'a proportionate saving in costs gained by an increase in production'

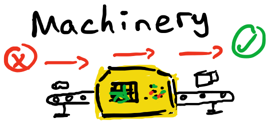
Economies of Scale.

• Purchasing Economies of Scale:

↳ larger firms can make savings by investing in bigger and more cost-effective machinery / kit.

↳ only businesses of a certain size can justify purchasing more expensive machinery (but get better results!)

Machinery



Materials / stock

Real Estate

staffing

(Many more)

• Advantages:

- Lower Unit Costs
  - offer reduced price → greater demand
  - keep prices the same → greater profit
- Barriers to entry → defer smaller firms to compete in mass markets
  - ↳ price war? bigger firms will win due to [illegible] of scale.

Diseconomies of Scale

'bigger is not always better'.

• Productivity Decrease:

↳ as the business grows → more managers → loss of team spirit
↳ managers no longer know employees personally.
↳ break down in communication

↳ multisite companies may not work together as well as previously.

diseconomies of scale = inefficiency and higher labour costs

→ economies and diseconomies can arise @ same time.

• 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 seperate depts more efficient / productive in both every day running and when abnormalities come up.