



HUSTLENOMICS



HIGHLIGHTS

Your handy guide to the surprising economics driving everyday businesses, featuring Hustlenomics' greatest hits.

1 The Economics of All-You-Can-Eat Buffets

QUICK HISTORY

The American-style all-you-can-eat buffet started in the 1940s, when a Las Vegas hotel publicist put out a late night spread of cold cuts of bread and cheese.

Hotel guests loved it, and his experiment became known as the Buckaroo Buffet, a nod to its \$1 price.



All-you-can-eat buffets run on razor-thin margins of \$1 per customer, yet they've built a billion-dollar industry through clever design tricks and consumer psychology.

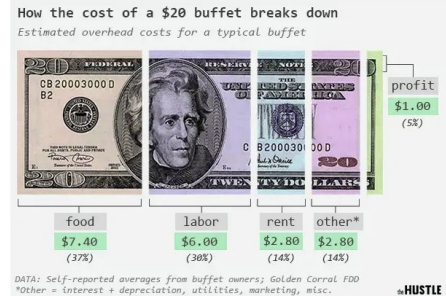


NAPKIN MATH

How buffet set their prices per head:

Price = Average number of customer / price of their daily food selection

The average buffet costs about \$20 a head, but it can cost restaurants 19 of those 20 dollars just to cover overhead.



So slim buffets rely heavily on high foot traffic. But serving so many people often results in massive amounts of food waste, and in buffet world, food is money.

INSIDE SCOOP

Four hacks buffets use to save on overhead

Cheap filling stuff at the front

Almost 70% of all food that people eat comes from the first three trays

Use smaller plates

Less space means less waste

Swap the serving utensils

Larger spoons for cheap foods like mashed potatoes, and small tongs for costlier items like roast beef

Refill those water glasses

Fill you up with water so you feel less inclined to eat a ton

What about overeaters?

Buffets take overeaters into account because they lose money on them. But for every overeater, there's ~20 normal eaters who consume a standard amount of food - most restaurants figure you'll only eat about one pound.

What type of buffet eater are you?
Total cost to the buffet (and profit margin after factoring in all other expenses) for 3 different customers:

Diner 1 = Takes 1.5 of everything
Diner 2 = Gorges on the cheaper fillers up front
Diner 3 = Skips the cheap stuff, goes straight for the meat

Item	\$/Serving	# Servings		
		Diner 1	Diner 2	Diner 3
Potatoes	\$0.30	1.5	4	-
Salad	\$0.50	1.5	4	-
Pasta	\$0.75	1.5	2	-
Chicken	\$1.13	1.5	-	5
Steak	\$2.25	1.5	-	5
TOTAL		\$7.40	\$4.70	\$16.90
Profit (\$) after expenses		\$1.00	\$3.70	-\$8.50
Profit (%) after expenses		5%	19%	-43%

DATA: Ingredient prices via restaurant wholesalers **HUSTLE**

The real enemy of buffets? Big Tech. In a 2019 National Restaurant Association survey, ~60% of restaurant meals were eaten off-premises, thanks to the rise of food delivery apps and mobile ordering.



From 1998-2018, there's been a

26% decline

in the number of US buffets. It might only go down from here, seeing how popular Ozempic is getting these days...



2

The Economics of Unused Gift Cards

Every year Americans leave billions in gift cards unspent, creating a fascinating financial limbo where companies can't touch the money, but consumers never will.



QUICK CONTEXT

Between 2006 and 2018, gift card sales skyrocketed. In 2018 alone, those sales totaled \$160B. It reached \$214B+ in 2024. But around 6% of gift cards are never used.



NAPKIN MATH

According to an August 2022 survey, 47% of US adults say they have at least one unused gift card voucher or store credit – that adds up to \$21B nationwide.

Certain states have laws that allow gift cards to incur in activity fees if they aren't used within 12 months. That's \$2-5 per month – your \$30 gift card won't last six months.

INSIDE SCOOP

- Companies don't count that money as revenue. Since most gift cards can't expire for five years under federal law, companies have to plan for the possibility that they may not be redeemed until way into the future. Until that day comes, those unused balances are flagged as **liabilities**, often amounting to massive sums of money.
- After a certain amount of time, the law allows companies to estimate the amount of gift card money that will never be redeemed, those sums are called **breakage income** and they're essentially free cash for the company.
- Retailers actually make more money when consumers spend their gift cards, because customers typically feel inclined to spend more than the amount they were gifted.



Post-holiday truth: While you're still digging through your stocking for that Target gift card from Aunt Susan, retailers are banking on you being part of this year's **\$21 billion in forgotten plastic.**



Source: Mercator Advisory Group



3 How Airlines Makes Money

Despite flying millions of passengers daily, airlines actually lose money on most tickets. So what's their cash cow?

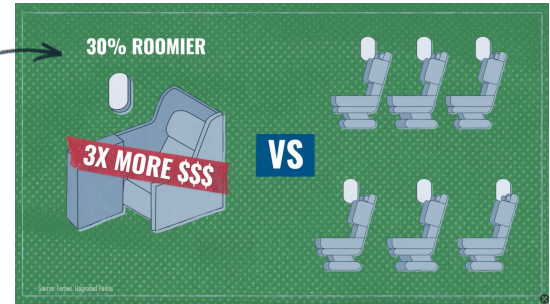


QUICK CONTEXT

Nearly 3m people fly in and out of US airports every day. But airlines, a \$762B+ industry, actually make very little money off of people flying. In many cases, they actually lose money on the physical tickets. Of the 4 classes of seats offered by most airlines – economy, premium economy, business, and first class – only business class makes a profit for them.

NAPKIN MATH

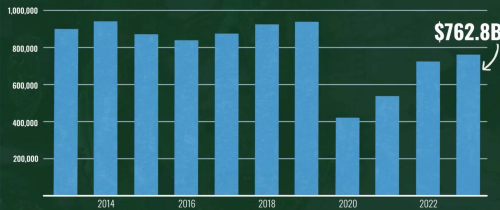
Airlines measure profit per square foot, and the average business class seat takes up 10 sq ft of space. Compared to economy and premium economy, they're only 30% roomier, yet they can cost 3x as much.



A higher level of service in business class also means airlines can charge 3-5x more money for these seats to cover their overhead.

Therefore, **one business traveler pays for 5-6 economy travelers.**

GLOBAL AIRLINES - MARKET SIZE (BILLIONS)



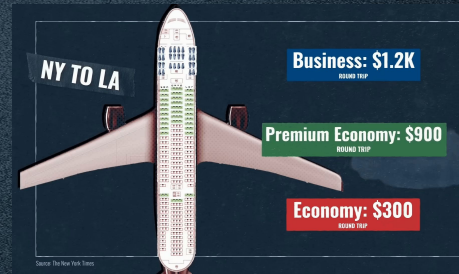
Source: IATA

INSIDE SCOOP

- If US airlines don't make improvements to their customer experience, they risk forfeiting an average of \$1.4B in annual revenue – because loyalty programs are the secret cash cow of the airline industry, and in some cases are valued higher than the airline itself.
- Airlines aim to fill 100% of the seats on their aircrafts to turn a profit, or at least 70% to break even. That's why we sometimes see price drops for last-minute flights.
- Airlines use dynamic pricing to sell seats. It's a strategy where businesses adjust the prices for their offerings to account for changing demand.



With remote work changing business travel and TikTok full of airport horror stories, airlines are betting their premium-class champagne dreams won't fizz out in the era of Zoom meetings and budget-conscious millennials.



4 How Broadway Makes Money

While hit shows like Hamilton raked in billions, 80% of Broadway shows lose money – yet theaters have cracked a profit formula that turned musicals into a \$1.8B industry.



QUICK HISTORY

The first Broadway theater opened in 1750, but the modern era began with "Oklahoma!" in 1943, revolutionizing musicals by integrating songs into storytelling. In 2019, Broadway revenue peaked at \$1.83B. It dropped under \$1B during the pandemic, but climbed back up and reached \$1.5B+ in the 2023-2024 season.

NAPKIN MATH

- Each show has investors, who give \$25k-\$50k each to cover upfront costs of production. A musical usually gets \$10-20m in total investment.
- Theatre owners take home 5%-7% of weekly box office gross + a weekly flat fee of \$10k-20k.



Average weekly overhead costs for a Broadway musical

Operating expenses, excluding royalties, after a \$10-20m upfront investment

Salaries	.....	\$174,150
Theater expenses	.....	\$154,800
Advertising	.....	\$129,000
General and administrative costs	.....	\$83,850
Theater rent	.....	\$38,700
Rentals	.....	\$32,250
Departmental expenses	.....	\$16,125
Guaranteed minimum royalties	\$16,125

Total **\$645,000**

DATA: "I Wanna Be a Producer" (John Breglio, 2016)

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INSIDE SCOOP

- Only **20%** of producers and investors recoup their investment – unless you're a breakout success like Hamilton, which recouped the \$12.5m production cost in under a year.
- Ticket sales are the biggest revenue driver. Like airlines, theatre owners use dynamic pricing – adjusting the price of almost every seat in the house based on demand.
- Stop clause: The lowest revenue a Broadway show must hit before getting the boot, to insure theatre owners against underperforming shows.

Broadway producers' cut: Hamilton case study

Projected royalty pool of Hamilton post-recoupment (week of 11/12/2017)

Box office gross	.....	\$3,100,000
Operating costs	.....	\$643,000
Theater rent (6% of gross)	.....	\$186,000
Operating profit	.....	\$2,300,000
Creative team's royalties (40%)	.....	\$920,000
Investors' payback (half of 60%)	.....	\$690,000
Lead producers' cut (half of 60%)	\$690,000

DATA: "I Wanna Be a Producer" (John Breglio, 2016)

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While streaming services fight for subscribers, **Broadway's out here turning Wicked into a cultural moment (again),** and making theater cool for the TikTok generation – defying gravity, indeed.



5 How Gas Stations Make Money

That \$2 hot dog you're eyeing isn't just lunch – it's the secret weapon keeping gas stations alive while they make pennies at the pump.



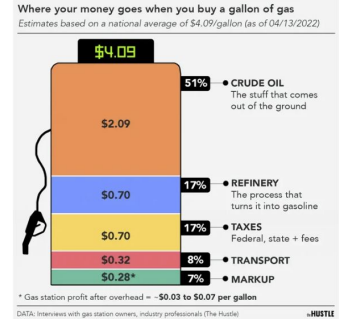
QUICK CONTEXT

The modern gas station emerged in the 1900s as simple curbside pumps outside general stores. Over time, these evolved into dedicated "filling stations," and by the 1960s, innovative chains like 7-Eleven transformed them into the convenience store hybrids we know today. The US fuel station market has grown into a [\\$135B](#) industry.

NAPKIN MATH

Making gas is expensive. By the time it reaches the pump, the profit is only a fraction of the price listed on the sign.

On average, the markup on a gallon is around 30 cents. After accounting for the overhead costs of maintenance, credit card fees, and theft. The average profit per gallon is just 5-7 cents.



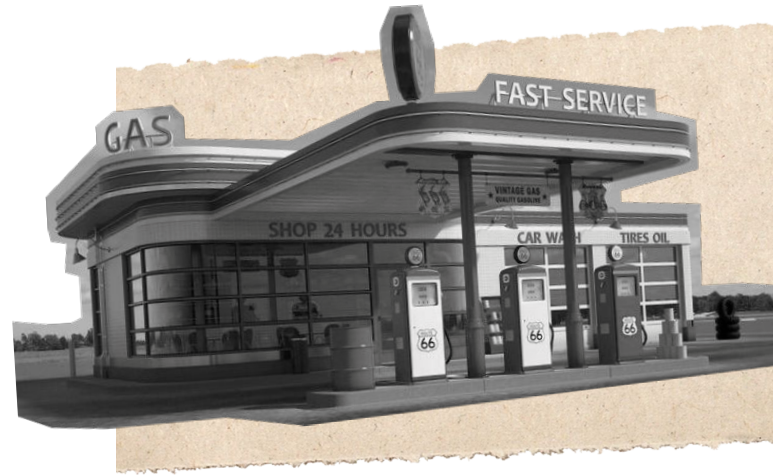
Let's say your local station makes five cents off a gallon of gas. Even if they sell 4000 gallons in a day, they're still only taking home \$200.

$$\$0.05 \times 4000 = \$200$$

That's a lower profit margin than grocery stores, one of the lowest margin businesses.

INSIDE SCOOP

- Gas stations can't just raise prices because they're often located close to one another – where the most drivers are. So raising prices often means losing customers.
- Gas station convenience store sales account for 70% of their total profits, according to a study conducted by the National Association of Convenience Stores.
- 44% of gas station goes go inside the store, and one in three of them indulge in some kind of treat.



The future of gas stations might depend less on what powers your car, and more on whether you'll still crave that roller hot dog after your 30-minute charge.





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