

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-TIME STOCK MANAGEMENT

Advantages	Disadvantages
<ul style="list-style-type: none"> Capital invested in inventory is reduced and the opportunity cost of stock holding is reduced. 	<ul style="list-style-type: none"> Any failure to receive supplies of materials or components in time caused by, for example, a strike at the supplier's factory, transport problems or IT failure, will lead to expensive production delays.
<ul style="list-style-type: none"> Costs of storage and stock holding are reduced. 	<ul style="list-style-type: none"> Delivery costs will increase as frequent small deliveries are an essential feature of JIT.
<ul style="list-style-type: none"> Space released from holding of stocks can be used for a more productive purpose. 	<ul style="list-style-type: none"> Order administration costs may rise because so many small orders need to be processed.
<ul style="list-style-type: none"> Much less chance of stock becoming out-dated or obsolescent. Less stock held also reduces the risk of damage or wastage. 	<ul style="list-style-type: none"> There could be a reduction in the bulk discounts offered by suppliers because each order is likely to be very small.
<ul style="list-style-type: none"> The greater flexibility that the system demands leads to quicker response times to changes in consumer demand or tastes. 	<ul style="list-style-type: none"> The reputation of the business depends significantly on outside factors such as the reliability of supplying firms.
<ul style="list-style-type: none"> The multi-skilled and adaptable staff required for JIT to work may gain from improved motivation. 	<ul style="list-style-type: none"> Any failure to receive supplies of materials or components in time caused by, for example, a strike at the supplier's factory, transport problems or IT failure, will lead to expensive production delays.

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