UNIVERSITY OF AUCKLAND INVESTMENT CLUB

INVESTMENT BULLETIN

STUDENT WRITERS · STUDENT OPINIONS

AN ENTIRELY POINTLESS REVIEW OF THE ECONOMIST'S PRICING PLAN

BY SKIP GEE

+ MORE ON:

KIWI CLASSIC PULLED FROM THE SHELVES

THE DIGITAL NOMAD ECONOMY: REDEFINING WORK AND WEALTH

& FROM OUR PARTNERS:

MYOB COLUMN: MYOB FINANCE, BUSINESS & ECONOMY POLITICAL DEBATE

FORSYTH BARR FOCUS: BALLOTS AND BULLS

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Prices as at Tuesday 3rd October 2023
unless otherwise stated

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An Update from the fund

A RUNDOWN OF THIS WEEKS PITCHES WRITTEN BY OUR INVESTMENT COMMITTEE ANALYSTS

Ridley Corporation

Pitched by Isabelle Lee & Abby Sathyendran

Ridley Corporation Ltd (ASX: RIC) is Australia's leading provider of high-performance animal nutrition solutions and has been an integral part of Australian agriculture for more than 30 years. Ridley is a market leader within the animal nutrition sector and benefits from being well established in the industry with strong suppliers, customers, and local community partnerships.

Protein for human, pet food, as well as feedstock for renewable fuels are forecasted to increase, which Ridley's products are positioned to benefit from. Ridley's geographical spread, multi-species offering, customer mix and disciplined risk management provide earnings resilience through weather, disease, and market cycles. With earnings growth supported by internal improvement initiatives that will deliver earnings ahead of industry growth rates, an under-geared balance sheet providing them with optionality to continue capital management initiatives and engage in earnings accretive acquisitions, Ridley is positioned to execute on growth opportunities that continue to create shareholder value.

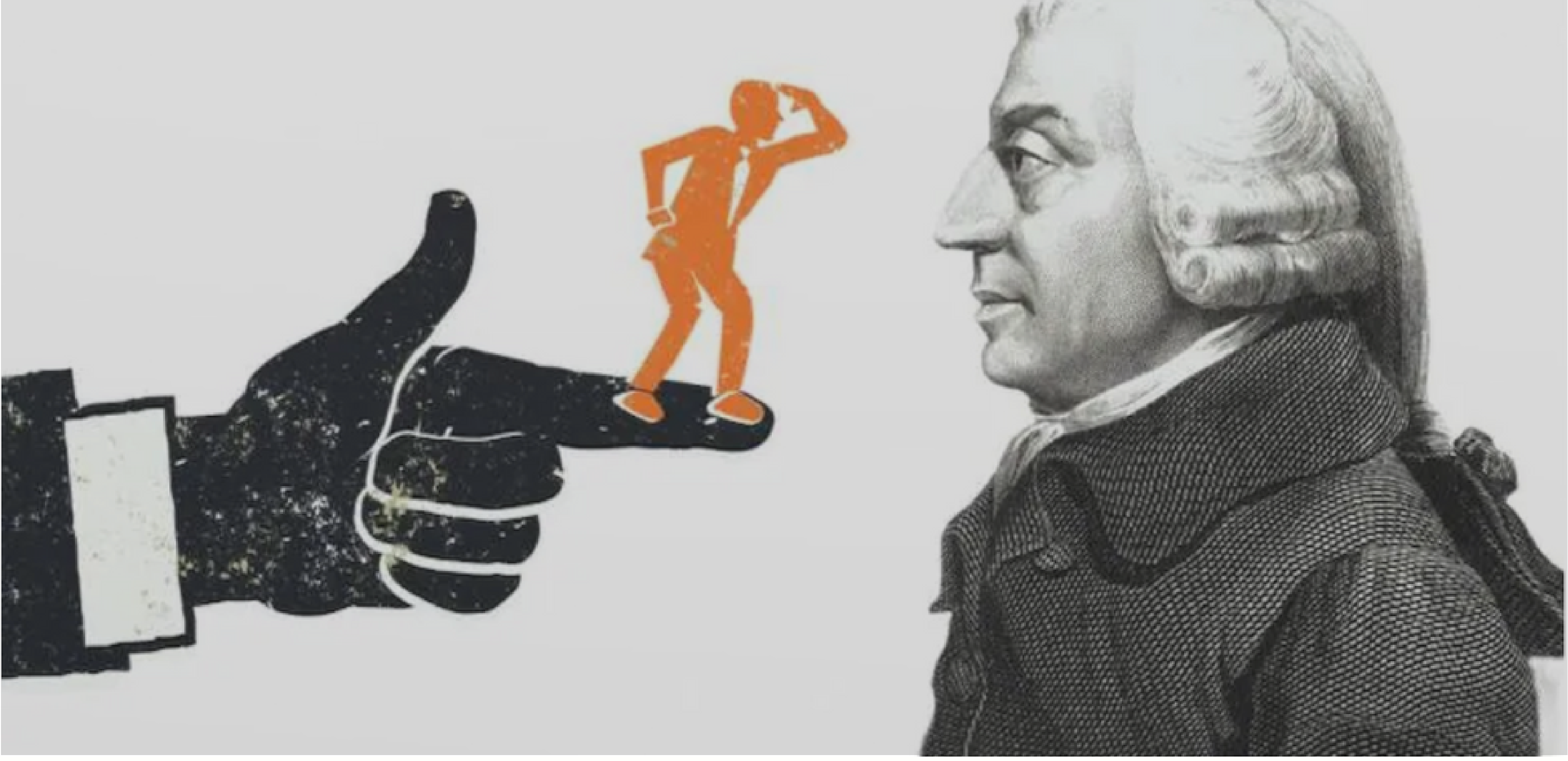
The Investment Committee passed Ridley to the valuation stage by a vote of 6 Yes, 3 No. The Investment Committee liked the systemic trends benefiting Ridley and were especially excited about its continued commercialisation of its prawn feed business.

LOCAL

An entirely pointless review of The Economist's pricing plan in New Zealand

BY SKIP GEE

Last month was a stress-laden time for many university students - myself included. During this time of due dates and tests, you may have taken out a one-month free subscription to a news journal you needed to cite for an assignment you needed to finish. Like me, you may have forgotten to cancel this subscription before the month was up and, like me, you may have been stung with a fee for your next month of financial literacy.



As September the 23rd rolled around I received three emails from The Economist. One informed me of Rupert Murdoch's new non-retirement plan, another cited the importance of talking to strangers, and the third; a $57.90 bill to tide me over on the site until mid-October. I naturally thought that I had made a mistake and signed on for the year-long subscription instead of a monthly instalment plan. My Wall Street Journal (WSJ) subscription sets me back just $2 a month...

Nope, The Economist charges its digital NZ customers $57.90 per month with an option to cough up $579 for a year using the site. Now, I personally love The Economist and have used it countless times before; accessing as many free articles as my non-subscriber status allows. My first free month with the site was admittedly superb; my essay was supported by articles from top journalists and I'd bargain that I knew more about the war in Ukraine than anybody outside of Kiev.

Nevertheless, the point of this article is not to applaud the expert standard of journalism inherent to The Economist, but to get to the bottom of why the site is so expensive. On the surface there is no apparent reason behind the high prices. The Economist arguably offers a lot more in the way of opinion and worldview than journals like WSJ. Nevertheless, to me this did not adequately account for the $55 monthly difference between the two. Other comparable digital services from the Guardian and NY Times are also much lighter on the wallet, each costing around $150 NZD per annum.

More research got me no closer to a clear conclusion but instead supplied an additional headache: The Economist's pricing is highly dependent on the geographic location of the buyer. For instance, The Economist is $315 NZD for a full year of digital journalism in the US, as opposed to $595 in NZ. A brilliant article by Hal Crawford exploring a similar issue popped up in the Spinoff a year ago and provided us with the price map shown below. Maybe it costs three times less to operate a website in India than it does in Pakistan or Sri Lanka?

Whatever the answer, it is hard to find any economic rationale behind the international pricing of the Economist. For one, the version of the Economist in question is entirely digital and does not differ in terms of content or quality based on region in the slightest. For another, journals such as the Guardian and NY Times did not have any variation in pricing plans between the US and NZ when I experimented with their respective pricing pages. In fact, current exchange rates in mind, the Guardian actually came out to be cheaper in NZ.

Unsurprisingly, The Economist is naturally suffused with economic rationalism in its opinions, articles and newsletters. But, maybe this message is not quite getting through to those international consumers on the other end. We are paying up to 300% more for the same product delivered online and yet the Invisible Hand has not acted. It has not thumped the table in disgust and forced The Economist to reconsider its pricing as rational end consumers boycott the site and pay for substitutes instead. Adam Smith would be turning in his grave if he knew the chief proponents of the free market system actively practised irrational pricing and the end-consumers blindly footed this bill.

This forces me to an unsettling conclusion. The Economist prices the way it does simply because it can. In NZ and Pakistan and throughout Africa, we are not kicking up enough of a fuss. We are blindly chasing the clout of a financial journal which, though excellent, does not provide twice as much utility as its close substitutes and does not have any sound economic reason for the difference in pricing internationally. We are not paying enough attention to the message delivered in that beautiful red colouring and are falling foul of the misguided attitude that economists allover condone with disgust as inherent to irrational and impulsive consumers. We are paying through the nose for a service which we know is being sold to others on the cheap and we do not care enough.

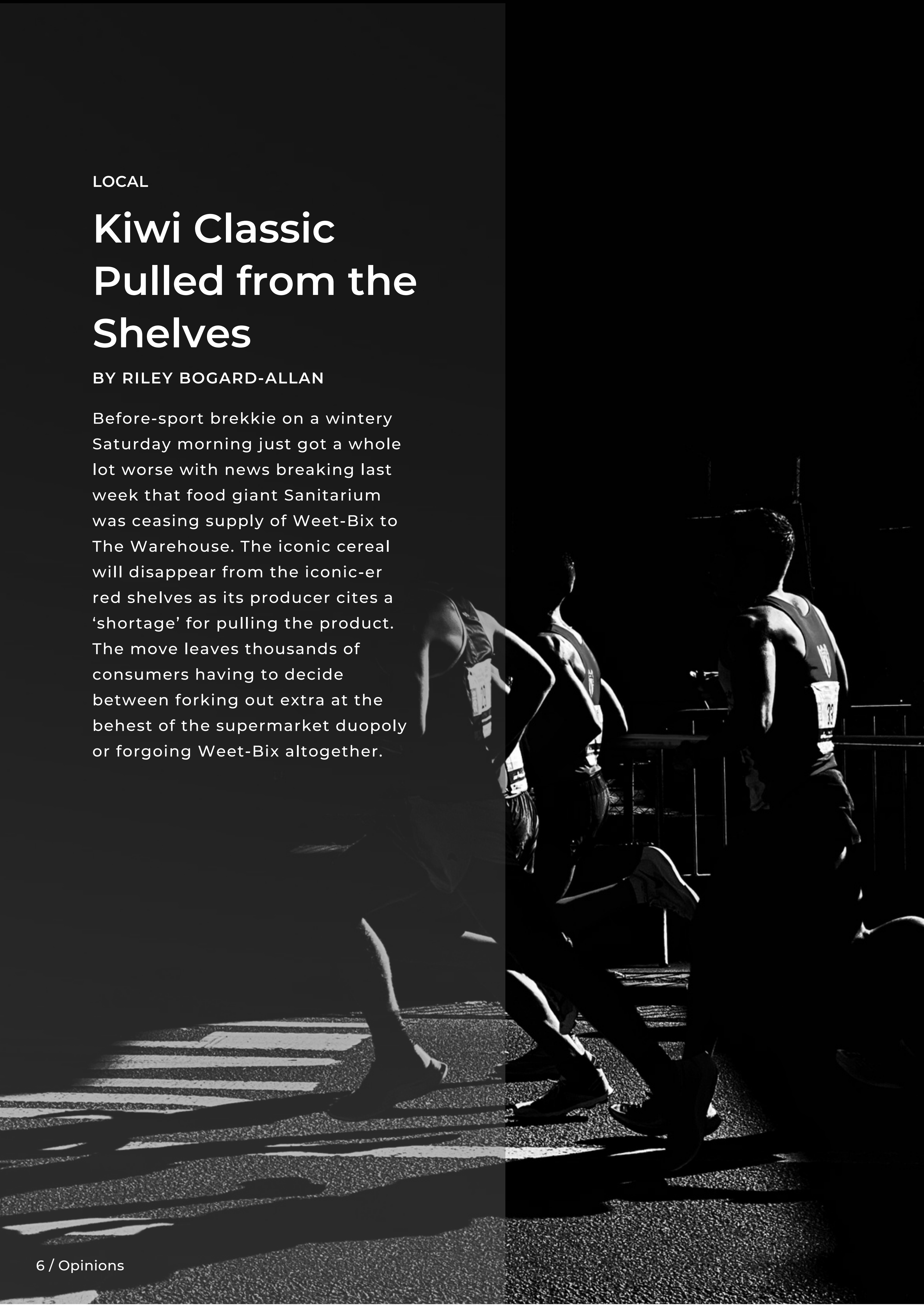
Perhaps the international pricing is intended as an antithesis to the Big Mac Index; that consumers in developing countries will continue to consume regardless of far higher relative prices. If so, it must be said that The Economist is quite correct as usual, and they are probably making a tidy buck in the process.

LOCAL

Kiwi Classic Pulled from the Shelves

BY RILEY BOGARD-ALLAN

Before-sport brekkie on a wintery Saturday morning just got a whole lot worse with news breaking last week that food giant Sanitarium was ceasing supply of Weet-Bix to The Warehouse. The iconic cereal will disappear from the iconic-er red shelves as its producer cites a ‘shortage’ for pulling the product. The move leaves thousands of consumers having to decide between forking out extra at the behest of the supermarket duopoly or forgoing Weet-Bix altogether.



In a news week dominated by election drama, debilitating sinkholes and Rugby League tragedies (don't say it), the Weet-Bix story has been most sobering. The foodstuff was a staple in my life and has been feeding kiwis in some form or another for close to one hundred years. Found in the cereal boxes of its many brands, Sanitarium's collector cards were first issued in 1942 and endure today. In particular, Weet-Bix' long partnership with Super-Rugby and the All Blacks have truly captured the hearts of generations of kids. On a personal note, little was more important that filling the 2011 RWC All Blacks Handbook with all thirty (holographic!) player cards.

With The Warehouse offering the cheapest Weet-Bix around ($6 for a family box versus $7 at Countdown, $9.29 at New World and between $6-7 at Pak'nSave), Sanitarium's decision disproportionately affects low-income families. Sure, most parents of Weet-Bix kids will be willing to spend extra. For many others, however, especially those for whom the concepts of spare change or discretionary income are increasingly foreign, Weet-Bix will no longer feature on the shopping list. Kids, teens and adults of this ilk miss out on both Weet-Bix' significant health benefits and the sort of enjoyment the foodstuff brings. The cost-of-living crisis and a tanking economy have been front-of-mind for all New Zealanders and this is clearly a very material example of their combined effect.

Sanitarium has been distinctly quiet on the matter. The one-word justification 'shortage' was all that was heard from the company before Stuff received a written statement that said commercial relationships were confidential, and their practice was "not to comment on Sanitarium's production capacities and stock level". Granted, supply chain issues have wreaked havoc on economies around the world. But the disturbing fact is that Sanitarium will continue to supply the large supermarkets, where the revenue stream is obviously more assured, while The Warehouse and its customers have been left to turn soggy, unappealing and destined for the kitchen trash. Sanitarium's move, while born out of a shortage, is a cut-throat business decision in which their bottom line has proven to be the top priority.

The asymmetric nature of the

move prompts further questions about the lack of competition in the grocery sector. The supermarket duopoly – Woolworths and Foodstuffs, owners of Countdown and New World and Pak'nSave respectively – only benefit from Sanitarium's decision. What is most telling is that The Warehouse is no small player, including in the sector, with groceries making up nearly 20% of their total sales last year. Even still, the $600 million company is a victim of the move. We are yet to consider small retailers – the Mum-and-Dad corner store type – who will be looking on with no hope at all. As such, the Commerce Commission has initiated an inquiry into Sanitarium's recent decision and has already recorded its "extreme concern". Central to the fiasco, The Warehouse Group CEO Nick Grayston has been highly vocal, going as far as to question "the legality of the move to deprive our customers from such a major element of an affordable breakfast".

Weet-Bix has been through controversy before. In 2018, a Christchurch business owner came under fire for selling a British equivalent, which Sanitarium, that time on the receiving end of potentially nefarious tactics, said posed a "real threat" to the integrity and competitiveness of the market. The episode has since become a Business 112: Managing Sustainable Growth case study at none other than the University of Auckland and I found myself in such a lecture not long ago. If there were any positives arising out of Sanitarium's recent move, it is that the B112 course faculty have some new material to work with – same brand and all. Continuity is a wonderful thing.

GLOBAL

The Digital Nomad Economy: Redefining Work and Wealth

BY FAHEEM IBRAHIM

The 21st century has seen a seismic shift in how we perceive work. No longer tied down to traditional office spaces, a growing number of professionals are choosing to merge work with travel. Enter the era of the digital nomad – individuals who leverage technology to work from anywhere in the world. While this work model offers unparalleled flexibility, it also brings with it profound financial implications and opportunities, not just for the nomads but for economies worldwide.

Digital nomadism is essentially built on the pillars of remote work infrastructure: reliable internet, digital collaboration tools, and companies willing to offer remote roles. The global pandemic accelerated this shift, as businesses quickly realized that physical presence was not always a prerequisite for productivity. The result? A heightened demand for digital tools, cloud services, and online communication platforms, boosting the stock prices of companies like Zoom, Slack, and Microsoft.

For the digital nomad, the ability to choose their base means they can optimise for cost of living. Many, while earning salaries competitive in Western economies, opt for countries like Thailand or Vietnam, where their dollar stretches further, reducing their living expenses dramatically. This strategic financial flexibility often translates into increased savings, allowing them to plan for future ventures or even early retirement. Moreover, as they traverse different geographies, they encounter diversified investment opportunities - from the allure of real estate in emerging markets to funding local start-ups that resonate with their vision.

However, this migratory work style is not without challenges. Fluctuating incomes, navigating foreign tax laws, and accessing financial services while constantly on the move can pose complications. Plus, the lack of stable health insurance and retirement benefits demands that digital nomads be more proactive in their financial planning.

Economies hosting these workers stand to gain significantly. With nomads flocking to cities offering coworking spaces, good internet, and a conducive lifestyle, there's a direct influx of foreign currency. Local businesses, from cafes and restaurants to rental agencies, enjoy increased business. There's also an intangible benefit: the cross-pollination of ideas. Digital nomads often bring with them diverse skills and perspectives, fostering an environment of innovation and collaboration.

Amid this global shift, New Zealand is also seeing a trend of its workers branching out to embrace the digital nomad lifestyle. Driven by the desire for work flexibility, many Kiwis are trading their familiar backdrops for global vistas. Cities across Asia and Europe, known for their blend of culture, connectivity, and cost-effectiveness, have become particularly attractive. For many New Zealanders, the digital nomad lifestyle offers a refreshing escape from the daily grind, including the tedious morning traffic that we're all used to. The opportunity to swap congested commutes for serene morning walks in foreign lands is undeniably attractive. Moreover, this nomadic approach to work opens the doors to exploring new countries, diving deep into diverse cultures, and experiencing the world in a way that traditional vacations simply can't offer.

In the long run, the rise of the digital nomad economy could reshape global financial dynamics. As countries recognise the economic potential of this mobile workforce, we might see competitive offerings: better digital infrastructure, tax incentives, and even specialised financial products catering to the unique needs of this community.

In conclusion, as the lines between work, travel, and life blur, the digital nomad trend presents a kaleidoscope of financial challenges and opportunities. For individuals, it promises freedom and fiscal flexibility. For nations, it offers economic potential and the promise of innovation. As we stand on the brink of this work revolution, one thing is clear: the future of work is here, and it has no boundaries.

MYOB Column

MYOB Finance, Business & Economy Political Debate: Beyond the Ballot

With attention turning to this month's General Election, MYOB and NZME have partnered to bring you a special head-to-head debate between Grant Robertson (Minister for Finance, Labour Party) and Nicola Willis (Deputy Leader and Spokesperson for Finance and Social Investment, Nation al Party) moderated by the New Zealand Herald's Liam Dann.

Catch all the action from the debate on Tuesday 26 September here

Forsyth Barr FOCUS

Ballots and bulls - Do elections impact financial markets?

Every three years New Zealand engages in the dance of the politicians, known as our General Election. Elections are often regarded as significant events, with the potential to shape the direction of a nation's policies and priorities. Given the attention and suspense they generate, the actual impact of elections on local financial markets is worth examining.

Read the full article here.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