

Animation 7.4

Capacity in many operations tends to be fixed, whereas demand for goods and services varies over time. In the case of the level capacity strategy and chase demand strategy, no effort is made to change this – it is simply accepted as the way things are. This is not the case with regards the Demand Management Strategy.

Efforts are made to smooth out demand so that there is less variation. This is done by encouraging customers to shift their demand from peak times to slack times. Such encouragement is often achieved through marketing efforts such as happy hours, two for one promotions, and discounting.

This strategy is especially helpful in operations that have fixed capacity, as it results in better utilisation. It's worth remembering that in many industry sectors, operators do not use a single capacity strategy but a combination of all three.

Production output will be planned to vary over time to match demand, the labour force will be managed flexibly, and marketing will seek to influence demand.