

## 7.1: Capacity Planning and Facility Layout

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In the last unit, we looked at manufacturing and service processes that help companies deliver what a customer wants when they want it. Before the firm can successfully institute these processes, it must understand the requirements that determine its production capacity. In the introduction to Unit 6, we considered how a pizza shop delivers its product. Is it likely that their 30-minute delivery would cover an order for 100 pizzas? Probably not, because they have planned their production capacity based on the demand of individual or family-sized consumers. When planning production capacity, the firm has to consider not only demand, but also the physical aspects of their facility. How close does the operation need to be to consumers? Is the facility within easy reach of the resources needed for production?

In this unit, you will learn how to use forecasting models to understand capacity requirements. We will also evaluate factors that help managers identify the optimal location for a new facility. Finally, we will conclude with a review of basic facility layout designs that maximize production efficiency.

**Completing this unit should take you approximately 10 hours.**

- [Unit 7 Learning Outcomes Page](#)
- 7.1: Capacity Planning
- 7.2: Facility Location and Layout
- Unit 7 Activity and Assessment

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