

# Case Study: Penn & Teller vs. India's Got Talent in the Indian Market

## 1. Executive Summary

Our client, a leading Indian hospitality and entertainment conglomerate operating a premier resort and casino in Goa, is evaluating whether to introduce a headlining magic and comedy show featuring Penn & Teller or a local act featuring a recent winner of "India's Got Talent" (IGT) at their 1,000-seat theater. The objective is to maximize profitability in a highly competitive market. After analyzing revenues, costs, and market dynamics, we recommend launching the IGT winner's show due to its higher annual profit (₹42.42 crore vs. ₹36.7 crore for Penn & Teller), better cultural fit for local audiences, and a reasonable 3.5-year payback period for setup costs. Strategic marketing and bundling opportunities can further enhance profitability.

## 2. Situation

The client owns a luxury resort and casino in Goa, a top Indian tourist destination known for its vibrant nightlife, casinos, and live entertainment. They aim to diversify their entertainment portfolio by introducing a flagship show in their 1,000-seat theater to drive ticket sales and ancillary revenue (casino, dining, hotel stays, and merchandise). Penn & Teller, a globally renowned magic-comedy duo, have been proposed as a headlining act, leveraging their success as the longest-running show in Las Vegas. Alternatively, the client is considering a local act featuring a recent IGT winner, which may resonate more with Indian audiences. The contract for either act is for one year, and the client's primary goal is to maximize total profitability.

## 3. Problem Statement

Should the client launch Penn & Teller's show in their Goa theater, or opt for an IGT winner's show? Key considerations include:

- Profitability of each show (ticket sales and ancillary revenue minus costs).
- Cultural and market fit in Goa's competitive entertainment landscape.
- Risks and opportunities, including setup costs and long-term viability.

## 4. Analysis

### 4.1 Framework

To address the problem, we will evaluate:

1. **Profitability of Penn & Teller's Show:**
  - Revenue: Ticket sales based on pricing, attendance, and show frequency.
  - Costs: Fixed (performer contracts, utilities, SG&A) and variable (crew, props, housekeeping).
  - Ancillary Revenue: Incremental casino spending, dining, hotel stays, and merchandise.
2. **Profitability of IGT Winner's Show:**
  - Revenue and cost comparison to Penn & Teller.
  - One-time setup costs for theater reconfiguration and marketing.
3. **Market and Cultural Fit:**
  - Appeal to Indian audiences (urban, tourist, and international segments).
  - Competitive landscape in Goa (casinos, Bollywood shows, nightlife).
4. **Risks and Opportunities:**
  - Brand recognition, localization needs, and payback period.

## 4.2 Clarifying Information

- **Client's Goal:** Maximize total profitability (ticket sales + ancillary revenue).
- **Contract Duration:** One year for either act, per industry standards.
- **Market Context:** Goa's entertainment market is competitive, with casinos, Bollywood-style shows, live music, and nightlife. The client targets affluent Indian urbanites, Non-Resident Indians (NRIs), and international tourists.
- **Penn & Teller's Show:**
  - Theater: 1,000 seats (200 Premium at ₹5,000, 500 Standard at ₹3,000, 300 Economy at ₹1,500, reflecting India's luxury pricing).
  - Attendance: 100% Premium, 80% Standard, 50% Economy (based on Vegas data, adjusted for price sensitivity).
  - Show Frequency: 5 shows/week, 40 weeks/year (accounting for monsoon and off-season).
  - Costs: ₹10 crore/year for Penn & Teller's contract, ₹10,000/show for crew, ₹50,000/week for housekeeping (40 weeks), ₹5,000/show for props, ₹50 lakh/year for utilities, ₹10 lakh/month for SG&A (12 months).
- **IGT Winner's Show:**
  - Revenue: ₹4,000 less per show than Penn & Teller due to lower brand appeal.
  - Costs: ₹6 crore/year total, lower due to local talent.
  - Setup Costs: ₹2 crore one-time cost for theater reconfiguration and marketing.
- **Cultural Notes:** Penn & Teller's intellectual, irreverent humor may appeal to urban and international audiences but may require localization (e.g., Bollywood references or Indian cultural elements). IGT winners have stronger local appeal but less global recognition.

## 4.3 Profitability Analysis: Penn & Teller

## Revenue

- **Seats Sold per Show:**
  - Premium:  $200 \text{ seats} \times 100\% = 200 \text{ seats}$ .
  - Standard:  $500 \text{ seats} \times 80\% = 400 \text{ seats}$ .
  - Economy:  $300 \text{ seats} \times 50\% = 150 \text{ seats}$ .
  - Total:  $200 + 400 + 150 = 750 \text{ seats/show}$ .
- **Revenue per Show:**
  - Premium:  $200 \times ₹5,000 = ₹10,00,000$ .
  - Standard:  $400 \times ₹3,000 = ₹12,00,000$ .
  - Economy:  $150 \times ₹1,500 = ₹2,25,000$ .
  - Total:  $₹10,00,000 + ₹12,00,000 + ₹2,25,000 = ₹24,25,000$ .
- **Annual Revenue:**
  - Shows/year:  $5 \times 40 = 200 \text{ shows}$ .
  - Total:  $₹24,25,000 \times 200 = ₹48,50,00,000$  (₹48.5 crore).

## Costs

- **Fixed Costs:**
  - Performer Contract: ₹10 crore/year.
  - Utilities: ₹50 lakh/year.
  - SG&A:  $₹10 \text{ lakh/month} \times 12 = ₹1.2 \text{ crore/year}$ .
- **Variable Costs:**
  - Crew:  $₹10,000/\text{show} \times 200 = ₹20,00,000$  (₹0.2 crore).
  - Housekeeping:  $₹50,000/\text{week} \times 40 = ₹20,00,000$  (₹0.2 crore).
  - Props:  $₹5,000/\text{show} \times 200 = ₹10,00,000$  (₹0.1 crore).
- **Total Costs:**  $₹10 \text{ crore} + ₹0.5 \text{ crore} + ₹1.2 \text{ crore} + ₹0.2 \text{ crore} + ₹0.2 \text{ crore} + ₹0.1 \text{ crore} = ₹11.8 \text{ crore}$ .

## Profit

- Annual Profit:  $₹48.5 \text{ crore} - ₹11.8 \text{ crore} = ₹36.7 \text{ crore}$ .
- Profit Margin:  $(₹36.7 \text{ crore} / ₹48.5 \text{ crore}) \times 100 \approx 75.7\%$ .

## 4.4 Profitability Analysis: IGT Winner

### Revenue

- Revenue per Show:  $₹24,25,000 - ₹4,000 = ₹24,21,000$ .
- Annual Revenue:  $₹24,21,000 \times 200 = ₹48,42,00,000$  (₹48.42 crore).

### Costs

- Total Costs: ₹6 crore/year.
- Setup Costs: ₹2 crore (one-time).

## Profit

- Annual Profit: ₹48.42 crore - ₹6 crore = ₹42.42 crore.
- Profit Margin:  $(₹42.42 \text{ crore} / ₹48.42 \text{ crore}) \times 100 \approx 87.6\%$ .

## 4.5 Profit Comparison

- **Penn & Teller:** ₹36.7 crore profit, 75.7% margin.
- **IGT Winner:** ₹42.42 crore profit, 87.6% margin.
- **Difference:** ₹42.42 crore - ₹36.7 crore = ₹5.72 crore higher profit with IGT.
- **Payback Period:** ₹2 crore setup cost / ₹5.72 crore = 3.5 years.

## 4.6 Market and Cultural Fit

- **Penn & Teller:**
  - **Strengths:** Global brand recognition, appeal to affluent urbanites, NRIs, and international tourists, unique magic-comedy format.
  - **Challenges:** Intellectual humor may not resonate with all Indian audiences; requires localization (e.g., incorporating Bollywood or regional elements).
- **IGT Winner:**
  - **Strengths:** Strong local appeal, especially among middle-class and regional audiences; easier to market via Indian media.
  - **Challenges:** Limited international draw, unproven long-term appeal.
- **Competitive Landscape:** Goa's market includes Bollywood dance shows, live music, and casino gaming. Penn & Teller's novelty could differentiate the resort, but IGT's familiarity may drive higher local attendance.

## 4.7 Risks and Opportunities

- **Penn & Teller:**
  - **Risks:** High performer costs (₹10 crore/year), cultural disconnect, static performance metrics (based on Vegas data).
  - **Opportunities:** Increase ticket prices for premium segments, bundle with dining/hotel packages, enhance merchandise (e.g., branded magic kits).
- **IGT Winner:**
  - **Risks:** Unproven long-term appeal, high setup costs (₹2 crore), slightly lower revenue per show.
  - **Opportunities:** Lower costs, viral marketing via Indian TV and social media, easier localization.

## 5. Recommendation

**Launch the IGT Winner's Show.**

- **Rationale:**
  - **Higher Profitability:** The IGT show generates ₹42.42 crore in annual profit compared to ₹36.7 crore for Penn & Teller, a ₹5.72 crore advantage, driven by significantly lower costs (₹6 crore vs. ₹11.8 crore).
  - **Cultural Fit:** IGT's local appeal aligns better with India's diverse audience, particularly middle-class and regional patrons, increasing attendance potential.
  - **Payback Period:** The ₹2 crore setup cost has a 3.5-year payback period, reasonable given India's growing entertainment market.
  - **Market Dynamics:** Goa's competitive landscape favors familiar, locally relevant acts to drive consistent attendance over Penn & Teller's niche appeal, which may require costly localization efforts.
- **Why Not Penn & Teller?:** While profitable (75.7% margin), their high costs and cultural adaptation challenges outweigh the benefits of their global brand in the short term.

## 6. Next Steps

- **Marketing Strategy:** Leverage IGT's popularity through TV, social media (e.g., Instagram, YouTube), and influencer partnerships to target local and regional audiences.
- **Revenue Enhancement:** Introduce ticket bundles with casino credits, dining, or hotel stays to boost ancillary revenue.
- **Cost Optimization:** Explore non-union crew options and streamline props to reduce variable costs.
- **Performance Monitoring:** Collect audience feedback post-launch to refine the show and assess long-term viability.
- **Contingency Plan:** If IGT's appeal wanes, consider a hybrid approach (e.g., guest appearances by international acts like Penn & Teller) to refresh the offering.

## 7. Conclusion

The IGT winner's show offers a compelling opportunity to maximize profitability while aligning with Goa's competitive and cultural landscape. By capitalizing on local appeal and optimizing ancillary revenue streams, the client can strengthen its position as a leading entertainment destination in India.