

Aggregate planning in manufacturing and aggregate planning in services

[Business](#)



Aggregate Planning YourFirst YourLast Major differences between aggregate planning in manufacturing and aggregate planning in services

Introduction

Aggregate planning is the process of strategizing, analyzing and sustaining the operational program of a business company. The process puts into perspective areas of business that touch on sales targets, levels of production, inventory levels and clients backlog. An effective aggregate planning model minimizes the adverse effects of shortsighted miscalculated plans in an organization (Agrawal, n. d.). There are fundamental differences between aggregate planning in service provision and manufacturing.

Manufacturing

Aggregate planning in the manufacturing processes entails optimum allocation of a company's resources for all manufacturing processes to reduce the time and associated costs during the idle time. Companies dealing in manufacturing processes use a variety of strategies. The most common methods are the Level plans or the Chase strategies (Maropoulos, McKay & Bramall, 2002). The Chase method entails corresponding capacity and demand depending on the market situations. This method triggers a significant movement of human resource, increased costs associated with inventory carriage and labor union issues associated with human resource movement. This method ensures minimal inventory levels, saving large sums of money for the company. The Level method entails a constant production level, not dependent on the demand levels in the market. Companies that apply this method, therefore, maintain a constant employment rate.

Organizations are, therefore, able to control inventory depending on market

demand forecasts or future anticipations.

Services

Service provision does not involve tangible goods and, therefore, does not involve inventory accumulation. Organizations that provide services do not have the luxury of adjusting their "inventories" in periods of low or high demand. Therefore, services are regarded as fragile or consumables, whereby the services available but unused are regarded as wasted. A good example is in the transport industry, where companies offer bus services between destinations. An empty seat cannot be sold to another individual at a later period, and therefore considered as wasted.

Difference

Aggregate planning is best suited for the manufacturing industry because organizations have the capability to create, hold and put up for sale stock at any period. On the other hand, aggregate planning in service provision varies significantly because services cannot be stocked. Both the capacity and the demand for service provision are difficult to assess and predict respectively. Labor is regarded as the most limiting factor in service provision.

Resources

Agrawal, V. Aggregate Production Planning. SSRN Journal. doi: 10. 2139/ssrn. 2140497

Maropoulos, P., McKay, K., & Bramall, D. (2002). Resource-Aware Aggregate Planning for the Distributed Manufacturing Enterprise. CIRP Annals - Manufacturing Technology, 51(1), 363-366. doi: 10. 1016/s0007-8506(07)61537-6

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