Sample Answers to In-Text Questions

# Chapter 17: Sales and Operations Planning

## Discussion Questions

1. What is Sales and Operations Planning (S&OP) and why is it important to companies in many industries?

Answer: S&OP coordinates the Sales and Marketing plans with the production plans of the rest of the supply chain. It creates a medium range plan on how to use the company’s resources. It is important that the supply capacity be aligned with the other departments and overall strategy.

1. What are the major differences between the Level and Chase S&OP planning strategies?

Answer: A Level strategy attempts to maintain a constant production rate, and may build inventory during the slower seasons in order to have it available during the high seasons. A Chase strategy attempts to run production levels close to actual demand rates, and keep inventories at their lowest. It manipulates the workforce, rather than inventory levels.

1. List some industries or situations where each of the three basic S&OP strategies are appropriate?

Answer: Any industry that risks losing quality control, if the process fluctuates, must use a level strategy, like electronics mfg. If the demand is highly seasonal, and building inventory is not desirable, or needed, uses a chase strategy, such as UPS or Amazon workers. The hybrid mixed strategies allows for manufacturing to stay level for some periods of time, but not build as much inventory.

1. The objective of S&OP is to minimize total cost. What are the major cost categories of this total cost?

Answer: Obviously inventory carrying costs, and also the costs of fluctuating the rates like overtime, hiring, layoffs, or subcontracting.

1. What are the problems that S&OP planners face in an environment of high demand uncertainty? What decision options do they have in such an environment?

Answer: Options under uncertainty include proactive demand management to influence demand, using pricing, promotions, backorders, etc. In services such as airlines, they use yield management to control demand.

1. A company currently uses the level strategy for implementing its sales and operations plan. The company had recently introduced several new products into the market which have significantly increased the cost of holding inventory. Discuss the impact of this change on the company’s sales and operations planning strategy?

The impact of this change might lead towards a hybrid strategy, to go to a higher level after demand increases call for it, such as extra hours or another shift, etc.

1. Holding inventories is not an option for many service businesses. How does this impact Sales and Operations Planning for these businesses?

Answer: Most service businesses must change production by fluctuating the workforce. They strive to hire flexible workers that might be on-call during peak demands, such as at a restaurant or hospital.

1. Discuss some of the S&OP strategies that service companies can use.

Answer: They tend to use options to control demand, or closely control capacity to match demand. They could maintain a small permanent workforce, and augment with part time or temporary workers. They could use contact workers. Yield management is often used to influence demand to lower demand times.

1. What are the benefits of coordinating a company’s S&OP process with its supply chain partners? What are the challenges?

Answer: Collaborating with supply chain partners for coordinating production levels results in less uncertainty, better quality, cost reductions, increasing agility, etc. to prevent surprises as much as possible, and meet demand volatility. A challenge is always communications and software compatibility.

1. What are some of the unique challenges and requirements of global sales and operations planning?

Answer: Unique challenges include many products due to global preferences, differences in business practices, higher product demand volatility in emerging countries, lack of production flexibility, longer supply chains, etc.

1. What are some of the issues that companies should address in implementing a global sales and operations plan?

Answer: The global supply chain must have balance between needs, service levels and production facilities. They must deal with differing processes and technologies, communications channels, production loads, and allocate product allocations across markets.

1. What Sales Carbon Operations Planning (SCOP)? How is it different from the typical S&OP process?

Answer: It introduces sustainability into the S&OP process, considering carbon emissions, reduction of greenhouse gas emissions, and impacts on the social and natural environment. The supply chain must be clean and sustainable. It looks at scarce raw materials, energy sources, while not incurring extra costs.

## CRITICAL THINKING EXERCISE

Consider a restaurant and a manufacturer of electronic products. Discuss the advantages and disadvantages these two companies face in developing and

implementing their sales and operations plans.

Answer: Student examples will vary.