Economies of Scale

Where the unit costs of the business fall as the scale of output increases

Marketing

As firms grow, they can use more effective methods of promotion. Advertising on television may seem expensive but, based on each person who sees the advert, it is often quite cheap.

Technological

Larger firms can make use of improved technology. Often, the larger the firm, the more efficient the technology.

Financial

Banks and other moneylenders often view larger firms as safer. The rate of interest charged when money is borrowed is usually based on risk. Larger firms therefore get the best rates of interest.

Risk-bearing

Larger firms are more likely to be able to spread their risk. Firms such as Virgin are involved in different markets selling a range of products and services. If one fails, they have others that may help balance this.

Managerial

As firms grow in size they can employ specialist managers. This makes the firm more effective.

Purchasing

Larger firms tend to buy in larger quantities and can usually gain purchasing discounts. The more that you buy, the cheaper each unit is.

Distribution

Larger firms use bigger lorries to transport their goods reducing the unit cost of each item delivered.

Examiner's Tip

They all relate to the firm growing - learn the effect on the specific firm in your exam