

- 1 A long lead time may allow competitors to enter the market.
- 2 As production volume increases, you get economies of scale (the average fixed cost per unit produced decreases).
- 3 Finding enough workers and coordinating material flows can become difficult.
- 4 If lead time increases, some customers may go to other suppliers.
- 5 Lost sales and market share are usually permanent.
- 6 The working environment might get worse and industrial relations could deteriorate.
- 7 There are costs of storage, handling, insurance, depreciation, the opportunity cost of capital, and so on.
- 8 You can be more flexible in product scheduling, and have longer lead times and lower cost operation through larger production runs with fewer set-ups.
- 9 There is always a risk of obsolescence, theft, breakage, and so on.
- 10 You can meet variation in product demand.
- 11 You may be under-utilizing your workforce.
- 12 You have protection against variation in raw material delivery time (due to shortages, strikes, lost orders, incorrect or defective shipments, etc.).
- 13 You may be forced to produce additional, less profitable, products.
- 14 You can take advantage of quantity discounts in purchasing.
- 15 You may have to reduce prices to stimulate demand.

Listening 1: Purchasing ▶ 1.15

Listen to Alan Goodfellow, Global IT Director of Leica Microsystems, talking about purchasing and manufacturing, and answer the questions. Leica is part of the Danaher group of companies. They make microscopes, imaging systems and medical equipment.

- 1 What does he describe as 'one of the main goals of any company'?
- 2 What is the advantage of being part of a larger group of companies?
- 3 How does a reverse auction work?
- 4 Why is it called 'reverse'?
- 5 What does he mean by 'price isn't everything'?
- 6 What is the consequence of this?

Listening 2: Low-cost manufacturing ▶ 1.16

Listen to Alan Goodfellow talking about manufacturing in Asia, and answer the questions.

- 1 What are the advantages of having factories in Singapore and China?
- 2 Why is this *not* outsourcing?
- 3 What was the problem with staff in China?



A Leica factory in Singapore



Alan Goodfellow