

Aggregate Planning

Aggregate planning is intermediate range capacity planning usually 2-12 months out

Short

Intermediate

Long



Aggregation



- Product families lumped together
- Inputs to the plan
 - Forecast, Resources, Policies, Inventory, Costs
- Outputs – Cost, Levels of inventory, output, utilization
- Plans roll

Brooke Cashion, operations manager at Kansas furniture, has received the following estimates of demand requirements. Assuming stockout costs for lost sales of \$100, inventory carrying costs of \$25/unit/month, and zero ending inventory, evaluate these two plans on an incremental basis.

- a) Produce at a steady rate (equal to minimum requirements) of 1,000 per month and subcontract additional units at a \$60 per unit premium cost.
- b) Vary the workforce, which performs at a current production level of 1,300 units/month. The cost of hiring additional workers is \$3,000/100 units produced. The cost of layoffs is \$6,000/100 units cut back.

July	Aug	Sept	Oct.	Nov.	Dec.
1,000	1,200	1,400	1,800	1,800	1,600