**Recognising the Challenges of Growth**

How can we measure the size of a business?

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What do economies of scale mean?

What are the advantages of growing as a business?

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What do diseconomies of scale mean?

What are the disadvantages of growing as a business?

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What are the benefits of being a small business?

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Fine Tune Aerials Ltd is a private limited company that was set up in 1990. The company installs television aerials and satellite dishes for customers living in and around Preston in the north of England. There are four similar businesses in the town. Fine Tune Aerials Ltd has the objective of doubling its sales revenue in the next five years. It is considering relocating to a larger city, such as Manchester or Liverpool. The manager of the company believes that the move would help Fine Tune Aerials Ltd achieve this objective.

Explain the benefits to Fine Tune Aerials Ltd of growing in size. (6 marks)

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Ibrahim’s grandmother had perfected a recipe for a  spicy sauce to accompany many local foods. She served it with every meal! Made from fresh local fruits and spices it also contained a secret ingredient. One summer his grandmother made so many jars of sauce that Ibrahim, now 17, asked if he could try selling the surplus at a local market.. He formed a private limited company, called The Sauce Company, with his grandmother and several friends keen to invest in the business as shareholders.

The original Hi Spice sauce had been ordered in huge quantities by a well known supermarket chain. This company insisted on regular deliveries of 5000 jars a week. Ibrahim could now justify the use of flow production for Hi Spice. It would offer significant reductions in variable costs. An extension to the kitchen was built quickly despite the opposition of local residents. It was equipped with automated food processing, mixing, cooking and packing machines. Two additional specialist workers were employed and trained in the latest technology. Ibrahim wondered if the new machinery would be able to produce exactly the same ‘home made’ flavour of Hi Spice but he thought that customers would not notice anyway.

Explain two benefits of Economies of scale that Hi Spice can benefit from (6 marks)

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