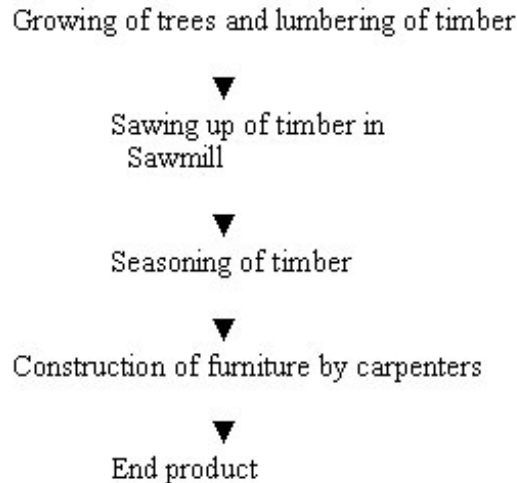


Chain of production

Chain of production

The chain of production consists of the various stages involved in the production of a particular product.

The chain of production for furniture may include the following steps:



The chain of production involves a series of stages, which add value to the end product. The trees in the forest will only have a limited value, but when the value is enhanced by sawing, seasoning, and construction they will be worth several times more.

As well as the various stages in the chain of production, we also need to consider a chain of distribution involving transport and communication, as the goods make their way to the end retailer.

Adding value

Adding value is the process of making the product more valuable to the purchaser. For example, if the sawmill buys in trees for £10,000 and sells them on for £25,000 it will have added £15,000 worth of value. Value added tax is typically levied on the value added by producers at each stage of production and is eventually passed on to the end consumer.

Value is also added in service industries e.g. in a restaurant the service of the cook and waiter/waitress make the raw ingredients that originally made up the meal much more desirable.