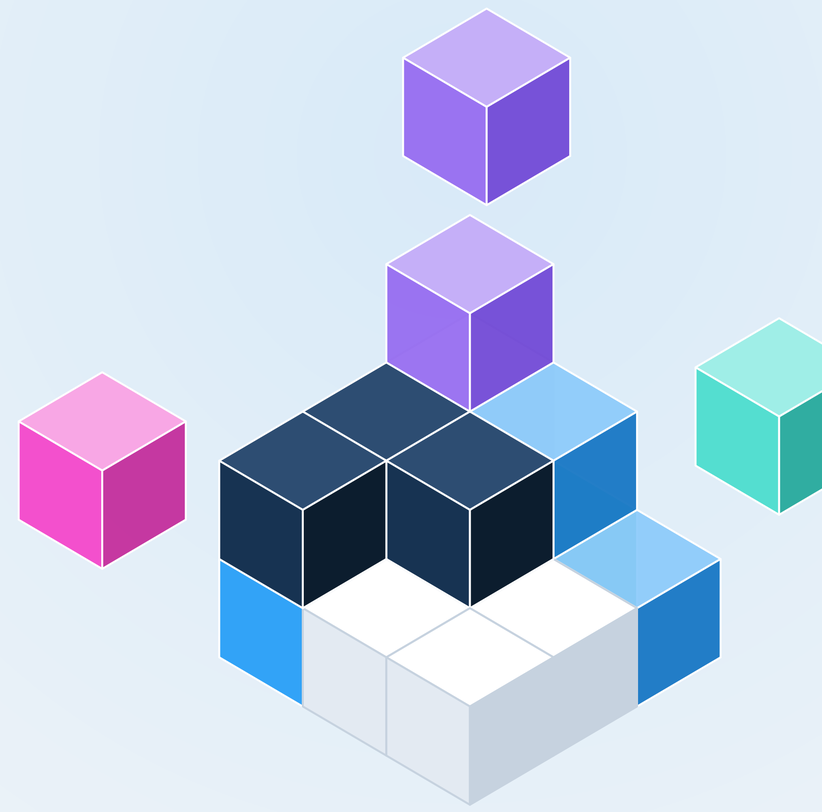
SUPPLY CHAIN & LOGISTICS

Make-to-Stock vs Make-to-Order



Make-to-stock produces to a forecast and ships from finished goods. Make-to-order starts production only after a customer order. The decoupling point separates the two logics.

01 THE CORE MODEL

TWO PATHWAYS · WHERE THE ORDER ENTERS

Make-to-stock
Forecast drives production

Forecast → Make → Finished goods stock → Customer order → Ship from stock

Days
short delivery time

Make-to-order
Order drives production

Raw material stock → Customer order → Make → Test → Ship

Weeks
no finished stock

- **Decoupling point**
  Where forecast-driven flow stops and customer orders take over (violet).
- **Make-to-stock**
  Produce to forecast, ship from finished goods: fast, but stock risk.
- **Make-to-order**
  Produce after the order: less stock, longer delivery time.

02 CHOOSING THE STRATEGY

Place the decoupling point where delivery time and stock risk balance.

MAKE-TO-STOCK — MAKE-TO-ORDER

MAKE-TO-STOCK FITS

+ Standard products, stable demand
+ Customers expect delivery from stock
− Forecast errors become stock or shortages

MAKE-TO-ORDER FITS

+ Many variants or custom products
+ Customers accept a delivery time
− Capacity must absorb demand swings

03 WORKED EXAMPLE

INDUSTRIAL FAN MAKER · MIXING BOTH STRATEGIES

RUNNERS
Top 20 fans
made to stock

·

VARIANTS
Custom options
assembled to order

→

DECOUPLING
Stock of modules
motors, housings

→

EFFECT
Short delivery
little finished stock

04 MANAGEMENT TAKEAWAYS

01
Segment the portfolio
High runners to stock, rare variants to order.

02
Consider assemble-to-order
Stocking modules gives short delivery with little finished stock.

03
Review the decoupling point
Shifts in demand or lead time can move the best position.

05 COMMON MISTAKE

LIMITATION
One strategy for all products
Treating every item the same over-stocks rare variants or under-serves high runners.