

ECONOMICS OF VALUE VS. ECONOMIES OF SCALE

Austrian Economics for the Digital Age.

Economies of Scale	Economics of Value
Scale up output per worker hour through investment in capital. Find cost-minimizing point where variable cost is reduced to its minimum.	Select a customer group to serve in the best possible way – so that they can experience maximum (subjective) value.
Use low cost as competitive advantage in a market.	Superior service to selected customers to facilitate value for them as a competitive advantage.
Experience curve – the more units produced, the greater the learning to continue to refine and reduce cost.	Customer empathy and feedback cycle – process more and more customer feedback to understand better how to improve their experience.
Scale up – bigger is better.	Scale down – personalization and customization are increasingly effective routes to customer value experiences.
Produce more – pursue greater volume and market penetration.	Produce less – scarcity, exclusivity, limited availability and uniqueness as value signals to selected customers.
Big companies build their own platforms and infrastructure – e.g. Amazon, Alibaba, Facebook.	Leave infrastructure building to others; focus on unique, high value utilization of infrastructure to create differentiated (and also highly reliable and efficient) experiences.
Brand = size and market power. Produce, then add marketing to gain scale.	Brand = differentiation ratified by selected customers.
Scale generates asymmetric buying power and negotiation power with vendors and suppliers.	In B2B markets, identify ways to fit in to the customer's system in a unique or superior way to re-balance asymmetric bargaining power.
Scale is a pursuit of low cost for competitiveness in a commodity market.	Scale is a choice for the entrepreneur. Choose which customers to serve at what scale. The cost connection with scale is far less important than in the past.
Economies of scale is a product-centric concept.	Always put customers and their value experience first. Pursue the economics of value.

Choose Austrian Economics To Grow Your Business.

Economics For Entrepreneurs is a project of the Mises Institute, to demonstrate how the application of economic principles helps entrepreneurs succeed.

Start your Austrian entrepreneurial journey at e4epod.com/journey