

# Growth

2017-18

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- ▶ *economies of scale*: in the long run businesses can:
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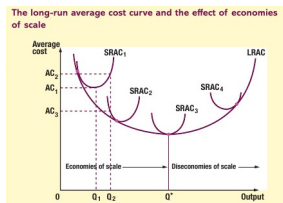
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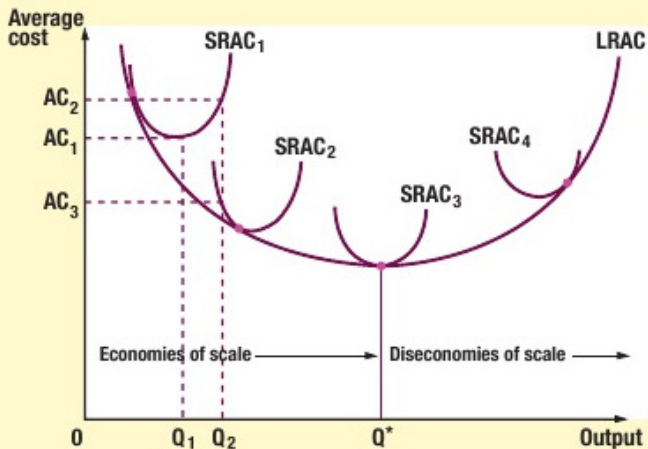
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- ▶  $SRAC_2$ : short-run cost of the expanded firm
- ▶  $SRAC_3$  short-run cost of the *minimum efficient scale plant*



**Law of diminishing returns:** A concept in economics that if one factor of production (number of workers, for example) is increased while other factors (machines and workspace, for example) are held constant, the output per unit of the variable factor will eventually diminish.

# ECONOMIES OF SCALE

The long-run average cost curve and the effect of economies of scale



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*Internal economies of scale*: benefits of growth that arise *within* the firm

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- ▶ *Risk-bearing economies*: diversification to reduce risk (e.g., into different sectors, R & D)

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- ▶ *Disintegration*: production is broken up so that more specialisation can take place

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  - ▶ example: monopsony, supermarket chains

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- ▶ attract media attention

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  - ▶ *congestion*

# INTERNAL COMMUNICATION

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- ▶ is operating with *slim profit margins*

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- ▶ **Minimum efficient scale:** the output that minimises long-run average costs

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- ▶ **Product design:** the process of creating a new product or service



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- ▶ **Waste minimisation:** reducing the quantity of resources that are discarded in the production process

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- ▶ **Emotional branding:** The practice of using the emotions of a consumer to build a brand

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- ▶ **Merchandising:** A promotion specifically at the point of sale of a product

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- ▶ **Viral marketing:** Any strategy that encourages people to pass on messages to others about a product or a business electronically