Module 1
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Term
Batch manufacturing

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Term
Break-even analysis

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Break-even point

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Capacity planning

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Capacity strategy

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Continuous manufacturing

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Contribution margin

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Term
Cost-volume-profit analysis

A study of the number of units or amount of time required to recoup an investment.

A type of manufacturing process in which sets of items are moved through the different manufacturing steps in a group or batch.

The process of determining the amount of capacity required to produce in the future. This process may be performed at an aggregate or product-line level [...], at the master-scheduling level [...], and at the material requirements planning level [...]. See: capacity requirements planning, resource planning, rough-cut capacity planning.

The level of production or the volume of sales at which operations are neither profitable nor unprofitable; the intersection of the total revenue and total cost curves.

A type of manufacturing process that is dedicated to the production of a very narrow range of standard products. The rate of product change and new product information is very low. Significant investment in highly specialized equipment allows for a high volume of production at the lowest manufacturing cost. Thus, unit sales volumes are very large, and price is almost always a key order-winning criterion. Examples of items produced by [this type of] process include gasoline, steel, fertilizer, glass, and paper. Syn.: continuous production.

One of the strategic choices a firm must make as part of its manufacturing strategy. There are three [of these that are] commonly recognized: lead, lag, and tracking. A lead [...] strategy adds capacity in anticipation of increasing demand. A lag strategy does not add capacity until the firm is operating at or beyond full capacity. A tracking strategy adds capacity in small amounts to attempt to respond to changing demand in the marketplace.

The study of how profits change with various levels of output and selling price.

An amount equal to the difference between sales revenue and variable costs.

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Disintermediation

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Fixed cost

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Four Ps

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Functional strategy

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Insourcing

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Job shop

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Lag capacity strategy

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Lead capacity strategy

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An expenditure that does not vary with the production volume; for example, rent, property tax, and salaries of certain personnel.

The process of eliminating an intermediate stage or echelon in a supply chain. Total supply chain operating expense is reduced, total supply chain inventory is reduced, total cycle time is reduced, and profits among the remaining echelons are increased.

A strategy that is built from the business strategy for various business functions such as finance, marketing, and production. See: strategic planning.

A set of marketing tools to direct the business offering to the customer; include product, price, place, and promotion.

1) An organization in which similar equipment is organized by function. Each job follows a distinct routing through the shop. 2) A type of manufacturing process used to produce items to each customer's specifications. Production operations are designed to handle a wide range of product designs and are performed at fixed plant locations using general-purpose equipment. Syn.: jobbing. See: intermittent production, project manufacturing.

Using the firm's internal resources to provide goods and services. See: make-or-buy decision.

Adding capacity to a resource in anticipation of increased future demand. This is done to ensure the ability to satisfy market demand when increase occurs.

Not adding capacity until the firm is operating at or beyond full capacity. This keeps unit costs minimized by working at full capacity, but does not satisfy total demand.

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Licensing

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Line manufacturing

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Logistics

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Make-or-buy decision

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Marketing strategy

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Operational plan(s)

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Operations strategy

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Project manufacturing

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Repetitive manufacturing performed by specialized equipment in a fixed sequence.

Paying a fee for permission to manufacture and sell a product created by another.

The act of deciding whether to produce an item internally or buy it from an outside supplier. Factors to consider in the decision include costs, capacity availability, proprietary and/or specialized knowledge, quality considerations, skill requirements, volume, and timing.

1) In a supply chain management context, it is the subset of supply chain management that controls the forward and reverse movement, handling, and storage of goods between origin and distribution points. 2) In an industrial context, the art and science of obtaining, producing, and distributing material and product in the proper place and in proper quantities. 3) In a military sense (where it has greater usage), its meaning can also include the movement of personnel.

The set of short-range plans and schedules detailing specific actions. Operational plans are more detailed than strategic and tactical plans and cover a shorter time horizon. See: operational planning, strategic plan, tactical plan.

The basic plan the marketing function expects to use to achieve its business and marketing objectives in a particular market. Includes marketing expenditures, marketing mix, and marketing allocation.

A type of manufacturing process used for large, often unique, items or structures that require a custom design capability (engineer-to-order). This type of process is highly flexible and can cope with a broad range of product designs and design changes. Usually uses a fixed-position type layout. See: batch (fourth definition), continuous production, job shop (second definition), process manufacturing, project, repetitive manufacturing.

The total pattern of decisions that shape the long-term capabilities of an operation and their contribution to overall strategy. [This] should be consistent with overall strategy. See: strategic plan.

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Sales mix

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Surge capacity

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Total cost curve

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Tracking capacity strategy

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Variable cost

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The ability to meet sudden, unexpected increases in demand by expanding production with existing personnel and equipment.

The proportion of individual product-type sales volumes that make up the total sales volume.

Adding capacity in small amounts to attempt to respond to changing demand in real time in the marketplace. This approach may satisfy total demand and help minimize unit costs, but it can be difficult in some situations to add incremental amounts of capacity, especially if the facility has no more space available.

1) In cost-volume-profit (breakeven) analysis, [this] is composed of total fixed and variable costs per unit multiplied by the number of units provided. Breakeven quantity occurs where [this] and total sales revenue curve intersect. See: break-even chart, break-even point. 2) In inventory theory [and for an inventory item, this] is the sum of the costs of acquiring and carrying the item. See: economic order quantity.

An operating cost that varies directly with a change of one unit in the production volume (e.g., direct materials consumed, sales commissions).