Economies of Scale

The principle of economies of scale states that as the companies grow they become more effective at managing shared operations. Be that HR and hiring, taxes, accounting, internal operations, marketing, big purchases via contracts meaning better discounts, etc. etc.

Because of those, companies can save/earn more which in return allows for reduction in cost of their services to their customers. This is so called ‘price per unit’.

It’s not possible to go to 0 because in the end some underlying infrastructure needs to run to provide the services. But the larger the scale the more benefits can be passed to customers.

In fact, in the current scale, Microsoft can already offer multiple services for free due to how small a fraction of the cost it is for them.

PRACTICE TEST LINK: https://marczak.io/az-900/episode-02/practice-test/