**DV162\_5\_PAS\_On Economies of Scale  
Possible Answers Sheet**

| 1 | What is the concept of economies of scale? |
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| ANS | The concept of economies of scale refers to the phenomenon where the average cost of production decreases as the scale of operation increases. Essentially, it means that as a company produces more, the cost per unit of output decreases. |
| 2 | In cloud services which companies are able to leverage from economies of scale. |
| ANS | In cloud services, both large cloud service providers and their customers are able to leverage economies of scale. Large cloud providers benefit from economies of scale in their infrastructure and operations, allowing them to offer services at lower costs. Meanwhile, customers benefit from lower prices due to the cost efficiencies achieved by cloud providers. |
| 3 | In what way have the large cloud service providers been able to provide cloud services at lower prices to their users? |
| ANS | Large cloud service providers have been able to provide cloud services at lower prices to their users through various means such as massive data center investments, optimized resource utilization, automation, and efficient management of infrastructure. |
| 4 | Cloud service providers competing against each other is also the reason for lower cloud service prices for users? True/False |
| ANS | True. |
| 5 | What is Investment in R&D in economies of scope and scale? |
| ANS | Investment in R&D in economies of scope and scale refers to allocating resources to research and development activities aimed at enhancing both the breadth (scope) and volume (scale) of products or services offered by a company. This investment can lead to cost efficiencies and competitive advantages. |
| 6 | What is Faster R&D innovation in economies of scope and scale? |
| ANS | Faster R&D innovation in economies of scope and scale means that companies can innovate and bring new products or services to market more quickly due to their broader scope and larger scale of operations. This accelerated innovation can help companies stay ahead of competitors and capture market share. |
| 7 | What is the Increased success rate in economies of scope and scale? |
| ANS | Increased success rate in economies of scope and scale refers to the higher probability of success or market acceptance for products or services developed within a larger and more diversified operation. The breadth of offerings and the ability to leverage economies of scale can mitigate risks and increase the likelihood of success. |
| 8 | What is Infrastructure costs decrease in economies of scope and scale? |
| ANS | Infrastructure costs decrease in economies of scope and scale as companies expand their operations and offer a wider range of products or services. By spreading fixed costs over a larger output or customer base, the average cost per unit decreases, leading to cost savings in infrastructure investment. |
| 9 | What is Utilization variability decreases in economies of scope and scale? |
| ANS | Utilization variability decreases in economies of scope and scale as companies diversify their offerings and customer base. This diversification helps mitigate the impact of fluctuations in demand for individual products or services, resulting in more stable utilization of resources and improved operational efficiency. |
| 10 | What is Faster revenue growth in economies of scope and scale? |
| ANS | Faster revenue growth in economies of scope and scale refers to the ability of companies to increase their revenue at a faster rate by expanding their product or service offerings and capturing a larger market share. The broader scope and larger scale of operations enable companies to tap into new revenue streams and capitalize on economies of scale to drive growth. |