### Advantages

- Stocks of raw materials can be used to allow the firm to meet increases in demand by increasing the rate of production quickly.
- Raw-material supply hold-ups will not lead to production stopping.
- Economies of scale from bulk discounts will reduce average costs.
- Stocks of finished goods can be displayed to customers and increase the chances of sales.
- Stocks of finished goods used to meet sudden, unpredicted increases in demand – customers can be satisfied without delay.

### Disadvantages

- High storage costs.
- Risk of goods being damaged or becoming outdated.
- ‘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.
- Space used to store stock cannot be used for productive purposes.

**Source:** [www.IBBusinessandManagement.com](http://www.IBBusinessandManagement.com)