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# **Introduction to the company**

The company operates in consumer manufacturing products, the CEO of the company wants to educate the employee about the ordering system.

# **Ordering System**

## **Just in the time ordering system**

Just in time (JIT) has the aim to order the inventory when the production is going to start, in other words just in time defined as the order receives for production place the order for raw material or production components rather than they are just in the warehouse. This system only works on the basis of customer orders. For example, software houses, etc.; (Sakakibara, Flynn, & Schroeder,1993).

## **Advantages of Just In Time**

* No Inventory or zero inventory needs to store in the warehouse, as soon as the company receive the order company will order the material and manufacture the product according to the customer desire. Mostly these products are customized and manufactured on the order of customers. Due to the zero inventory, there will be lots of cost saving such as warehouse which is known as handling the cost.
* Better production and time saving is also one of the benefits of just in time. Low wastage of raw material incurred as the company only order the limited quantity of material due to the order.

## **Disadvantages of Just In Time**

* Sometimes it is not possible to get the material available in the market due to the shortage of demand and supply, due to this issue the order can deliver and the customer can be dissatisfying. Customer retention may be difficult in this situation as the market is full of competition.
* A long-term supplier relation is also required in this system, so retention of the customer as well as supplier some time it can create difficulty for the business to manage. More than one supplier is required for one type of product.

# **Forecast-Base Ordering System**

Forecasting based ordering system is defined as a system which operates on previous years trends by considering the current market situation such as the increasing or decreasing trends of the market. This is a very old and traditional system. In which companies follow their previous year order and forecast the next year. Companies place the order a few time during the whole fiscal year which is already decided and negotiated with the supplier on a date and delivery time; (Helms,Ettkin, & Chapman,2000).

## **The advantage of the forecasting-Base ordering system**

* The good benefit of this system company already knows how much they have to order to meet the customer requirement. So companies always manage the supply and demand it does matter material is in not available in the market or not, they order timely.
* Senior management can take better decision for the upcoming future. As they have already date available for the supplies of the year.

## **The disadvantage of the forecasting-Base ordering system**

* Future is uncertain, companies cannot rely fully on the previous year as the current business environment is very dynamic. So it is better to hold less inventory rather than to stock for the whole year.
* Handling cost of the raw material will be a burden which can reduce the company profit.

# **References**

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