'A proportionate saving in costs gained by an increase in production.'

Purchasing Economies of Scale:
- Larger firms can make savings by investing in bigger and more cost-effective machinery per unit.
- Only businesses of a certain size can justify purchasing more expensive machinery (but get better results!)

Advantages:
- Lower Unit Costs
  - Reduced offer price
  - Keep prices the same
  - Greater demand
  - Greater profit
- Barriers to entry — deeper smaller firms will compete in new markets due to economies of scale.

Economies of Scale:
- Barriers to entry — deeper smaller firms will compete in new markets due to economies of scale.

Productivity Decrease:
- As the business grows — more managers → loss of team spirit
- Multi-site companies may not work together as well as previously.

Dis-economies of Scale = inefficiency and higher labour costs

Solutions to D.O.S.:
- Implementing appraisal systems to show employees that managers care about individual employee characteristics.
- Leads to increased motivation and employee productivity.
- Implementing budgets to make separate departments more efficient/productive in both everyday running and when abnormalities come up.