

CHAPTER 2

Solution Manual

Discussion Questions

1. The customer order decoupling point is the point at which the customer does his or her “shopping.” If it is at finished goods, they buy finished goods at their timing and quantities. However, from finished goods back into the company, management has control of the demands on upstream departments and materials, again, both in terms of timing and quantity. The advantage of dependent demand is that it can be planned for as opposed to being forecast. This reduces uncertainty and associated costs as well as enabling more economic production.
2. Your students should be able to provide several examples of each. Almost all the goods at a Wal-mart are in the make-to-stock category, for example. For assemble to order, they might think of the computer kiosks that are found in many stores, making up a plate at a cafeteria or a car purchase. The make-to-order category might include contact lenses, architect designed houses and the buildings on campus. For the advantages, they might start with the increased knowledge upon which the products are manufactured (as opposed to forecasts). Additional advantages might include reduced inventory, space, and transportation needs.

Chapter 2 Problem Summaries		
Problem	Difficulty	Problem Type
1	Moderate	Assemble to order vs make to stock comparison.

1. Northland Computer Shop

- a. The number of potential finished products is the product of all the components and options (assuming that all are viable, but the problem says “potential” number, so we’re okay).

The total number of finished products possible is:

$$7 * 6 * 5 * 3 * 4 = 2520 \text{ potential finished products}$$

- b. To get the difference we need the total number of components and options which is:

$$7 + 6 + 5 + 3 + 4 = 25 \text{ components}$$

At \$10 per forecast we can save \$2,495/week ($100 * (2520 - 25)$).