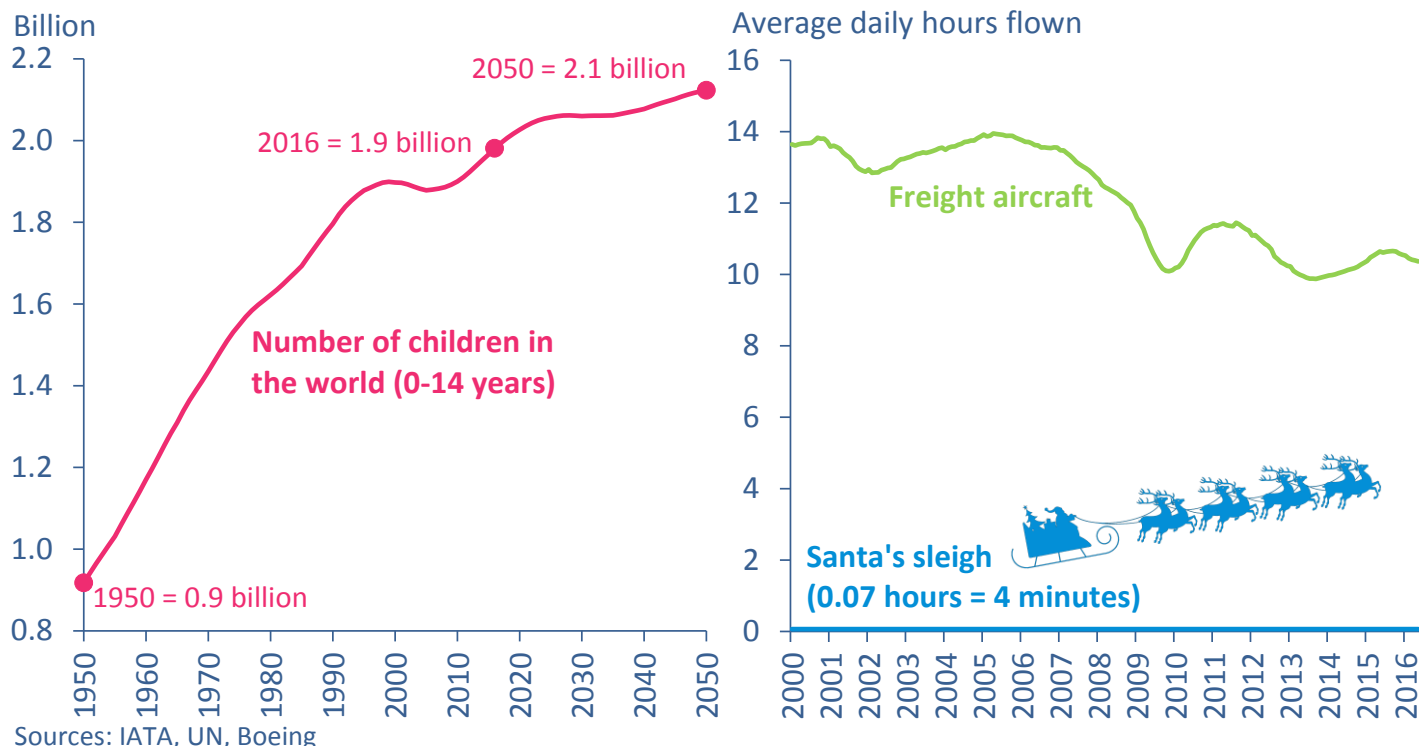




IATA ECONOMICS' CHART OF THE WEEK

16 DECEMBER 2016

IS SANTA'S BUSINESS MODEL BROKEN?



- The exact details of how Santa Claus delivers presents to every child in the world each year remain shrouded in mystery. But what is clear is that Santa and his North Pole team preside over the largest air cargo operation in the world. Indeed, assuming that each child's present weighs 5kgs on average, we estimate that Santa carries more than 9.6 million tonnes of cargo each year, well ahead of the 7.1 million tonnes of freight carried by FedEx in 2015.
- What's even more remarkable is the productivity gains that Santa and his team have realized over history. As this week's chart shows, the number of children in the world has more than doubled over the past 65 years or so, but Santa and his team have raised their game to ensure that all these additional presents have been delivered. In other words, each of Santa's eight reindeer currently work more than twice as hard as they did in 1950.
- But even with his dominant market position, Santa cannot rest on his laurels. Declining fertility rates mean that the number of children in the world is unlikely to increase much from current levels between now and 2050, and this will limit Santa's key customer base in the future. In fact, with traditional air freight expected to continue to grow, Santa and his team are on course to lose their position as the largest air freight carrier in tonnage terms in the mid to late-2020s.
- So what can Santa do? Clearly he is not maximizing the revenue potential of his sleigh. In fact, by being used just one day each year, Santa's sleigh is currently utilized for only four minutes a day on average, compared to more than 10 hours each day for traditional freighter aircraft. The fast-growing cross-border e-commerce segment is a potential opportunity for Santa to tap into. But this will need Santa and his elves to think outside the box and to enhance their online 'presents'. *Chart of the Week* will return in 2017. Season's greetings to all!

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