**Activity 2 Information sheet:   
Stock management processes – a summary**

The optimal stock management process for a business depends on factors such as product demand, lead times, customisation requirements and cost considerations. Many businesses may use a combination of these processes to meet their specific needs.

# Made-to-order (MTO)

Advantages

* Reduced inventory: Minimises the risk of stockouts or excess inventory.
* Customisation: Can offer highly customised products to meet specific customer needs.
* Improved profit margins: Can lead to higher profit margins due to the ability to charge premium prices for customised products.

Disadvantages

* Longer lead times: Production can take longer, potentially delaying delivery.
* Higher costs: May involve higher production costs due to the need for frequent setups and changes.
* Reduced efficiency: Can be less efficient than mass production.

# Made-to-stock (MTS)

Advantages

* Faster delivery: Products can be shipped immediately upon order.
* Lower costs: Can benefit from economies of scale, leading to lower production costs.
* Improved customer satisfaction: Can improve customer satisfaction due to faster delivery times.

Disadvantages

* Higher inventory costs: Requires significant investment in inventory to meet demand.
* Risk of obsolescence: Products may become obsolete if demand changes.
* Limited customisation: Offers limited customisation options.

# Just-in-time (JIT)

Advantages

* Reduced inventory costs: Minimises inventory levels, reducing storage costs.
* Improved quality: Encourages continuous improvement and quality control.
* Increased flexibility: Can be more flexible in responding to changes in demand.

Disadvantages

* Requires precise planning: Requires accurate demand forecasting and efficient supply chain management.
* Vulnerable to disruptions: Can be vulnerable to disruptions in the supply chain, such as supplier delays or natural disasters.
* Limited customisation: May limit customisation options, especially for products with long lead times.

Extension material

# Assemble-to-order (ATO)

Advantages

* Faster delivery: Can offer faster delivery times than MTO, while still providing some level of customisation.
* Reduced inventory: Minimises inventory of finished products, reducing the risk of obsolescence.
* Improved flexibility: Can be more flexible in responding to changes in demand.

Disadvantages

* Requires efficient assembly: Requires efficient assembly processes and accurate component inventory.
* Limited customisation: May have limitations on the level of customisation that can be offered.

# Configure-to-order (CTO)

Advantages

* High level of customisation: Can offer a high level of customisation to meet specific customer needs.
* Reduced inventory: Minimises the need for finished products in inventory.
* Improved customer satisfaction: Can improve customer satisfaction by offering a wide range of options.

Disadvantages

* Complex configuration process: Requires a complex configuration process to ensure accurate product specifications.
* Longer lead times: May have longer lead times compared to MTS or ATO.
* Increased complexity: Can be more complex to manage than other stock management processes.