

# BUSINESS 2.0

## The Phantasmagoria Factory

*In two decades of wild theatricality, **Cirque du Soleil** has never had a flop. Credit the talented artists for the dazzling shows—and shrewd business decisions for their sustained success.*

**By Geoff Keighley**

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To understand what a Cirque du Soleil circus is like, you first have to forget every childhood memory of ringmasters, clown cars, and lion tamers. Get ready instead for a dancing headless man carrying an umbrella and a bowler hat (in *Quidam*, one of Cirque's five touring shows). Or a clown acting a pantomime of lost love, then disappearing in an elaborately staged blizzard (in *Alegria*, another touring show). Or trapeze artists dropping into a huge indoor lake that then "evaporates" before the audience's eyes (in *O*, Cirque's resident show at the Bellagio in Las Vegas).

Cirque du Soleil (French for "circus of the sun") is one of the rare companies that utterly redefine their industries. It takes the circus's raw materials—trapeze artists, contortionists, strong men, clowns—combines them with surreal costumes, nonstop New Age music, and dazzling stagecraft, and then ties it all together with a vaguely profound theme, like "a tribute to the nomadic soul" (*Varekai*) or "a phantasmagoria of urban life" (*Saltimbanco*). The result is a spectacle that leaves audiences cheering—and flailing for metaphors. "It's like a tour of Dante's *Inferno* designed and cast by Federico Fellini," reads one review of *O*.

Though considerably less surreal than its shows, Cirque's business model is another crowd pleaser. Bobby Baldwin, CEO of Mirage Resorts, whose Treasure Island casino in Las Vegas hosts Cirque's *Mystère*, calls Cirque "the most successful entertainment company in the world." He isn't referring strictly to profits: The private, Montreal-based company nets more than \$100 million a year on \$500 million in revenue; that's not peanuts, but it's no more than Disney's live entertainment division.

Instead, Baldwin is talking about the power of the brand. In two decades and 15 separate productions, Cirque du Soleil has never had a flop. By comparison, 9 out of 10 shows on Broadway—productions aimed at the same sophisticated, big-ticket audience as Cirque—fail to earn back the money invested in them. Cirque's reputation for never missing is so strong that, in exchange for half the profits, four Las Vegas resorts, as well as Disney World, each agreed to spend tens of millions of dollars to build a custom theater to house a Cirque show and foot half the show's production costs, which can hit \$25 million. No traditional circus has ever inspired such an outpouring of capital from business partners. And who can blame them? According to a recent survey, some 5 percent of all Las Vegas tourists—1.8 million a year—cite Cirque's shows as their main reason for visiting.

Much of the credit goes, appropriately, to the company's performers and artists—especially Franco Dragone, the Belgian director who headed the creative team for six of Cirque's nine current productions. Cirque's president for shows and new ventures, Daniel Lamarre, is only too happy to agree. A 50-year-old former television executive who seems slightly amused to find himself in the constant company of world-class acrobats, contortionists, designers, and

musicians, Lamarre says he knows exactly why his business works: "We let the creative people run it."

But of course, it isn't really that simple. Indispensable as the artistic vision has been, what has sustained Cirque's success for two decades is a company culture that embraces creativity and jealously safeguards the brand. Lamarre points out that Cirque's R&D spending runs twice the rate of the average U.S. corporation's: When performers take the stage in O, for example, they wear waterproof makeup invented by Cirque cosmetologists and swim in an onstage lake designed by Cirque engineers. In addition, chances are that most of the performers in the show were discovered by Cirque's team of talent scouts and tracked in Cirque's database of performers, the largest such library in the world.

The story of Cirque, then, isn't just about reinventing the big top. It's about the business decisions that built Cirque's creative success into a half-billion-dollar enterprise. It's also about the decisions Cirque is making now about carrying its creative momentum into the future. This is controversial: Its latest show, an erotic fantasy called Zumanity, ventures into an arena that critics say could jeopardize Cirque's brand. There's even less agreement on the more far-flung projects, such as Cirque-branded nightclubs and restaurants. But some dissent is to be expected: Every growing company eventually reaches the limit of its original mission and has to consider adopting a broader purpose. For Lamarre, whose goal is \$1 billion in revenue by 2007, the choice is obvious. After all, reinvention is in Cirque's blood.

Cirque du Soleil was hatched in 1984 by two high school dropouts--Guy Laliberté, a 23-year-old Montreal fire breather, and Daniel Gauthier, 24, a youth hostel manager. In what had to be one of the entertainment industry's most audacious acts of persuasion, they talked the Quebec government into granting them just over \$1 million to develop a show around local street performers as part of a festival celebrating the 450th anniversary of Montreal's founding. The pair hired Dragone in 1985, and what he calls the "transdisciplinary experience" of circus blended with stagecraft, live music, and song became Cirque's trademark and a hit across Canada.

The moment of truth arrived in 1987 when Laliberté and Gauthier took their act to the L.A. Arts Festival. The pair knew that if the show flopped, they couldn't afford to fly the cast and equipment home. They needn't have worried, however: The standing ovation went on for five minutes, and by the time the box office opened the next morning, 500 people were standing in line. Cirque du Soleil was no longer a nonprofit organization.

The new business was less than four years old when the founders made perhaps their most crucial decision. As word had spread of Cirque's blockbuster success, offers flooded in from other production companies eager to license touring versions of the show. No doubt the road shows could have made money. Ringling Bros. and Barnum & Bailey Circus, for example, has built its business on touring shows that have been offering up basically the same trained-lions-and-traditional-trapeze fare for generations. And for a Broadway musical, tours can be the main source of profit. But Gauthier and Laliberté refused. World-class circus performers are simply too scarce a resource, they reasoned, and a wave of road shows could only dilute the genius of the original. Rather than compromise on quality, they decided that every show bearing the Cirque name would be created in-house and be unlike any show that went before. "We said, 'Each show is a new member of the family, and we never want twins,'" Gauthier says. (Gauthier left Cirque in 2001, but Laliberté, now CEO and sole proprietor of Cirque, has never budged from that resolution.)

Lamarre freely admits that the decision has restricted the company's growth. "People tell me we're leaving a lot of money on the table by not duplicating our shows," he says. "And you know what? They're right." But he says he has no regrets, adding that Cirque's success is the best proof that the founders were right to choose quality over quick profits. The same holds for the company's deliberate pace of production. Cirque will release just one new show a year through

2007. Since the company builds each show from scratch--a three-year process--a faster schedule would spread creative resources too thin, as the company learned in 1998 when it produced both *La Nouba* and *O*.

At the moment, five Cirque shows tour the world, each a one-of-a-kind production accompanied by its own 2,500-seat tent. Another four play in permanent venues built exclusively for Cirque in Las Vegas and Orlando. Such arrangements are not cheap. To launch *Zumanity*, for example, New York-New York owner MGM Mirage put up \$51 million, including the cost of building the theater, while Cirque kicked in \$7.5 million.

So far, though, Cirque has repaid its partners' investments--and then some. The brand draws a decidedly upscale college-educated audience, skewing toward women. Such patrons appreciate Cirque's ambitious themes and, just as important, don't blink at ticket prices that range from \$45 to \$150. The company sells 97 percent of available seats; at that rate, even *Zumanity* should earn back its production costs in three or four years. *Mystère*, for example, the first of the resident Vegas shows, recouped its \$45 million "nut" in less than four years. Today, 10 years after its opening, it still generates more than \$500,000 a week in profit and continues to pack in crowds every night.

Whether it's destined to tour or take up residence, every Cirque show first sees the light of day at the company's home office in Montreal. Located in the industrial St. Michel district, headquarters is a nondescript four-story concrete and aluminum box. Nondescript, that is, as long as you ignore the 27-foot-long bronze clown shoe by the front door.

Inside, though, you quickly catch on that this is no ordinary office. Walk through the blue double doors marked "Studio E" and you'll find yourself in an airplane-hangar-size room clad in blue padding. A young man in a white leotard is gripping two handles on the floor and slowly elevating his entire body, tracing circles with his legs. In the distance, three T-shirted strong men are being instructed in Russian on the art of stacking themselves in a human tower. Down the hall through another blue door is an even stranger sight: row upon row of lifelike plaster heads, 500 in all, one for each Cirque performer. They're available as a reference for the company's 300 seamstresses, costumers, and wigmakers. Standing beside you, Lamarre chuckles. "Whenever we are negotiating with a business partner, I insist they visit us here," he says. "It isn't what people usually expect to find."

True to Lamarre's assertion that the creative minds lead the company, he and his business staff never get involved with a show's three-year-long creative gestation. At conception, Lamarre meets with the team of director, circus director, choreographer, composer, and set and lighting designers and agrees on a production budget and an opening date. After that, the director can spend the budget--typically on the order of \$10 million to \$25 million--as he or she sees fit. "Cirque allows you to approach shows with the artistic priority first," Dragone confirms. "I never had to worry about the money or the business and instead could focus on the show." While it seems hard to believe, Lamarre says no director has ever come begging for more money.

That doesn't mean, of course, that the business office is irrelevant. Indeed, one key to each new show's electrifying originality is Lamarre's massive investment in research and development. While he won't be specific, Lamarre hints at an annual outlay of some \$40 million. The payback: astonishing effects like a swirling snowstorm in *Alegria*. Perhaps the most amazing invention is *O*'s indoor lake, which can shrink from a 25-foot-deep pool to a puddle in a matter of seconds, thanks to a hydraulically powered floor that rises through the water. The specially equipped theater cost \$70 million alone, paid for entirely by MGM Mirage, which also shouldered nearly half the \$22 million in production costs.

Nor could any Cirque show function smoothly without the company's 32-person casting department. "We scour the world to find out what's happening, what the talent is, and who's emerging," says Lyn Heward, president of the creative content division and a former competitive gymnastics coach. Cirque has found cast members at the Olympic Games, the Moscow Circus school, a Mongolian elementary school—even the Imperial Orgy erotic arts festival in New York City, where a scout first saw Joey Arias, the drag queen in Zumanity. (Indeed, Cirque has to accommodate 27 languages among its 2,700 employees, necessitating, among other things, a pictorial menu in the headquarters cafeteria.)

The scouts enter promising talents in a database of performers, now 20,000 names deep. Céline Lavalée, one of Cirque's scouts, notes that creative teams never know when the database will come in handy. For example, when Zumanity needed a dwarf with acrobatic skills, the database spit out a candidate who had auditioned for Cirque years before in Brazil. "We didn't know how to use him then," Lavalée says, "but he turned out to be perfect for Zumanity."

Zumanity is by far the riskiest show to emerge from Cirque's incubator, an attempt to see how far it can stretch its creative formula and expand its demographics. Billed as "another side of Cirque du Soleil" and restricted to those 18 and older, the risqué show mixes bullwhip-wielding dominatrices with stiletto-heeled drag queens, topless acrobats, and a Cuban stripper who disrobes down to nothing but a diamond-pavé codpiece. The experiment seems to be delivering the results Cirque wanted: The crowds at Zumanity's New York-New York venue are younger and more male than the company is used to seeing.

Still, not everyone is pleased. "I don't think Cirque understands what its brand means anymore," says Jean David, a 15-year Cirque veteran who left the company in 1999 as VP for marketing. "They're trying to exploit an opportunity"—at the risk of clouding a brand that plays at Disney World, for crying out loud. But Heward insists that Zumanity is a Cirque show at heart. "It still meets our standards—high performance, very artistic, and also exploring humanity in a unique way," she says.

And, of course, if Heward and Lamarre have their way, Zumanity is only the beginning. The company has found some success with Cirque merchandise and TV shows. (Fire Within, a documentary about the making of Varekai, recently won an Emmy.) Down the road, Cirque plans to branch into hotels and restaurants. It's not such a stretch, Heward insists. "Whether you are an innkeeper or restaurateur, you are entertaining on some level," she says.

Ideas on the drawing board include a nightclub called Club Cirque and a Cirque Resort in Vegas that would feature New Age music, brightly colored furniture, and theatrical lighting throughout the building. Cirque's entertainers would also have roles; Lamarre says he envisions jugglers as room service waiters. "We want to challenge our creative people to work in new mediums," he says.

While the appeal of juggling waiters in a hotel room may be unclear to many, it's evident that the company that reinvented the circus is eager to have a shot at reinventing itself. Indeed, Lamarre is already trying out a new motto. "We're not just a circus company," he says. "We define ourselves as a creative content provider." That's quite a mouthful for a company that still refuses to commission road shows to avoid compromising artistic integrity. A sexy circus act is one thing. But a resort? That sounds like brand acrobatics without a net.