

Economies of scale

✓ 100 XP

1 minute



Economies of scale is the ability to do things more efficiently or at a lower-cost per unit when operating at a larger scale. This cost advantage is an important benefit in cloud computing.

Cloud providers such as Microsoft, Google, and Amazon are large businesses leveraging the benefits of economies of scale. These providers can then pass the savings on to their customers.

These savings are apparent to end users in a number of ways, one of which is the ability to acquire hardware at a lower cost. Cloud providers can also make deals with local governments and utilities to get tax savings, lowering the price of power, cooling, and high-speed network connectivity between sites. Cloud providers are then able to pass on these benefits to end users in the form of lower prices than what you could achieve on your own.

Next unit: Capital expenditure (CapEx) versus operational expenditure (OpEx)