(This copy is an AI-assisted translation of the original transcript in Chinese)

E10 Business Analysis: Who is the Chinese See's Candies?

August 22, 2025

See's Candies can be considered a "Holy Grail" case study in value investing, worthy of deep and thorough research.

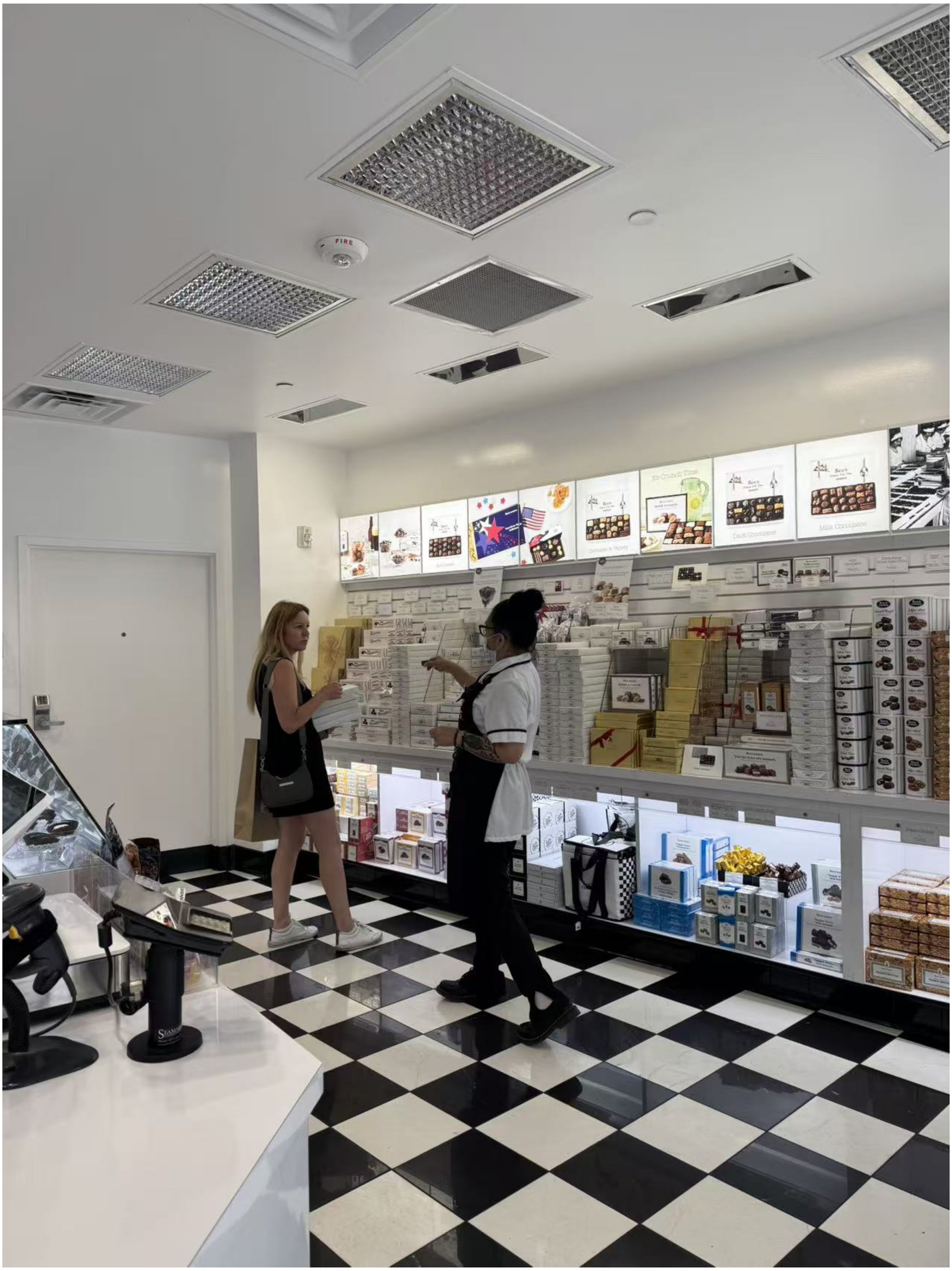
We often hear various claims like "Company X is the Chinese See's Candies." If that were true, we could all just go all-in on them. So how do we actually identify one?

In this episode, we thoroughly analyze this benchmark business.

Below are some on-site photos Alice brought back from her recent trip to the US:


See's CANDIES
So Clutch
See's CANDIES


Chocolates Your Way
Mary See


FIRE

Timeline

00:07 The Catalyst

04:21 History and overview of See's Candies

07:50 Buffett's acquisition deal and investment background

18:14 Buffett's own reflection on the investment

26:52 What we learned

27:21 A good business model?

57:15 A good culture?

1:01:06 A good price?

1:03:59 Potential biases regarding See's Candies

1:08:39 Who might be the Chinese See's Candies?

Introduction: The Leap from "Cigar Butts" to "Great Businesses"

Patrick: Hello everyone, I'm Patrick, welcome back to *Slow is fast*. Summer vacation is over, and we're finally updating. Once again, I've invited our old friend Alice. Alice, say hi to everyone.

Alice: Hi everyone, I'm very happy to be dropping by the podcast again.

Patrick: Great, welcome Alice. As you can probably see from the title today, we are talking about See's Candies. See's Candies is one of Buffett's favorite and most successful investments. He naturally praises it constantly, mentioning it many times in shareholder letters and speeches, and there's always a See's booth at the annual pilgrimage-like shareholder meeting. I know many people make a point to visit the See's Candies store in Omaha to check out the company. Coincidentally, Alice recently went to the US and did some on-site research on See's Candies. So we thought this was a perfect opportunity to discuss this super classic, benchmark investment.

Indeed, See's Candies is highly representative of all of Buffett's investments. Buffett has said that investing in See's Candies marked his transition from "ape to human." Before that, he adhered to Benjamin Graham's "cigar butt" investing approach, pursuing extreme cheapness; back then, he might have considered buying a company at three times its earnings. It was with See's Candies that this cigar-butt investor transitioned to the philosophy of "buying a wonderful business at a fair price." At the time of purchase, See's Candies was trading at roughly three times its book value and 12 times its earnings, entirely transcending the realm of cigar-butt investing. Therefore, this transaction was highly pivotal and representative in Buffett's entire investment career. One could argue that without See's Candies, there would be no subsequent investments in companies like Coca-Cola or Gillette.

Additionally, this investment was quite dramatic because the deal almost fell through. During negotiations, the seller asked for $30 million. Munger actually thought this price was reasonable, but Buffett was still habitually haggling, saying, "$25 million, not a penny more, or I walk." Fortunately, the other party ultimately accepted his $25 million offer; they were incredibly lucky. Had the seller held out a bit longer, this piece of history might not exist, and the Buffett we know today might not have been made. So there's definitely a dramatic flair to it.

See's Candies is absolutely a benchmark in value investing. You'll see many people today saying, "This is the See's Candies of our country," or "This is the See's Candies of our industry." Everyone uses See's Candies as the ultimate benchmark for what they consider a "great business." Therefore, we must understand this benchmark thoroughly to judge whether such analogies are appropriate. So, taking advantage of Alice's fresh insights from her US trip, let's have a deep dive today.

Our discussion today will be divided into four sections: First, a brief introduction to See's Candies and a look back at Buffett's acquisition; second, we'll discuss how Buffett himself summarizes this investment; third, as usual, we'll talk about what we can learn from this deal and how it aligns with value investing principles; finally, we'll have an extended discussion on who might be the Chinese See's Candies.

Alright, without further ado, let's get right into it. Alice, you went to the US, saw See's Candies, studied their stores, experienced their products and services, and even brought me gifts so I could have a firsthand taste. Why don't you start by giving everyone a quick overview of See's Candies and Buffett's deal?

Part 1: A Brief History of See's Candies and the Acquisition Deal

Alice: Sure, I'd be glad to introduce See's Candies. Let's start with its history. Founded in 1921, it is primarily a manufacturer and distributor of candies and chocolates. If you visit their stores, you'll see a lot of handmade chocolates that you can handpick to create various gift boxes. Some of their famous items include lollipops and the peanut brittle that Buffett loves so much. It was founded in Los Angeles, California, by Charles See, his wife, and his mother, Mary See. That's why you see the portrait of old Mrs. Mary See on every See's Candies box. Fast forward to around 1970, the See family had expanded to about 160 stores. Around that time, they started looking for exit strategies and got in touch with Buffett.

See's Candies has always used "the highest quality ingredients" as its point of differentiation. For example, they often use zero additives and refuse to use preservatives. One of their corporate mottos is "Quality Without Compromise." For instance, during the Great Depression and World War II, when cream and sugar were strictly rationed, See's faced a choice: should they substitute with inferior ingredients to maintain sales volume, or insist on high quality and only produce small quantities? Ultimately, See's chose to stick to its principles; they would rather sell out and close the store early each day than compromise on quality. This established an incredibly high-quality brand image for them in the California region.

Moreover, their stores usually have long lines during Valentine's Day and Christmas, and they frequently sell out. They are actually a relatively small company, with only a little over 200 stores even today. Although they have some online sales, they are still primarily driven by their physical stores. In California, See's Candies is practically a household name; many say it's almost a part of pop culture. I only gained a deep understanding of this after visiting California and seeing their stores in San Francisco and Los Angeles.

Patrick: Right, the candies this company sells are very often used as gifts. So during holidays, especially Valentine's Day and Christmas, there are massive lines. In the West, people love giving flowers and chocolates as gifts; a husband or boyfriend will buy these candies for his wife or girlfriend, right? I remember Buffett saying that if you buy See's Candies for Valentine's Day, your wife will give you a kiss. But if you tell your wife, "I bought a cheaper candy," she might be very angry, right? So Buffett jokes that giving See's Candies earns you a kiss from a girl, and this truly has become part of pop culture and custom.

Alice: OK, let me briefly introduce and look back at 1972. When the See's Candies investment opportunity appeared before Buffett, if we look at it from the perspective of that time, was it considered expensive? In 1972, checking historical records, See's performance wasn't actually considered exceptionally stellar. Its annual revenue was $31.3 million, EBITDA was about $4 million, and after-tax net income was $2.1 million, while its net tangible assets on the books were about $8 million. They had 167 stores, selling about 16 million pounds of candy annually, which breaks down to about $1.96 per pound. The See family was asking for $30 million, which meant the asking price was over four times its net tangible assets, with a static Price-to-Earnings (PE) ratio of about 11.9.

The deal was ultimately closed at $25 million. So, based on the final transaction price, it was roughly 3.1 times its net tangible assets. I don't know if you get a sense of this, but even by today's standards, this price cannot be considered very cheap; for Buffett back then, it seemed even more expensive.

Patrick: Exactly. Let's step back a bit further to look at the historical context. Buffett started buying Berkshire stock in 1962, when it was still a pure textile company. In a moment of pique, he ended up taking a controlling interest in Berkshire, trapping himself in the quagmire of the textile industry. So at that time, he was facing a traditional, asset-heavy industry that was sunsetting, deteriorating, yet constantly demanding capital injections to update equipment; the wound was still fresh for him, right? To save Berkshire, he finally resolved to shrink the textile business and use the excess cash for investments, which opened a new era for Berkshire. He started diversifying, buying an insurance company, a bank, a newspaper, and the Blue Chip Stamps business.

So in that era, he hadn't fully transitioned to his later, mature approach of "buying wonderful businesses at fair prices."He still retained some of Graham's old habits of looking for extremely cheap "cigar butt" stocks. Because of this, when someone first called him asking if he wanted to buy a candy company, his instinctive reaction was, "I don't buy candy companies." They urged him to at least take a look, and only after he actually reviewed the company's financials did he decide to make an offer.

Therefore, buying such a business at roughly 3.1 times book value and 12 times earnings was absolutely unprecedented in Buffett's investment career up to that point. It was definitely not his typical style.

When examining an investment, we must also consider the social environment of the time. In 1971, the 10-year US Treasury yield was around 6.2%. Considering See's Candies had an ROE (Return on Equity) of 14% in 1971, if you bought it at 3 times book value, your book return rate for the period of investment (14% / 3) would only be about 4.7%.This means your 4.7% yield at the time of purchase was clearly lower than the risk-free rate of the 10-year Treasury bond. So from this static perspective, a 3x Price-to-Book (PB) ratio was indeed a bit expensive; the immediate return was worse than just buying government bonds, right? The price was not cheap.

But in investing, you obviously can't just look at the static return of the current period; you have to look at how the long-term return rate will slowly improve as the enterprise grows, its net assets thicken, or it pays dividends. So he must have had his eyes on its future growth trajectory.

However, there's another fun, contrarian angle we can look at: at the time, Buffett's own public company, Berkshire Hathaway, was trading at a PB ratio of roughly 0.9 in the stock market. So, a public company with its own market value discounted to a 0.9 PB ratio buying a private company at a 3x PB ratio—from a capital arbitrage perspective, this actually dragged down and diluted his own book PB ratio.

Overall, I feel this was also somewhat influenced by the broader stock market, because the entire US stock market was in a bull phase at the time. For example, the S&P 500 had a PE ratio of about 18 in 1971, and over the previous five years, it had remained at these bull-market levels of 18 or 19 times earnings. Meanwhile, Berkshire's own stock price, despite the traditional core business being a quagmire, was slowly climbing as Buffett revitalized it through diversified investments. It had risen from around $10 when he started buying in the early '60s to about $40 by 1971.

So, in a bull market environment, there weren't many cheap "cigar butt" targets available, and his own stock price was doing quite well (quadrupling over a decade). Therefore, buying it at a 3x premium at that time was driven by multiple factors. But I think the absolute core factor must have been Munger's intense persuasion—that they needed to learn to "buy wonderful businesses at fair prices"—which finally led him to bite the bullet. And he was very fortunate to acquire this great company for $25 million.

Alice: Yes, let me also add a bit about Buffett's typical style of buying cigar-butt companies back then. For example, he had a representative deal involving an agricultural equipment and windmill manufacturer called Dempster Mill. He bought in at $28 per share, while the company had about $50 in working capital per share and $75 in book value. In other words, he used to buy at a 75% or even steeper discount to book asset value, and then sell at a multiple of that price. This was his pure cigar-butt style. Even he later joked that while cigar-butt investing is cheap, you can only make money once from liquidation or valuation recovery; it's very hard to profit repeatedly.

Regarding the risk-free Treasury rate, we can actually look at it from another mathematical angle of asset allocation. See’s annual net income at the time was $2.1 million. We can think about how much principal we'd need to invest in 6.2% risk-free Treasury bonds to safely earn $2.1 million in interest every year. Calculating it out, you'd need to spend about $33.8 million on Treasury bonds to earn the same annual return as investing in See's.

But we must realize that government bonds are completely risk-free, whereas commercial operations carry risks. If we apply a commercial risk discount—say, a 40% discount (valuing it at 60% of the bond equivalent)—the value is $20.28 million, which is still lower than the $25 million transaction price. Even with a 30% discount, it's only a bit over $23 million. So from an opportunity cost perspective, the price was indeed not cheap.

Furthermore, if you look at it from a PE perspective, See's was practically a zero-growth company on paper at the time.If we assign a traditional, non-growing enterprise a PE ratio of 10 to 12, without leaving a margin of safety and seeing no future volume growth... if you take $2.1 million in net income multiplied by 10, and then leave yourself a 30% margin of safety, you'd probably only be willing to pay around $15 million. So no matter how you deduce it, Buffett's willingness back then to pay a high premium of three times book value was a very difficult and momentous decision for them—and even for value investors today.

Patrick: Exactly. Because during his partnership days, he was used to picking up cigar butts at 0.25 times book value. Suddenly deciding to pay a 3x premium for a barely-growing traditional handmade manufacturer completely broke his past style.

See's Candies was indeed a household name in California, but outside California, it had zero recognition; in fact, even today, See's Candies has struggled to truly expand beyond California. It operates somewhat like a family workshop. Its core advantage is producing high-quality, zero-additive, preservative-free chocolates, so within local communities, people really buy into it.

When Buffett bought See's Candies in 1972, the store already had a 50-year history. After half a century of accumulation, a consensus had formed in the minds of local Californians: buying See's Candies for your partner on Valentine's Day guarantees a sweet kiss. This mindshare is indestructible. But outside California, people in other states simply didn't know what See's Candies was, so it didn't really expand outward. It's only now, labeled as a "Buffett success story" and gaining fame in the investment world, that it has gradually gained broader global recognition. But in the daily lives of ordinary people outside California, people don't necessarily have to give See's Candies for Valentine's Day, right?

So objectively speaking, expanding its scale and sales volume is extremely difficult. Since it wasn't growing much and the price was so expensive, what exactly did Buffett and Munger see in it back then?

Part 2: Buffett's Classic Reflection and the "Economic Franchise" Theory

Alice: Exactly.

Patrick: Okay, let's move to the second part and look at Buffett's own reflection on the investment. In his shareholder letters and public speeches later on, Buffett deeply reviewed the See's Candies transaction multiple times. Because in their view, this was the first truly wonderful company they ever invested in.

He mentioned that when they were evaluating the price, they focused on a core hidden asset: because See's had built an incredibly strong and positive user mindshare in California, it possessed immense pricing power. Through pricing power, they did some math.

Alice: Yes, he wrote in his review that the price of See's Candies at the time was $1.95 per pound. If they took over and raised the price by 30 cents to $2.25 per pound, based on a stable sales volume of 16 million pounds annually, it meant the platform could directly earn an additional $4.8 million in net profit without adding any extra costs! If you factor in this hidden profit from price hikes, the $25 million purchase price suddenly looks incredibly cost-effective and reasonable.

Patrick: Right, they absolutely calculated this clearly at the fundamental level. Because they realized that even if the price of See's Candies per pound increased slightly, people would still buy it, right? Because if you don't buy it, your wife or girlfriend will be angry. Because See's Candies possessed this pricing power and ability to raise prices, that was the core reason they were willing to pay a relatively expensive price.

Regarding this type of exceptional enterprise, Buffett provided a very classic academic summary in his 1991 shareholder letter. He noted that businesses like See's Candies possess a rare "Economic Franchise." In Buffett's view, an economic franchise is a company's widest, deepest, and strongest moat.

He summarized the three hard requirements that constitute an "Economic Franchise":

1. Its product or service is strongly needed or desired by the market.
2. Customers consciously believe its product or service is exclusive and irreplaceable.
3. It faces minimal competitive pressure, can price autonomously, and has the freedom to raise prices.

He believed that if an enterprise simultaneously meets these three criteria, it possesses an intangible economic franchise. The moat of an economic franchise can vary in depth, but as long as you have these three elements, the enterprise can price autonomously and consequently has the opportunity to achieve an extremely high return on capital that far exceeds the industry average.

Additionally, he pointed out that enterprises with an economic franchise inherently possess strong error tolerance and anti-fragility. This means that even if it encounters a bad economic year or a mediocre, poor management team at some stage, which might weaken its profitability in the short term, it absolutely will not cause fatal damage to the enterprise's foundation in the long run. Therefore, Buffett believes that a company like See's Candies—whose product is deeply desired, considered irreplaceable by customers, and possesses autonomous pricing power—is mostly a top-tier great business you can buy with your eyes closed, and is worth paying a high premium for.

Alice: Yes, in their shareholder letters over the years, starting from 1983 up to 2007, Buffett and Munger wrote specifically about See's four or five times in great detail. They were basically full of praise, feeling it was incredibly money well spent.

The point that impressed me the most was when he said the essence of See's is actually "renting mindshare" from consumers; its barrier depends entirely on customers' psychological endorsement of it.

What's the most brilliant part of this business? They discovered that most people who buy these boxed chocolates aren't buying them to eat themselves, but to give as exquisite gifts in specific scenarios. For example, birthdays or important Western holidays. That's why Valentine's Day and Christmas are immovably See's highest sales peaks every year.

Buffett joked that if a man is driving home on Valentine's Day and hears a See's ad on the radio saying, "You'll feel guilty, feel guilty if you don't buy a box of See's to take home tonight," the man will start panicking and feeling extremely uneasy. He will quickly make a U-turn on the highway and drive specifically to a store to buy a box of See's; otherwise, he wouldn't even dare enter his house without it.

This is the underlying secret of See's pricing power. Its ability to raise prices is built precisely on consumers' specific psychological reliance on it, making consumers extremely insensitive to its price changes.

Patrick: Right, its characteristic as a "gift" is indeed crucial. If people bought it to eat themselves, they might feel it's a bit pricey, feel the pinch, and look for something more cost-effective. But when you're buying it as a gift for your loved one, you definitely won't haggle at checkout over a 5-cent increase per pound and choose to buy a cheaper, unbranded, inferior candy instead, right? The gift attribute is indeed an incredibly strong consumer psychological defense mechanism.

Alice: Exactly. And I feel See's isn't just selling candy; it's selling an entire perfect experience. Buffett said they need to ensure every process and detail, from purchase to final receipt, makes the customer happy. So, in addition to placing extreme importance on the quality of the candy itself, they also place extreme importance on the salespeople's service attitude. For example, during the busy holiday peak season, long lines form outside the stores.

Buffett once used an analogy: Imagine it's nearing closing time at 5:00 PM, and one of our saleswomen, in an exhausted state, sells the last box of candy to the last customer in line. If, at this moment, she can still show a sincere smile to this customer who has waited a long time, then See's Candies' moat just got a little bit wider. But if she acts impatient or barks at the customer, the moat gets narrower.

So whether the moat is wide depends critically on the sales details of your entire product and service. You need to ensure that the moment people think of See's Candies, a feeling associated with joy, love, and warmth naturally springs to mind. The essence of this business is anchoring its pricing power firmly in the unshakeable mindshare of the consumer. As long as you occupy that territory, it's hard not to win in this business competition.

Patrick: Yes, if you read through Buffett's shareholder letters, you can clearly see his immense favoritism towards See's Candies. To this day, See's Candies remains a core, 100% wholly-owned subsidiary of Berkshire Hathaway. Although they no longer disclose its financial details separately due to its relatively small scale, it remains an incredible cash flow printing machine.

From having only $2.1 million in net income when purchased, it has now become a century-old enterprise, and its annual net income is likely approaching $100 million.

So, Buffett's own investment review tells us: See's eventually achieved this broad economic franchise because it consistently did incredibly correct and pure things over a very long period. And the economic franchise transformed this company into a top-tier enterprise with an absolute moat, making it an absolutely perfect investment in the business world.

Part 3: Decoding the Underlying Logic of a "Top-Tier Great Business" Through See's Candies

Next, we enter the third part: what universally applicable business logic can we learn from the See's Candies case study? When evaluating an investment, the core framework we always emphasize is: it must simultaneously have a right business, right people (team and culture), and a right price. Only when all "three rights" are met is it considered a perfect investment. Alice, what do you think? Just how good is See's Candies as a business? Can it continue to remain this excellent for the next few decades or even a century?

Alice: After the on-site research, I think it absolutely deserves Buffett's praise. Aside from having outstanding products, its widest moat is its pricing power, and that pricing power depends entirely on its firm occupation of consumer mindshare. Additionally, it is backed by an exceptionally outstanding, highly inflation-resistant corporate culture and management mechanism.

There's also a highly astonishing metric: its incredibly high long-term ROE and its extremely low capital reinvestment needs. After Buffett invested $25 million in 1972, over the past few decades, the entire business has only required roughly $32 million in additional capital reinvestment. All the rest of its massive, continuous net profits have been sent up to headquarters as free cash flow, used to invest in other external projects.

Think about it: everyone pays cash for candy. It stably collects massive amounts of cash every day. Its overall operation is extremely light and effortless, not requiring you to constantly worry about technological upgrades and equipment renewals. All your energy can be purely focused on how to manage the brand's experience and quality well.

And we must also realize that it's not just selling a piece of candy; it carries people's lifestyle and traditional holiday memories. It has turned "Quality Without Compromise" into a multi-generational consensus. Now with a 100-year history, it has become a part of local California pop culture and American culture.

In the minds of local California consumers, it doesn't need to open stores in every corner of the world like Starbucks or McDonald's. It only needs to continuously and stably provide these time-tested, high-quality products and services locally to resonate deeply with consumers' emotions. Generations continue to consume it; people feel love, care, family warmth, and friendship within it. They are buying a feeling of warmth, which has long transcended the candy itself.

If a company can occupy consumer mindshare to this extent, its pricing power is logical and unassailable, and the enterprise will thrive wonderfully.

Patrick: Exactly. From my initial exposure to value investing and Buffett, to my later deep deconstruction of the See's Candies case, it gave me a massive business epiphany: fundamentally, it perfectly represents an extremely rare, top-tier "perpetual motion" type of business model.

If we look at its external results, the characteristics it exhibits are indeed as you described: possessing a terrifyingly strong autonomous pricing power (over the past few decades, it has been able to raise prices by roughly 5% every year without fail). Its gross margin remains consistently stable at a high level of over 50%, and its Return on Capital (ROC) is staggering. When Buffett first bought it, its pre-tax ROC was as high as 52.5%; and in 1984, ten years after Buffett's purchase, the pre-tax ROC for this business even exceeded 100%!

The first time I saw this data, I was profoundly shocked. How could there be a business in the commercial world where the return on capital exceeds 100%? It means for every $1 you invest, it purely earns you more than $1 every year. This kind of business is fundamentally a perpetual motion machine that doesn't need to consume any newly added capital. It doesn't require you to pull another penny out of your pocket to update equipment for it to maintain perfect operation, and it continually accumulates and effortlessly earns massive amounts of cash on its books.

In the current A-share and H-share markets, enterprises that can maintain long-term ROE or ROC above 20% are as rare as phoenix feathers or unicorn horns, let alone this miracle of over 100% return rates. So if you can filter out and buy such companies from the market, they are truly top-tier assets you should go all-in on.

But I think these dazzling financial figures (raising prices every year, high return on capital, high customer satisfaction) are just external manifestations, not the business model itself. It's because it possesses an extremely top-tier business model that it naturally deduces such perfect results.

So how do I summarize the underlying business model of this type of business? I believe it is this: they are in the right lane (the right industry), and through years of undistracted focus, they push their products and services to the ultimate limit, eventually building an absolute mindshare in consumers' hearts that directly equates with "beauty, joy, and love." Based on this intangible mindshare, the company ultimately reaps extremely strong differentiation barriers and an unshakeable autonomous pricing power.

We can break this down: First, you must be in the right industry lane. There are indeed a few "quagmire industries" in the business world where "no matter how hard you work or how focused you are, you cannot build a moat." For example, the photovoltaic solar panel industry we frequently mention, which has pure functional and highly commoditized attributes. The consumer's only evaluation metrics are power generation efficiency per square meter and whether the unit procurement price is cheap enough. In this lane that purely competes on hardware parameters, no matter how much emotional appeal you add to the product design, consumers won't pay a penny of premium for it. It's very hard to create high-quality differentiated mindshare. Another example is the airline service industry, where Buffett has repeatedly made mistakes. Consumers are buying cheap displacement from point A to point B; it's highly commoditized and requires massive capital expenditure to buy planes, making it hard to generate stickiness.

But in most non-commodity consumer goods industries, enterprises have the opportunity to make great products through decades of unwavering focus. Over the past 100 years, See's Candies has focused solely on making chocolates and high-quality candies. It never blindly crossed over into making beverages or cookies just because others were making money there. It would rather sacrifice short-term sales than compromise on quality. When Buffett bought it, this insistence on quality had already settled for 50 years; today, it has accumulated for over a century.

You have to understand that consumer mindshare is absolutely not genuinely built through one or two massive brainwashing ad campaigns or throwing money at marketing. Consumers as a whole are highly rational; people know perfectly well whether your product uses generous ingredients and whether its quality is truly good. See's Candies raises prices every year, but consumers feel its quality and the beautiful feelings it brings are worth the price, so they are willing to buy. This intangible mindshare barrier might take decades of flawless operation to build, but if a major quality and hygiene crisis occurs, it could vanish overnight.

This requires extreme efficiency optimization not just in product R&D, but across the entire lifecycle chain—both what consumers touch and what they don't. As Alice mentioned earlier, the warm store displays, and even the sincere smile of an exhausted salesperson right before closing, are all adding bricks to this brand's moat. Only through decades or centuries of long-term accumulation will this mindshare create a spiritual resonance in consumers' hearts akin to a "religion or totem," binding it tightly with love, joy, and the most beautiful holiday memories.

When a product reaches this height in consumer consciousness, it becomes very difficult for competitors to disrupt it. Because even though you can easily reverse-engineer its chocolate recipe and replicate its store décor exactly, you cannot replicate the emotional bond it has accumulated in consumers' hearts over a century. If you randomly swap in a candy brand named "Tom, Dick, or Harry" to give to your wife on Valentine's Day, it simply cannot produce the special effect that See's Candies does. This is its most indestructible intangible moat.

Under the unique culture of Berkshire Hathaway, which reveres focus and respects quality, See's Candies is highly likely to remain this successful for the next 20 or even 100 years. Because humanity's love for sweets, chocolate, and the release of dopamine are basic needs deeply inscribed in our genes and DNA. They won't change because of the AI era or sweeping technological waves. As long as they continue to continuously surrender the cash they earn to headquarters for investment, and continue to execute every production and service detail with restraint and focus, this miracle of a century-old evergreen business will continue indefinitely.

Alice: Following your deconstruction of the business model, I actually have two deeper thoughts. First, is See's Candies' characteristic of light capital investment (extremely low capital expenditure) a highly crucial core metric for evaluating a good business in an inflationary macro environment? Second, in business analysis, is sales volume growth (Scale) really as important as people imagine?

Because I looked up See's historical data for the ten years after Buffett acquired it and discovered an astonishing fact. During those ten years, its store count only increased from 167 to 207—an average annual growth of just 2%. Its actual physical candy sales volume only grew from 16 million pounds to 24 million pounds, an annualized volume growth rate of only about 4%. You could say it grew extremely slowly.

But miraculously, during these ten years where volume and stores barely grew, its total sales revenue and final net profit achieved explosive annual growth of 16% and 21%, respectively! This entire growth miracle stemmed completely from its justified, periodic price hikes year after year, while its consumers demonstrated astonishing loyalty and didn't leave because of the higher prices.

As Munger summarized: "See's Candies is the classic example of a great business that grows slowly but is incredibly stable and reliable." He and Buffett saw this precisely and tuned See's price hike pace faster than any competitor. They found that many mediocre businesses in the market simply lacked the courage to price at the highest point the market could easily accept. Munger said that once you understand this underlying secret of pricing power, investing in the market is as easy as picking up money off the street.

This brought a massive cognitive shock to me. Because nowadays, when many analysts and investors look at a company, their minds are full of "how high is the business's ceiling, how big is the market size, sales must double every year." But the See's example proves that sales volume expansion might not be that important; the true core lies in whether you have absolute pricing power. What do you think about this?

Patrick: Yes, both points you raised are incredibly profound. First, regarding low capital investment (asset-light), this is indeed an exceptionally outstanding financial characteristic of See's Candies. For ordinary candy retail, the main fixed capital expenditures are nothing more than raw material procurement, some basic baking/handmade machinery, and the store rent required when opening offline locations (which is the biggest expense). Beyond that, it completely avoids the need to inject astronomical funds every few years to overhaul production lines and high-tech equipment, unlike steel, chemical, or traditional manufacturing giants.

But we must rationally recognize that asset-light operations and low capital investment cannot serve as sufficient conditions for determining that a business is definitely a good one. Because there are plenty of asset-light businesses in the world that require almost no capital investment. For example, purely human-powered consulting businesses, or very low-barrier, ordinary domestic property services. You only need to hire employees to operate, with almost zero pressure from fixed asset depreciation. But are these necessarily good businesses? Obviously not always.

Low capital investment is merely a natural financial manifestation of See's excellent business model. In Buffett's entire investment portfolio, he has actually bought many highly profitable, highly excellent asset-heavy infrastructure and energy companies. As long as the return on capital and the math behind the investment make sense, asset-heavy businesses can also birth great enterprises.

The core lies in your second point: is the expansion of scale and sales volume truly a core metric of a good business? See's Candies proves with its century-long history that it is absolutely not a necessary condition.

Our current capital market has developed an almost pathological obsession with "sales volume growth and scale expansion," mistakenly believing that only chains with ten thousand stores and rapidly ballooning scale are good companies. But for true investors, blind, low-quality expansionary growth often doesn't create value; instead, it frantically destroys corporate value.

Let's think from the first principles of an investor: a business's growth is only beneficial to value if every $1 invested stably brings high returns that exceed bank interest and basic risk-free returns. If See's Candies, in a one-sided pursuit of scale growth, took its large sums of cash and blindly crossed over to develop a chewing gum business—an area it is completely unskilled in and has no mindshare barrier for—going head-to-head with market giants, that would be strategically extremely foolish.

Because as a rational investor, if I'm bullish on the chewing gum industry, I can just invest my money directly in the market leaders (like Wrigley's) and let the professional leaders grow it for me. Why must I force See's Candies, a maker of handmade chocolates, to blindly cross over with its cash?

So for Buffett, what he values most isn't whether the enterprise has blind expansionist ambitions, but whether the business can maximize its money-making efficiency within its core circle of competence, and then continuously extract unneeded, idle cash to hand over to headquarters to allocate to more efficient places.

This restrained, high-quality, slowly growing business with absolute pricing power actually holds far greater intrinsic value than the superficial prosperity achieved by burning money on subsidies and frantically opening stores to pump up sales volume.

If we look at our current hyper-competitive domestic environment, a brand that has developed for 100 years and only opened 200 stores would be considered a trivially slow company under the "Internet mindset," where everyone is madly pursuing the 10,000-store scale. But often, when you frantically expand to hit 10,000 stores, opening them in lower-tier markets that completely lack brand mindshare, you are actually frantically destroying the company's original core value due to exponentially rising management friction, diluted brand tone, and plummeting single-store profits.

Therefore, the intrinsic value of high-quality pricing power far exceeds mere sales volume scale growth.

Of course, if we use a magnifying glass to objectively examine See's Candies' business model, it also has an inherent limitation: precisely because it is highly reliant on specific emotional mindshare in a specific region, it lacks a massive "capacity for capital reinvestment."

Even if Buffett holds tens or hundreds of billions of dollars in idle cash, he cannot linearly inject this massive sum into See's Candies to make it open tens of thousands of stores in the short term and multiply its profits. It can only absorb fine-tuned operations at the level of tens of millions of dollars.

If we compare See's Candies with Coca-Cola, which Buffett invested in later, the difference is clear. If See's Candies is a top-tier Good Business, then Coca-Cola is a truly exceptional Great Business.

- **Global replication capability:** Coca-Cola possesses a nearly infinite global replication network. It broke out of the US, laying down bottling plants and distribution networks in every corner of the earth. It can absorb massive capital at the level of tens or hundreds of billions and roll it over with continuous high returns. See's Candies, on the other hand, has barely stepped out of California to this day, opening only a scattering of stores globally, unable to achieve large-scale, industrialized global replication.
- **Consumption frequency and taste saturation:** Although both taste sweet, humans have a natural "taste fatigue and consumption frequency bottleneck" when it comes to boxed premium handmade chocolates and candies. You can't eat premium chocolate like a meal every day. But Coca-Cola, through its unique recipe design, perfectly achieved a state where massive global consumers treat it as a burden-free daily thirst quencher. You can drink it every day like water, anytime, with almost no bottleneck in consumption volume.
- **Asset lightness:** Coca-Cola essentially doesn't need to open hundreds or thousands of direct-sale offline retail stores itself. It does business by selling syrup to regional bottlers and major channels like McDonald's and Pizza Hut. Its assets are far lighter than See's Candies, which must build its own direct-sale stores.

Therefore, for Buffett, who wields massive amounts of capital, Coca-Cola is a Great Business significantly better than See's Candies in terms of commercial scale and capital capacity. This is also why he was only willing to pay a 12x PE when buying See's Candies, but later willingly paid an extremely high premium of 25x PE for Coca-Cola. Great businesses are worth more expensive chips.

But regardless, this doesn't prevent See's Candies from being an incredibly profitable, highly worry-free, top-tier Good Business within its specific scale.

Part 4: A Welcoming Organizational Culture and Rational Examination of Price

Next, let's look at the second "Right" — its team and corporate culture. During your on-site research, did you get any direct impressions in the stores?

Alice: Their team and store culture left an incredibly deep impression on me, something you can only strongly feel through firsthand experience. As soon as I walked into their stores, the saleswomen and staff displayed immense vitality and genuinely sincere enthusiasm. It truly makes you feel at home.

The moment you enter, a staff member will immediately smile and hand you a whole piece of handmade chocolate with both hands for a free tasting. Because it was my first time and I was very unfamiliar with the flavors, they were incredibly patient, gently telling me, "No rush, take your time choosing."

When you need to select and ask questions, they answer very professionally and enthusiastically. But when you want to browse quietly by yourself, they appropriately step back. They absolutely will not suffocate you with aggressive sales pitches just to meet KPIs, like many domestic sales clerks do. The entire purchasing experience is extremely comfortable and stress-relieving.

I remember in the Los Angeles store, I specifically asked a young male clerk what it was really like to work there. He told me very proudly and happily, "Working here is so joyful; it feels like working at Disney!" I was a bit surprised at first, thinking, is this just corporate-trained PR talk?

So I pressed him on why he said that. He looked at me very sincerely and said: "Because eighty to ninety percent of the customers who come to buy at See's Candies are preparing gifts for their loved ones for holidays and birthdays. They all walk into this store carrying love and a beautiful mood. So every day, we work in this magnetic field and atmosphere full of love and happiness. Our job, in essence, isn't selling merchandise, but helping customers deliver love. Watching them contentedly pick out a gift box and take love home makes us feel extremely happy and fulfilled every day."

Those words deeply moved me. This occupational happiness and sincerity radiating from the inside out absolutely cannot be forcibly trained through cold punishments and rules. It can only be the result of years of corporate culture nourishment.

Patrick: Exactly. See's Candies' core corporate culture motto is what we mentioned earlier: "Quality Without Compromise." They place product quality and customer experience in the absolute primary position. This is the most important stabilizing ballast of an excellent corporate culture.

Moreover, they are famous for being generous and kind to their own employees. In See's factories and stores, there are massive numbers of employees who have served there for years, even spending their entire lives there. Many local Hispanic families in California have siblings, mothers, and daughters all happily working at See's, forming a very strong, extremely warm, family-like organizational atmosphere.

Even during World War II, when materials were extremely scarce and insufficient ingredient rations forced stores to close early, See's management resolutely decided: even if the stores closed early, the company must pay employees their full day's wages. They absolutely refused to let the working people bear the cost of the times.

A company that is extremely paranoid about quality, extremely sincere to customers, and extremely generous to employees undoubtedly has an exceptionally outstanding corporate culture. This is also the core internal strength that allowed it to survive for 100 years.

Now let's finally look at the third "Right" — the price. If we look from today's rearview mirror, the $25 million back then was ridiculously cheap, because today See's can earn headquarters nearly $100 million in pure profit in a single year, right?

But we need to give a reminder to all listeners and investors: when doing business analysis, we can never judge whether a past price was cheap or expensive from the omniscient perspective of the rearview mirror. Because the future was completely unknowable at the time, filled with various operational risks and macro variables.

The reason value investing emphasizes a margin of safety at the time of purchase is to guard against unknowable future risks and prepare for the worst. If you're too used to the rearview mirror and think buying a company at 12 times book value today is also a good deal, you are highly likely to crash hard in real-world investing.

We can only say that, based on the social interest rates and market environment at the time, $25 million for such a top-tier enterprise with an excellent mindshare barrier was an extremely rational, reasonable, and appropriate price. Munger feeling that the other party's asking price of $30 million was also reasonable is exactly seeing through to the true essence of "buying a great company at a fair price."

Part 5: Who is the Chinese See's Candies? A Comprehensive Look at the Benchmark's Four Core Profiles

Alice: Right, the true value of a fair price for a good business far exceeds the sheer cheapness of just picking up cigar butts.

Patrick: Exactly. Now, let's enter today's most interesting and highly anticipated extended topic: who could be the Chinese See's Candies?

Before diving into this, I must first pour some cold water on everyone: our discussion today is pure business model deduction. There are no stock ticker symbols here, and it certainly does not constitute any investment advice. Because currently in the domestic investment circle, when many people analyze companies, the moment they see a brand doing well, they excitedly slap a label on it and say, "This is the Chinese See's Candies!" This kind of simplistic and crude analogy is often highly misleading.

Just because a company fits a partial characteristic of See's Candies doesn't mean it can replicate See's compounding miracle, because partial characteristics are absolutely not a sufficient condition for a good investment.

To help everyone clear the fog when looking at companies, we must first use a rational scalpel to draw an extremely precise "business model self-portrait" for the See's Candies commercial benchmark. I believe a true See's Candies must perfectly and simultaneously match the following four core profile characteristics:

1. It has highly scenario-driven gift attributes

The gift attribute is See's Candies' core defense mechanism. Although there are occasional retail customers buying for personal consumption, over 80% of its massive annual revenue is driven entirely by a few core gift-giving holidays (Valentine's Day, Christmas). Because it serves as a gift to express affection to loved ones, consumers' price sensitivity during decision-making is reduced to a bare minimum.

2. It has almost no growth in sales volume, but possesses extremely strong autonomous pricing power

Over the past half-century, its annualized physical sales volume growth was a measly 2% or so, even underperforming local California GDP. But it possesses extremely strong autonomous pricing power. Every year right after Christmas, it can confidently raise prices by around 5%, and consumers remain fiercely loyal and never leave. It doesn't need to survive by frantically opening stores to pump up volume.

3. Financially, it exhibits extremely light capital consumption and terrifying returns on capital

Once the entire business is established, it requires no massive new fixed asset investments. It doesn't need you to invest more money to build huge factories. The Return on Assets and Return on Capital on the books are so absurdly high they exceed 100%. It is a pure cash flow printing machine.

4. It has built a dominating mindshare that perfectly equates with "love, beauty, and warmth" in the hearts of users in specific regions

This core mindshare has formed an absolute monopoly locally. And this mindshare is absolutely not built by running massive ads for a few years. It is a consensus settled over 50 or 100 years in the lives of multiple generations through bit-by-bit, perfect quality and meticulous service—giving See's Candies equals expressing sincere love. This intangible emotional resonance means that even if competitors use reverse engineering to replicate tastier chocolates and more beautiful stores, it is completely futile and cannot shake it in the slightest.

Only when these four characteristics are put together completely like a puzzle is it a true See's Candies. If we search the Chinese commercial market, enterprises meeting these four profile criteria are arguably as rare as phoenix feathers and unicorn horns. Alice, what do you think?

Alice: I strongly agree with the four profile standards you deduced; the summary is so incisive and clear.

Patrick: We can follow these four standards to rationally examine several popular attributions and misconceptions common in the domestic investment circle right now:

Misconception 1: Is Moutai the Chinese See's Candies?

Many investors believe Kweichow Moutai in premium baijiu is the Chinese See's Candies. If checked against these four metrics, Moutai is indeed largely the closest. It possesses extremely strong gift and social attributes, is an almost extremely asset-light money-printing machine, has incredibly high gross margins, and has built an absolute, dominating mindshare of nobility and high-status socializing in the minds of Chinese people. So if we say Moutai is the Chinese version of See's Candies, I think from a business model perspective, it's not an overstatement; it aligns highly.

Misconception 2: Buying leading bakery gift brands or traditional holiday foods?

Some say certain domestic public companies focusing on bakery gifts, selling Chinese-style cakes and Mid-Autumn mooncakes for holidays (like Ganso or certain legacy mooncake brands), are also the Chinese See's Candies. Because Chinese people also need to give mooncakes and pastries during holidays, right?

But if we carefully examine them using the fourth metric, "absolute mindshare equating with beautiful emotions," we will see a massive difference in quality. For example, when people in Hong Kong gift Maxim's Mooncakes for the Mid-Autumn Festival, although it is a good brand, has gifting Maxim's Mooncakes truly reached the emotional height of a spiritual symbol and religious totem in consumer mindshare consensus where "giving it equals expressing irreplaceable love"? Obviously not yet. It is more of an occasion-driven consumption based on traditional customs. Its mindshare stickiness and autonomous pricing power still have a massive gap compared to See's.

Misconception 3: Buying addictive, mouth-pleasing snacks?

There is also a very popular notion that any company selling slightly addictive food products (like Qiaqia sunflower seeds, Zhou Hei Ya, Fuling Mustard Tuber, etc.) is a See's Candies. Because they are addictive, have high consumption frequency, and high gross margins, right?

But don't forget, See's Candies' core defensive barrier isn't because "sugar is addictive," but because "it is the premier gift for social signaling and expressing love." When you normally buy a pack of sunflower seeds, a box of duck necks, or a pack of mustard tuber, it is purely to satisfy your own craving as a snack. Because it lacks a high-premium gift attribute and the monopoly of a specific emotional scenario, consumers' price sensitivity when purchasing is actually very high.

The same logic applies to the coffee sector. Coffee is also highly addictive, but look at the current domestic coffee market. With Starbucks ahead, and Luckin, Manner, and various independent shops behind, not only can everyone not raise prices, but they have fallen into a brutal price-subsidy war, slashing prices every day, right? Because there are too many coffee choices. If your product differentiation isn't enough and you haven't locked down a specific emotional mindshare, addictiveness alone absolutely cannot stop competitors from flooding in to fight a price war.

Misconception 4: Mistaking the financial results of "high gross margin and asset-light" for the cause of the business model

Companies like Haitian Flavouring, Yili Group, or Pien Tze Huang in the medical sector are often tagged as See's Candies because they can raise prices, have high gross margins, and are asset-light. But everyone must distinguish cause and effect: high gross margins and asset-light operations are merely the financial traits finally exhibited by excellent business models; they are absolutely not the business model itself. If you don't look at its underlying asset attributes and mindshare barriers, and buy in just based on high gross margins, you will often suffer a huge loss.

Therefore, these single, partial characteristics absolutely cannot be treated as sufficient conditions for determining a good investment. Through our comprehensive deconstruction of its history, culture, management, and underlying model today, I want to tell everyone: the true, Chinese version of See's Candies must be extremely rare and exceedingly scarce.

Because to find a founder and team in the right lane who, without distraction and immune to the myriad temptations of the outside world, focus solely on making one product well for 20, 50, or even 100 years, and settle an absolute totem blending with beautiful emotions in consumers' hearts... in a business world full of impulsiveness and temptation, this is simply too, too difficult. It requires the ruthless baptism of time.

If, in your daily life and research, you truly discover a top-tier local Chinese enterprise that meets these four profile standards, please leave a comment and tell me. We must cherish it doubly. The traditional Qixi Festival (Chinese Valentine's Day) is coming up soon. Everyone can also chat in the comments: in your hearts, giving what gift can unreservedly represent pure, sincere love? Who knows, by following these clues, we might just find the true Chinese version of See's Candies.

Alice, is there anything else you want to share with everyone to wrap up?

Alice: I'll just add one last point. I think the deepest inspiration See's Candies' commercial miracle brings us is actually about the values of an organization and individuals. It's about steadfast patience, dedication to quality, and the practice of consistency. This most unadorned, simple business philosophy is completely interconnected and perfectly blended with the underlying mindset of the value investing path practiced by Buffett and Munger.

This is also the reason I personally love the See's case so much. What we learn from it far transcends finance and business themselves. Behind its perfection is decades of consistent restraint, persistence, and temperament cultivation. It is precisely because of this that such great evergreen enterprises appear so scarce and precious on Earth.

I hope every fellow traveler walking the path of getting rich slowly can cultivate sharp eyes to discover such great enterprises in their future lives.

Patrick: Well said. I hope we can all have that good fortune. That's all for today. See you next time.

Alice: Great, thank you everyone, bye-bye!

Patrick: Bye-bye!