


B Business Management – Operations Management

5.5 Production Planning – Just-In-Case Stock Management Notes



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ADVANTAGES AND DISADVANTAGES OF JUST-IN-CASE STOCK MANAGEMENT

Advantages	Disadvantages
Stocks of raw materials can be used to allow the firm to meet increases in demand by increasing the rate of production quickly.	High storage costs.
Raw-material supply hold-ups will not lead to production stopping.	Risk of goods being damaged or becoming out-dated.
Economies of scale from bulk discounts will reduce average costs.	'Getting it right first time' – a key component of lean production – matters less than with JIT as other supplies are kept in stock to replace defective items.
Stocks of finished goods can be displayed to customers and increase the chances of sales.	Space used to store stock cannot be used for productive purposes.
Stocks of finished goods used to meet sudden, unpredicted increases in demand – customers can be satisfied without delay.	

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