

Economies of Scale

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Economies of Scale are cost advantages reaped by companies when production becomes efficient. Companies can achieve economies of scale by increasing production and lowering costs. This happens because costs are spread over a larger number of goods. Costs can be both fixed and variable.

The size of the business generally matters when it comes to economies of scale. The larger the business, the more the cost savings.

Economies of scale can be both internal and external. Internal economies of scale are based on management decisions, while external ones have to do with outside factors.

Source: <https://www.investopedia.com/terms/e/economiesofscale.asp>

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