

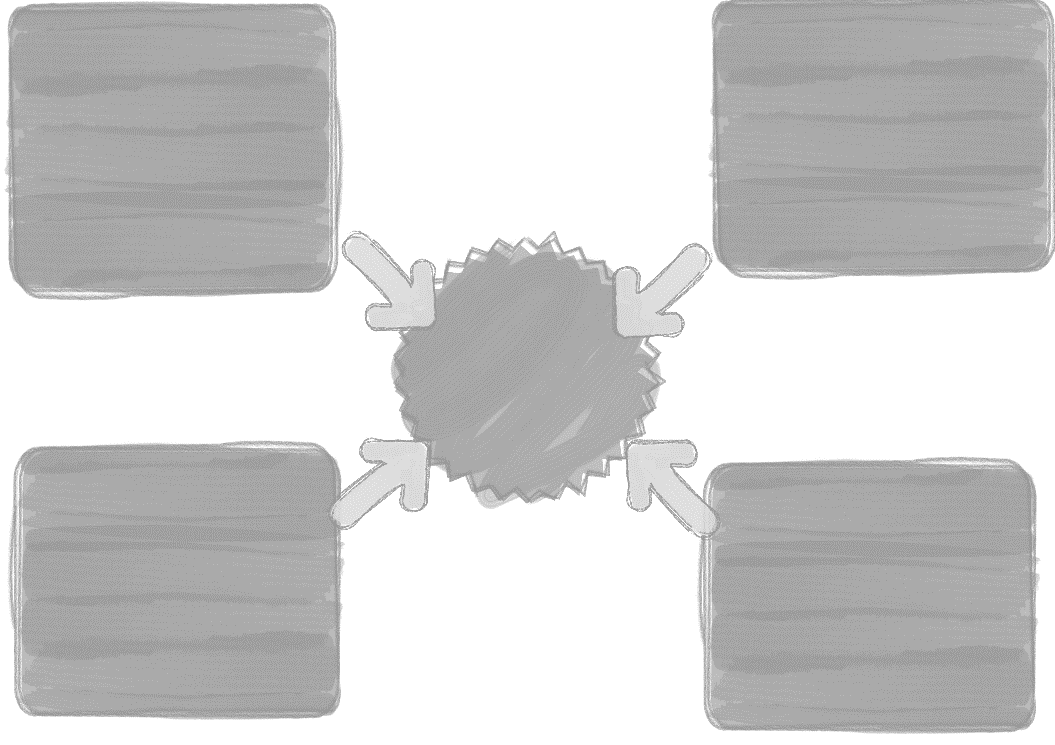
3.2.1 Growth

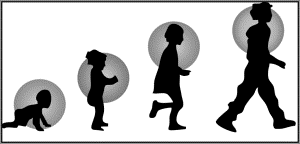
Starter – write your answers in here:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **1** | **2** | **3** | **4** | **5** |
| 6 | 7 | 8 | 9 | 10 |

Write a definition of business growth here:

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_



**Objective of growth 1: To achieve economies of scale (internal and external)**

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**Benefits of economies of scale**

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**Economies of scale and average costs**

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

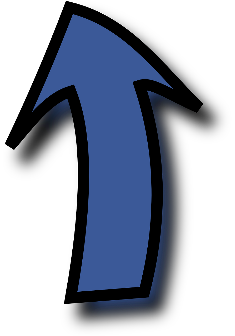
|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Output in units** | **Variable cost per unit** | **Fixed costs for the production run** | **Total costs of production** | **Average cost per unit** |
| 100 | £2 | £500 |  |  |
| 300 | £2 | £500 |  |  |
| 400 | £2 | £500 |  |  |

1.Calculate the total costs of production for each of the three output levels (VC x output + FC)

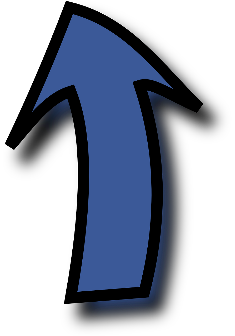
2. Calculate the cost per unit (TC / output)

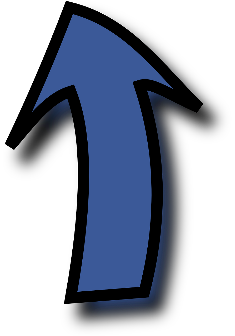
3. Identify at which level of output the business should operate

|  |  |
| --- | --- |
| **Financial Economies of Scale** |  |
| **Marketing Economies of Scale** |  |
| **Technical Economies of Scale** |  |
| **Managerial Economies of Scale** |  |
| **Risk- Bearing Economies of Scale** |  |



Bulk buying





Technical

Managerial

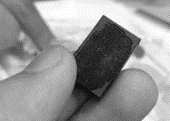


Financial

Marketing



Risk bearing

**Objective 2: Increased market power over customers and suppliers**

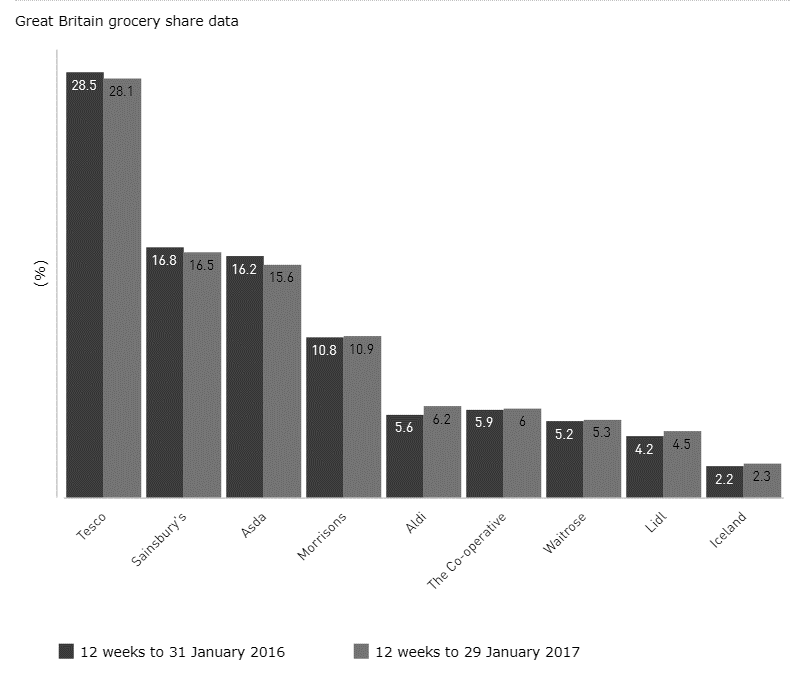
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**Write about the Tescopoly site here:**

**Objective 3: Increased** **market** **share** **and** **brand** **recognition**

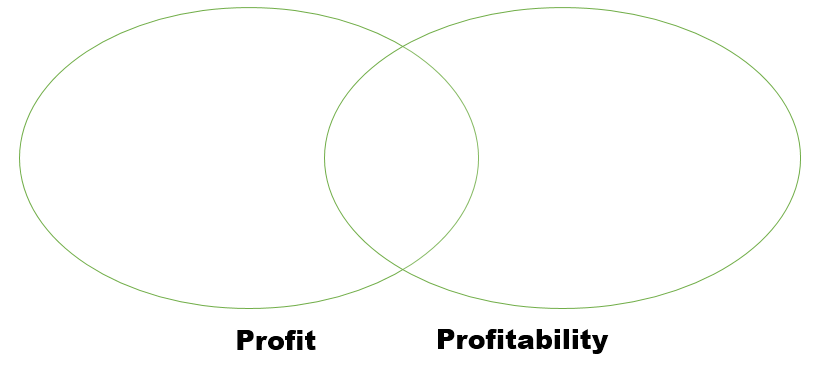
Increased market share and brand recognition

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

[](http://uk.kantar.com/consumer/shoppers/2017/february-kantar-worldpanel-uk-grocery-share/)

**Objective 4: Increased profitability**

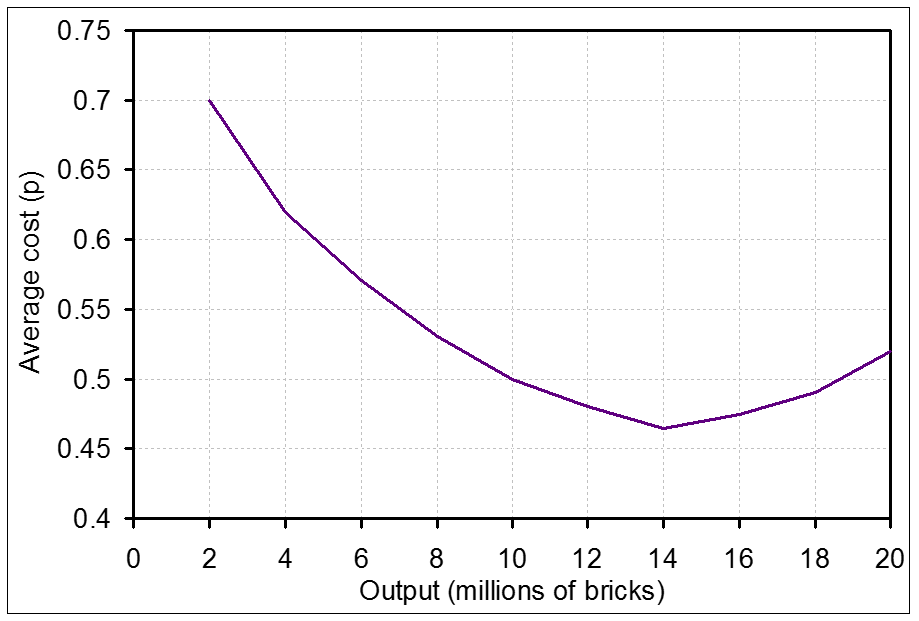
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Problems arising from growth

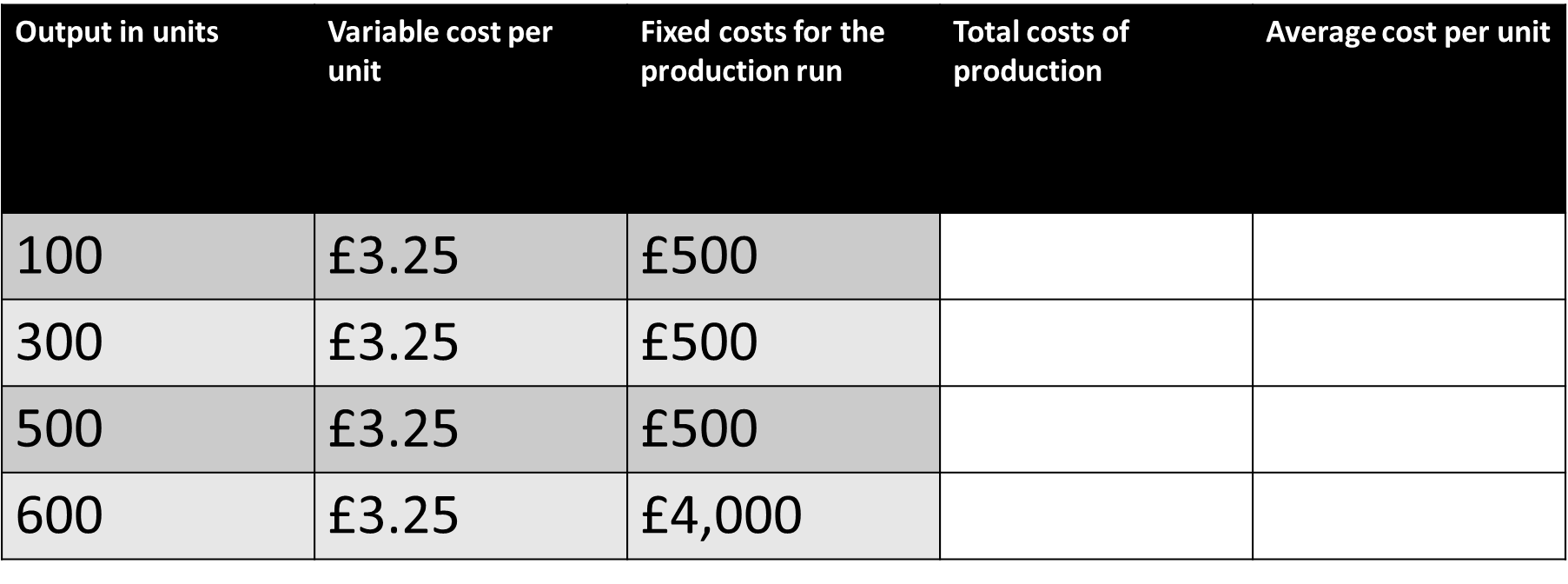
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Problem 1 – diseconomies of scale (DEOS)

|  |  |
| --- | --- |
| Lack of motivation through DEOS | Lack of co-ordination through DEOS |
|  |  |
|  |  |



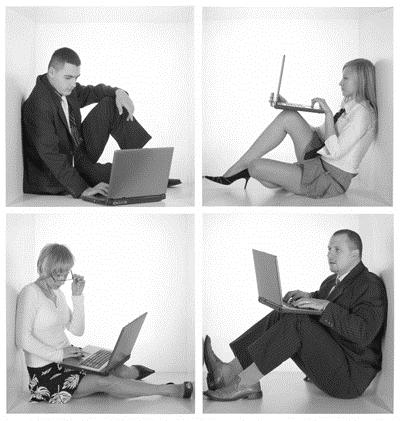
1.Calculate the total costs of production for each of the four output levels (VC x output + FC)

2. Calculate the cost per unit (TC / output)

3. Identify what happens at 600 items

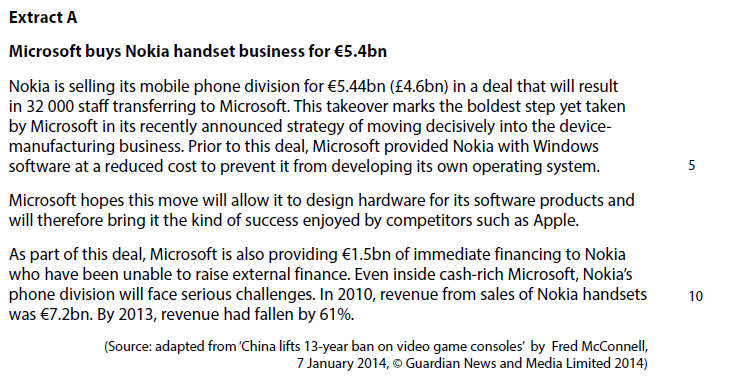
Problem 2: Overtrading

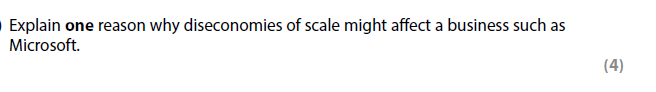
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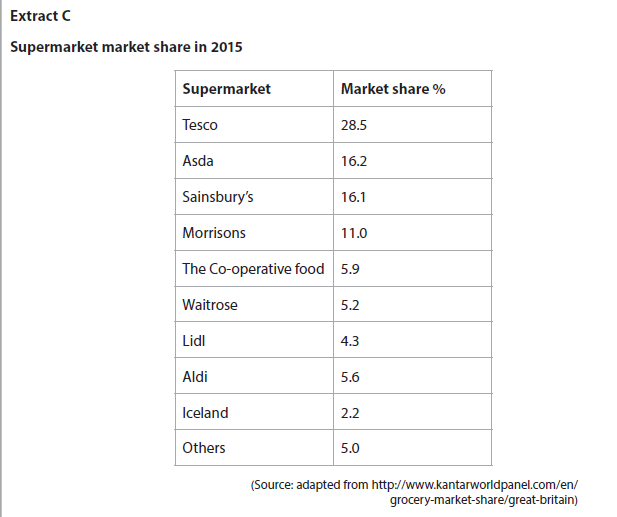


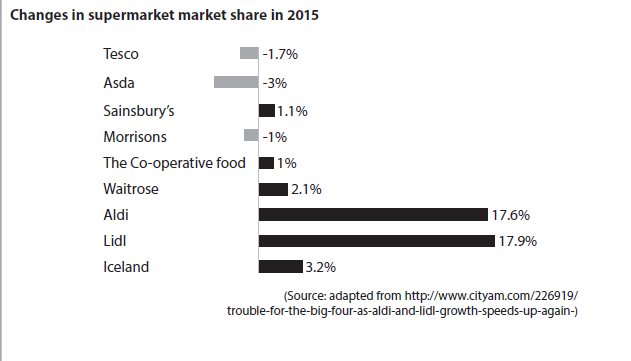
Problem 3 internal communication

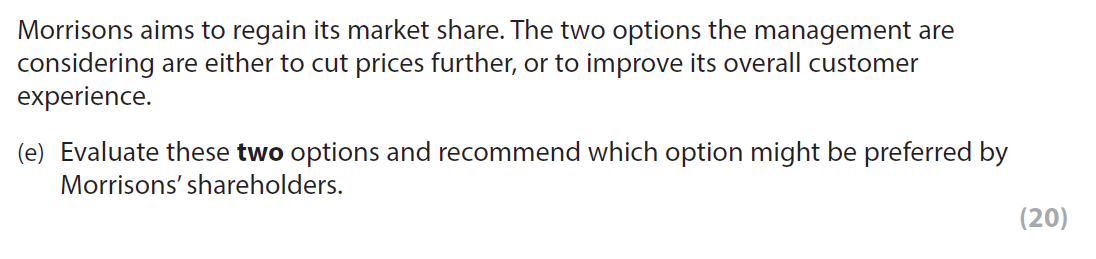
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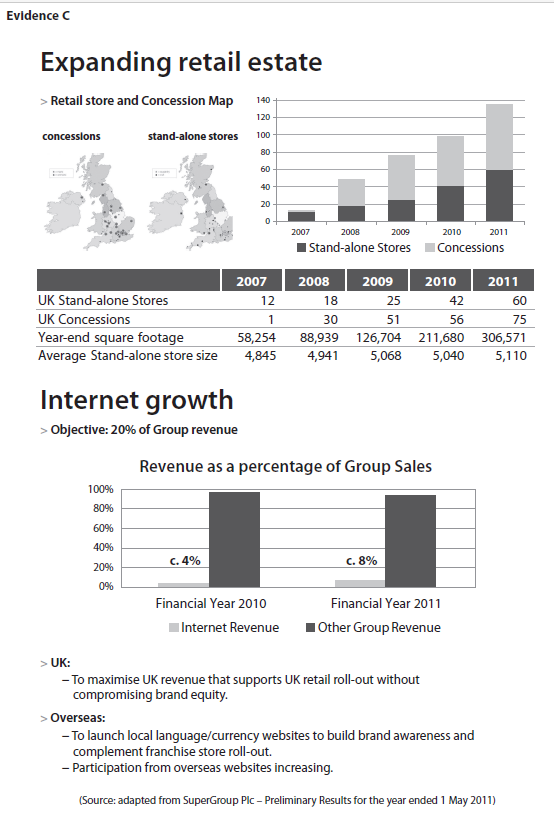












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