

Monday – December 15th

Before departing for my holiday abroad, I have been mulling over the idea of a Santa story for broadcast on Christmas Eve. I reached out to our guest hosts as to their thoughts on a story addressing Santa's profit margins given the advent of e-commerce. Here's what came back from Peter Lewis --

"Santa's profit margins are enormous. Consider this.

Firstly he has no employment costs. He has elves and fairies to manufacture his product (toys). They like their job and working for Santa so much that they demand no salary or other employment benefits.

Secondly he has no transportation costs. His method of transporting the finished product to its final destination, a sleigh, requires no fuel and is therefore not dependent upon the price of oil or any other commodity. He relies solely on reindeer power which is free. The supply of reindeer far exceeds demand. Just take a look in Lapland.

Thirdly the contribution by Santa to global economic growth is enormous. Of course, we can't measure economic growth by using distorted, manipulated and meaningless measures such as GDP. Instead, we should use an economic indicator along the lines of that used in Bhutan to measure our well-being: Gross National Happiness. On that measure, Santa contributes far more than even the world's largest company, Apple, (despite every child in the world being provided with an iPhone 6) to the happiness of millions of children worldwide.

Finally, Santa's business is a true old fashioned industry relying on manufacturing to produce a final product for which there is a real market. I have seen some of the letters he has received as testimony to that. The worth of his venture does not depend upon share buybacks, accounting gimmicks, or central bank stimulus such as QE. Of course he makes no money but then neither do most companies in the world when you strip out the effects of share buybacks, accounting gimmicks and central bank stimulus. But at least Santa will never go bankrupt and every year we can rely on him and his merry band of loyal workers to spread peace, happiness and good cheer across the globe, a business model that Jack Ma has copied to very good effect!

Peter"

Now, when it comes to sleighs, or at least the kind Santa rides, they do indeed have a very dear fuel cost -- magic dust. As you know this is extremely rare and so quite expensive. Given plummeting oil prices, it begs the question as to whether the extra cash might be better put to use to purchase this expensive fairy dust versus engineering a fuel-driven sleigh.

Need anything else be said?

Happy holidays everybody!

Yours,
Reenita Malhotra Hora
Anchor - Money For Nothing on RTHK Radio 3