ALL YOU NEED TO KNOW ABOUT JUST IN TIME (JIT)

WHAT IS JUST-IN-TIME (JIT)?

Just-in-time (JIT) is an **inventory management process**. It's also known as lean manufacturing or the **Toyota production system (TPS)**.

JIT was developed in the **1970s** and reached western shores in **1977.** The US and other developed began to implement JIT in the early **1980s.**

This inventory strategy is used to **increase efficiency in manufacturing.**

The process involves **ordering and receiving inventory for production** and customer sales only as it is needed, and not before.

BENEFITS OF JIT

Prevents waste and improves production efficiency.

Inventory is created on an as-needed basis and helps companies **lower their inventory carrying costs**, increase efficiency and decrease waste. JIT requires manufacturers to be very accurate in forecasts for the demand of their products.

Allows manufacturers to **keep production runs short**, and move on to new products quickly and easily if needed. Companies using JIT no longer need to maintain a huge expanse of warehouse space to store inventory. A firm also **no longer needs to spend large amounts of money on raw materials for production**, because it only orders exactly what it needs, which frees up cash flow for other opportunities.

POTENTIAL RISKS OF JIT

JIT inventories can cause disruptions in the supply chain. It only takes one supplier of raw materials who has a breakdown and cannot deliver the goods on time, to shut down an entire production process.

A customer order that surpasses the delivery promise could mean losses in the thousands or even millions if you a big company like Toyota.

OTHER OPTIONS

Competing inventory management systems exist and include **short-cycle manufacturing (SCM)**, **continuous-flow manufacturing (CFM)** and **demand-flow manufacturing (DFM)**.