

advantage to be discussed under technical economies. This is not possible when the scale of operation is very small. Small scale producers would simply waste the by-products or use it in an uneconomical way because the by-product may not be in sufficient quantities to dispose off profitably. If the scale is sufficiently large, it will be worthwhile erecting a special plant to treat the waste products profitably. For example, the scrap materials in engineering firms can be used in producing smaller articles like toys or nails. The coal-gas in the coking process can be profitably stored and marketed. Bagasse and molasses in sugar mills may not be profitably used. The former will be used as fuel while the latter will be thrown out posing health hazards. If the scale is large, the bagasse is an excellent raw material for the manufacture of cardboard and paper and molasses may be used in producing alcohol. These valuable by-products enable the producers to start a subsidiary industry or to sell the product as raw materials to firms engaged in the production of these goods. This will result in the reduction of cost of production in the mother industry or the main industry.

III. *Marketing Economies*: Perhaps, the biggest benefit arising in large scale production is the economies of marketing.

- (i) The large scale producer has better bargaining power in buying as well as in selling. In buying the raw materials, he can slice off prices by effective bargaining and buy the raw materials in the cheapest market. An efficient producer will enter into hedge contract with raw materials suppliers and thereby keep the cost of raw material at the lowest possible level. In selling also, he will have better strength as he is capable of surveying a larger market, create norms of selling to his best advantage and effectively dictate terms with retailers.
- (ii) Economies of freight is another advantage to large scale producers. He can bargain effectively with cargo-movers as he can employ them for a fairly long period with full cargo. The large scale producers get cheaper wagon-load facilities, containerization facilities, etc. If costs of freight work out higher, he can as well have his own truck or fleet of trucks.
- (iii) Effective advertisement is possible only in large scale production. Present day marketing success mainly depends on effective and enormous advertisement through different media to create taste for the consumer. Large scale producers can afford to take up large scale advertisement campaign to boost up the sales without increasing the cost of production much as the expenses will be