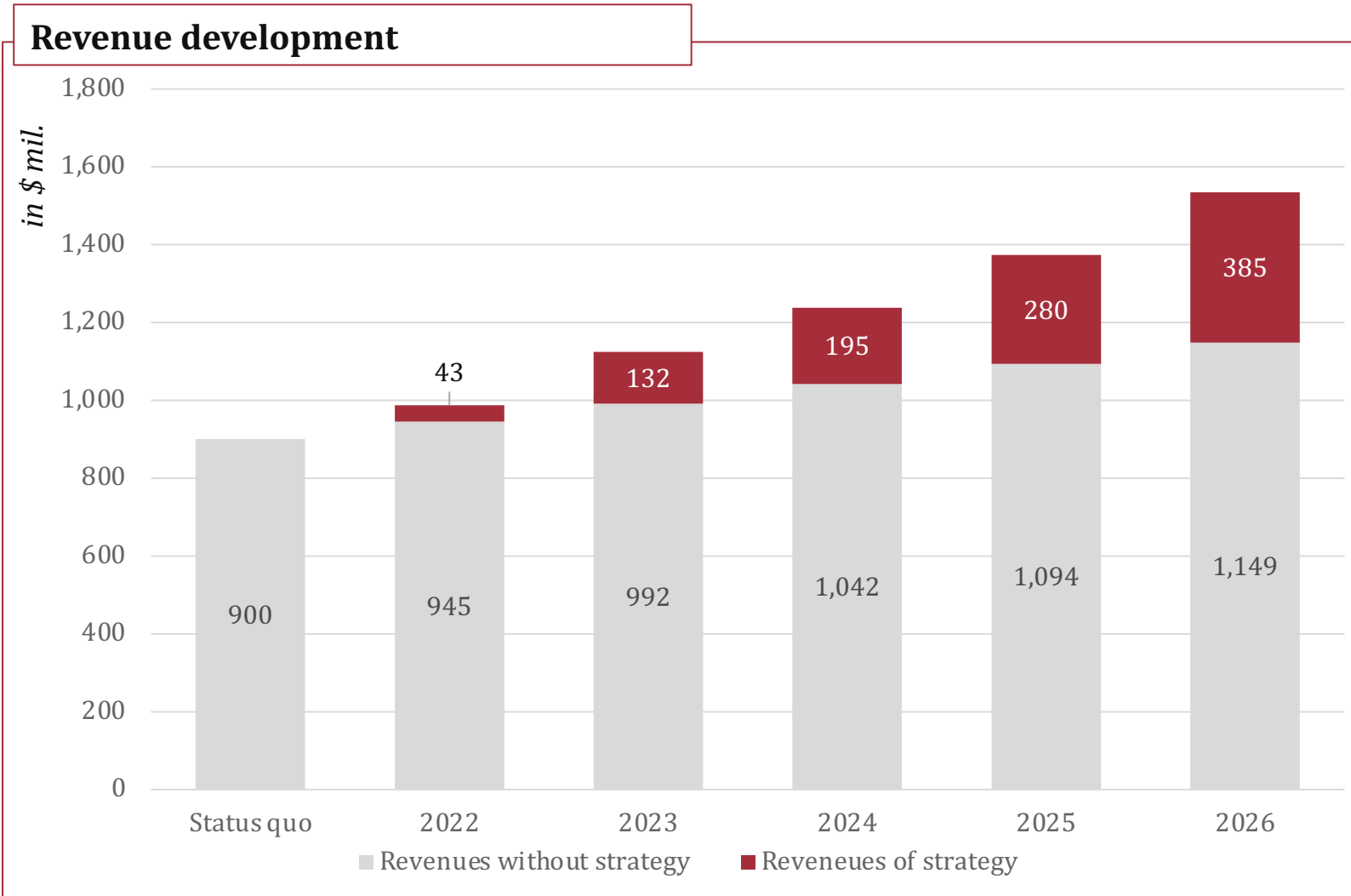
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Different KPIs can be used in order to track the successful implementation of “Feel the real” initiatives – a total of 2.1 million visitors will be experiencing shows virtually in 2026



The mix of initiatives will lead to a positive impact on sales with moderate financial investments

The strategy “Feel the real” will achieve additional revenues of approx. \$1 bn. within five years



Key revenue driver



New customer gained due to the fitness experience and the VR-experience



Competitive price setting of the virtual experience and a small commission fee per fitness attendee



Rollout at first concentrated on north-america and later on globally

The “Feel the real” strategy will achieve a NPV of approx. \$300 mil. over the next five years

Project net present value

Year	2022	2023	2024	2025	2026
Additional revenues	43	132	195	280	385
General operating expenses	-5	-16	-23	-34	-46
Expenses from initiatives					
Train like an artist	-71	-41	-43	-46	-51
Social media coverage	-9	-4	-6	-10	-14
Virtual experience	-13	-18	-22	-28	-32
Strategic partnership	-0.8				
Free cash flows	-57	54	101	162	242
NPV	305				

in \$ mil.

Sensitivity analysis NPV

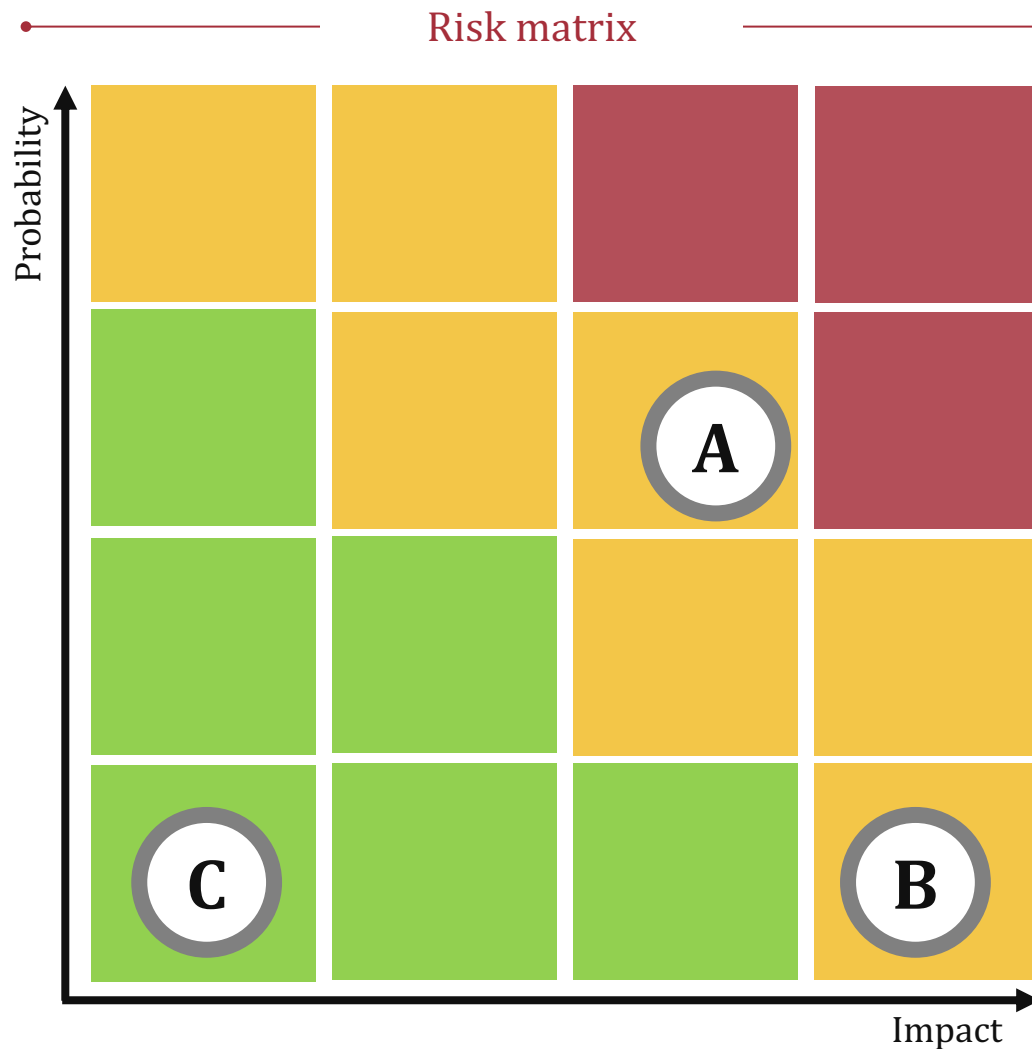
		<i>Numbers of shows per year</i>		
		60	80	100
<i>Average price per show</i>	30	240	273	307
	39	263	305	346
	48	287	336	385

in \$ mil.

Key assumptions

- Estimated actual revenues: \$900 mil.
- Growth rate shows per year: 5%
- Average VR spectators per show: 10%
- Price per VR-Ticket: \$39
- Price per Merchandise: \$19
- Price per Shipping: \$4.99
- Fitness program members: 900
- Comission fee per member: \$2.99
- General operating expenses (Margin): 40%
- WACC: 12%

The most influential risk of “virtual experience to not be real” can be counter measured by further development of addressing senses



Risks and Countermeasure

	Risk	Countermeasure
A	Virtual experience is not the same as real experience	Further development of the offer - Possibility to appeal to other senses e.g., Smell
B	Trouble finding a partner for virtual reality platform	Focus on the reputation of Cirque du Soleil Create a win- win situation
C	Employees feel underchallenged by new tasks	Hard times call for hard measures – Underline the current circumstances

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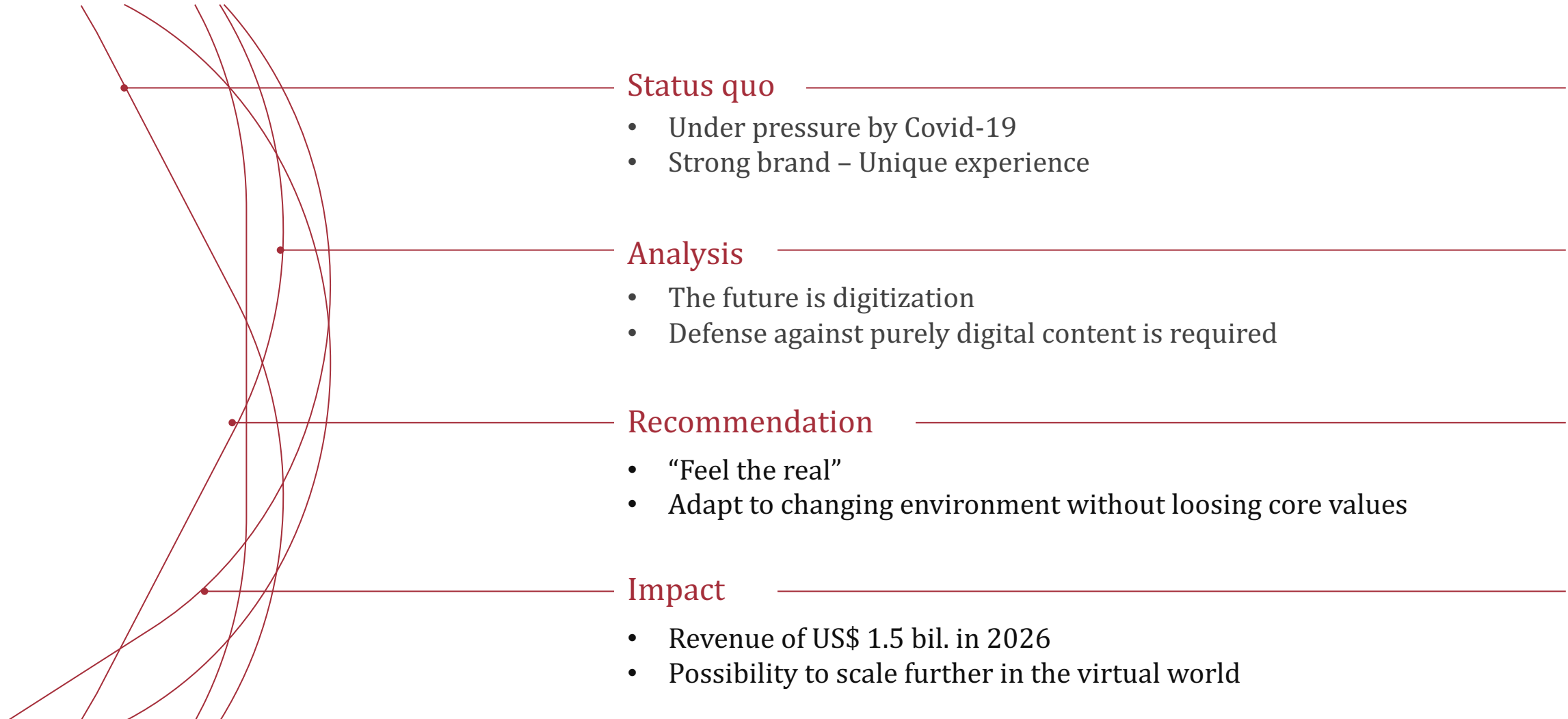
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The “Feel the real” strategy enables Cirque du Soleil to successfully transfer their business into the digital world



A follow up project with the UMC would kick off with the following...

Action 1:

Cast the gym crew

Action 2:

Find a partner for VR project

Action 3:

Goosebumps



Thank you for your attention.

Backup

Appendix 1: A successful strategy need to fulfill several criteria

1	Grade of innovation	The strategy should have a high focus on innovation due to customer needs
2	Internal consistency	In a well-organized company, each strategy fits into an integrated pattern – supporting the overall company goals
3	Feasibility	The strategy is realistic and implementable
4	Experience & Emotions	The CDS experience and emotions should be transferred to customers within this strategy
5	Financial impact	The strategy should provide positive financial impact

Appendix 2: What is in it for potential partners?

Gym and fitness club chains

- Increased attractiveness of their gyms
 - Offering an innovative course
 - Increasing the variety of offered courses
- Cross-selling potentials: sponsorships benefits
- Attracting new customer groups

Strategic partners for VR project

- Active promotion of their brand to millions of potential customers
- Limited workload/expenses for partners
- Cirque du soleil is a well known and popular partner
- Further expansion in a growing business area

Appendix 3: Deep Dive in the cost calculation of the presented net present value analysis

Detailed cost calculation	1	2	3	4	5
	2021	2022	2023	2024	2025
Gym	-71	-41	-43	-46	-51
Investment content creation	-24,000,000				
Number of programs per month	6	6	6	6	6
Number of languages	2	2	2	2	2
Number of programs per year	12	12	12	12	12
	144	144	144	144	144
Personal costs	-240,000	-240,000	-240,000	-240,000	-240,000
Service costs	-5,000	-5,000	-5,000	-5,000	-5,000
Administrative costs	-2,000	-2,000	-2,000	-2,000	-2,000
Personal costs	-40,000	-40,000	-40,000	-40,000	-40,000
Costs per new user	-2,385,000	-3,975,000	-6,360,000	-9,540,000	-14,310,000
Data Infrastructure	-8,000,000				
Other expenses	-1,000,000	-1,000,000	-1,000,000	-1,000,000	-1,000,000
VR Experience	-13	-18	-22	-28	-32
Number of spectators	0	967,680	1,290,240	1,720,320	2,042,880
Discount for person with classes	0	-3,677,184	-4,902,912	-6,537,216	-7,762,944
Packaging costs	\$ -	\$ (4,838,400.00)	\$ (6,451,200.00)	\$ (8,601,600.00)	\$ (10,214,400.00)
Shipping fee	\$ -	\$ (4,538,419.20)	\$ (6,051,225.60)	\$ (8,068,300.80)	\$ (9,581,107.20)
Number of classes	\$ 500,000.00				
Storage	-5,000,000				
Personal costs	-600,000	-600,000	-600,000	-600,000	-600,000
IT-Service Center	-3,000,000	1,000,000	1,000,000	1,000,000	1,000,000