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A Study on the Optimal Location Selection for Micro-Fullfilment-center on Seoul using Machine Learning

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ABSTRACT

The role of the distribution center has changed to a competitive element of a company that can create new added value in the connection between consumers' distributors and consumers.

The research is meaningful in that it extracts variables that can affect the location selection of urban logistics centers at a time when the current speed of delivery is highlighted as a company's competitiveness and presents guidelines for the location selection of urban logistics centers through data mining techniques. This analysis studied whether gas stations in Seoul will enter urban logistics centers in the future. The co-prosperity of gas stations, consumers, and distributors is an expected effect. Previous studies have shown that the factors of falling sales at gas stations are an increase in demand for electric vehicles and an increase in crude oil prices, while retailers have found that fast delivery is slowing down to competitiveness.

First, clustering was conducted by selecting variables that could affect the demand for logistics centers, such as official land prices, delivery efficiency, and productive population by region in Seoul, and four clusters were interpreted from the perspective of consumers. The interpreted cluster was agreed to determine the priority of the area where the urban logistics center was needed. The areas that most need the distribution center were Dongdaemun, Yangcheon, Dongjak, Songpa, Guro, Seodaemun, and Yeongdeungpo. Second, individual publicly announced land prices, area, distance from logistics hubs, population, number of schools, and size of commercial districts were selected as variables and the location score of the dependent variable was calculated as a measurement theory that calculates the importance of variables using the Analytical Hierarchy Process. Location suitability was categorized as very suitable, suitable, unsuitable, and very unsuitable by segmenting location

scores, and analysis through classification techniques and multi-classification neural networks showed that gas stations most suitable for urban logistics centers could be classified.

Keywords: Machine Learning, Micro fullfilment center, Gas station,
Optimal Location Selection, Last-One mile

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1. Introduction

The MFC(Micro-Fulfillment-Center) is a small urban distribution center. While distribution centers are generally located outside the city. But MFCs are in the city. The role of the distribution center has changed from the connection between distributors and consumers to a competitive element of companies that can create new added value. To add more, the time between ordering and delivery can be greatly reduced. If the product is stored in the MFC in advance by predicting consumer preferences. It can provide faster delivery services to consumers. And MFC is related to Last-One Mile. The research is meaningful in that it extracts variables that can affect the location selection of MFC at a time when the current speed of delivery is highlighted as a company's competitiveness and presents guidelines for the location selection of MFC through data mining techniques. Recently, gas stations which have been reduced in demand due to electric vehicles, have been converted into micro fulfillment centers. This analysis studied whether gas stations in Seoul will enter MFC in the future.

2. Background of Study

In this study, the concept of urban distribution centers will be limited to locate d in metropolitan city so that retailers can supply distribution services quickly a nd in a timely. Therefore, the Micro-Fulfillment-Center can transport various ser vices to necessary places in a timely, creating new demand for retailer and gas stations.

The study to determine the optimal location was mainly focused on optimization techniques based on mathematical models. Such research aims to minimize the distance to demand areas based on specific facilities.

Although there are quite a few models for determining location, there are typic ally Set Covering Model, Maximum Covering Location Model, P-median, and P-center. These models estimate charging demand as Point Demand.

First, as a model that assumes point demand, the Set Covering Model is a model that determines the minimum number and location of facilities required to meet all demand within a predefined distance, and many studies have used it to determine the number and location of hydrogen and other alternative fuel vehicles.

The Maximum Covering Location Model is a model that determines the locati on of facilities that meet the maximum demand when the number of facilities is being given.

P-median is a model aimed at minimizing the distance between facilities and d emand points, and was used in a study to determine the location of charging stations that minimize the distance between hydrogen charging facilities and de mand points.

P-center is a model that aims to reduce the maximum distance between faciliti es and demand points and is often used in optimal location studies along with P-median.

After reviewing the previous study, we found that the optimal selection using machine learning models has many limitations.

"A Study on the Location of Small Urban Distribution Centers in Seoul(김은 재, 유건호, 이보라, 황세원 (2021))" used the MCLP algorithm to determine the

optimal location of urban logistics centers.

"Optical Location Selection for Hydrogen Refueling Stations on a Highway u sing Machine Learning(조재혁, 김성수 (2021))" only confirmed the applicability of machine learning models.

Therefore, a study that analyzes the optimal location of urban distribution cent ers using machine learning, It is a meaningful study.

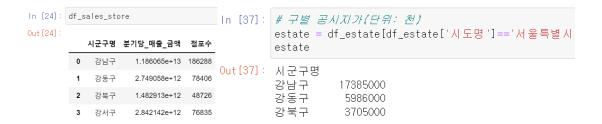
Author(Year)	조재혁, 김성수 (2021) 김은재, 유건호, 이보라, 황세원 (2021)		김수환 류준형(2020)	Team3 - Data mining [강대경 (201800302), 김 찬 (201801158), 신 용 (201802033), 김나연 (201904193)](2022)	
Goal	Optimal Location Selection for Hydrogen Refueling Stations on a Highway using Machine Learning	A Study on the Location of Small Urban Distribution Centers in Seoul	A Machine Learning based Methodology for Selecting Optimal Location of Hydrogen Refueling Stations	A Study on the Optimal Location Selection for Micro- Fullfilment-center on Seoul using Machine Learning	
Solution Approach	Binary Classification	MCLP	Clustering(k-medoid)	Clustering & Classification & ANN	
Use Geographic Variable?	Х	0	0	0	
Given the number of hubs	0	Х	Х	0	
Hub Capacity	Х	Х	0	0	
Consider_Fulfillment_center_fixe d cost	Х	Х	0	0	
			Team	3 – Data mining	

3. Research Design

3.1. Data collection and preprocessing process

We have collected data for making two types of dataset. One is for Clustering and the other one is for Classification. In Clustering, Our first objective was Finding Districts where need Microfulfillment centers.





To choose district We extracted features(TOTAL_LOGIS, POP2040, TOTAL_SALES, NUM_STORE, ESTATE, etc.) by district from each files.



And then create feature 'DRIVEN_EFF' by calculating (DRIVEN_SUM/DRIVEN_TIME) * (VIA_CNT/DRIVEN_CNT). We thought that operation efficiency is proportional to the speed of operation and the number of transit points and inversely proportional to the number of operations. Therefore, We assumed that Areas with high operational efficiency have high delivery efficiency. Below is Dataset for Clustering.

In [45]: # Final dataset for using first step.
df_table

Out [45]:

	DISTRICT	DRIVEN_EFF	TOTAL_LOGIS	POP2040	TOTAL_SALES	NUM_STORE	ESTATE
0	동대문구	0.027219	2400374	166805	4.447564e+12	66655	5198000
1	용산구	0.131360	2250955	112398	6.805869e+12	62840	10079000
2	구로구	0.054334	2442377	184583	2.806535e+12	69651	4109000
3	노원구	0.026526	2507172	215172	1.834499e+12	57391	3911000
4	서초구	0.159699	2165093	185381	6.456707e+12	117682	11141000

	Dataset for Clustering									
Variables Name Description										
	DRIVEN_EFF	Operational efficiency								
	TOTAL_LOGIS	Delivery volume by region								
Independent Variable	POP2040	Number of Producible Populations								
variable	TOTAL_SALES	Off-line commercial sales								
	Size of offline commercial area									
	ESTATE	Officially assessed reference land price								

In Classification, Our second goal is find optimal location of gas station for MFC in district and make a model classified whether it is optimal location well. Similar to the previous data collection, we extracted features(GAS_STATION, AREA, ESTATE, etc..) by gas station. A feature 'ESTATE' used here is a different concept from the 'ESTATE' used in Clustering. In Clustering, the concept of 'ESTATE' is Officially assessed reference land price. However, 'ESTATE' used in classification means Officially assessed individual land price.



And a feature 'DIST_####DC' is Distance from #### terminal(East, West, Korea). To calculate the distance between of them, we use haversine package.

To gather the feature, we used Kakao API, and sort out information related to location address such as Latitude, Longitude, District, and Dong. And then merge all of them by gas station in seoul.

Using the QGIS program, the number of populations, the number of schools, the number of apartments, and the number of markets with a radius of 1000M based on gas stations were calculated. The following is the code for calculating the number of populations based on gas stations.

```
from sklean.neighbors import KNeighborsClassifier

oilbank = pd.read_excel('서울시주유소 원경도.xlsx')

oilbank.rename(columns = {'LATITUDE': '워도', 'LONGITUDE':'경도'}, inplace = True)

x_train = df['워도', '경도']]

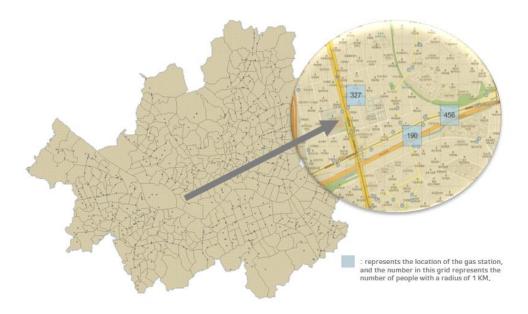
neigh = KNeighborsClassifier(n_neighbors = 1)

neigh = KNeighborsClassifier(n_neighbors)

neigh = KNeighborsClassifier(n_neighborsclassifier)

neigh = KNeighborsClassifier(n_neighborsClassifier)
```

If you change the number to another number instead of the number 1000 in the part where it says "m=1000", the code was created so that the number of populations within the radius of the number entered based on the gas station could be obtained. In this project, the number of schools, apartments, and markets were all conducted based on a radius of 1000m, that is, 1km, so the number of populations was also set at 1000m. This creates an Excel file in which the number of populations with a radius of 1000m per gas station is obtained, and the Excel file is retrieved from the QGIS program and combined with the location of the gas station indicated by the grid. Therefore, it can be visualized as follows.

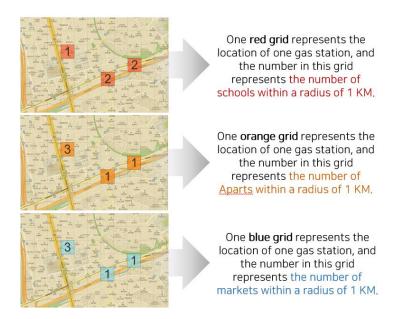


The following is part of the code for calculating the number of schools, populations, and apartments based on gas stations.

```
import haversine
m = 1000
oilbank_df['point'] = oilbank[['LATITUDE', 'LONGITUDE']].values.tolist()
lst = ['school', 'apart', 'market']
for stat in lst:
    globals()[f'{stat}_df']['point'] = globals()[f'{stat}'][['Latitude', 'Longitude']].values.tolist()
    for i in range(len(oilbank)):
        oil_point = oilbank_df.loc[i, 'point']

    globals()[f'{stat}_df']['stat_per_m'] = globals()[f'{stat}_df']['point'].apply(lambda x: haversine.haversine(x, oil_point, unit = 'm'))
    oilbank_df.loc[i, stat] = len(globals()[f'{stat}_df'][globals()[f'{stat}_df']['stat_per_m'] <= m+1])</pre>
```

Through this, the number of schools, populations, and apartments with a radius of 1000M can be obtained based on the latitude and longitude of the gas station. This code creates columns for schools, populations, and apartments in one file, so if you create each file and change it to a SHP file, you can open it in one LAYER in the QGIS program. And if you change the label properties of each of these LAYERs, you can get each number based on a radius of 1000M in one grid containing a gas station.



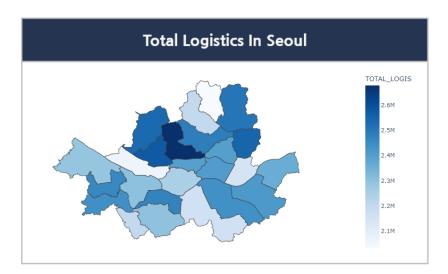
We were able to get the gas station area SHP file. The area of the gas station could be obtained by opening this SHP file in the QGIS program and executing a command to find the area in the 'Property Table>Field Calculator'. However, although the area of each gas station was obtained, it was difficult to combine the area into the previous pretreatment file because the name of the gas station in AREA and the name of the gas station that previously performed pretreatment were different. Therefore, based on the location of the gas station, it was possible to unify the name of the gas station and make all the data into one file by using the 'Vector>Geographic Information Processing Tool>Dissolve' in the QGIS program.

Below table is our final dataset for classification.

GAS_STATION	DISTRICT	DONG	LATITUDE	LONGITUDE	AREA	ESTATE	DIST_EASTDC	DIST_WESTDC	DIST_KOREADC	POP1000	SCHOOL	APART	MARKET
현대오일뱅크 0 (주) 직영소월길 주유소	용산구	후암동	37.554409	126.977735	245.0	8280000.0	8.970251	13.202286	11.678968	15660	5	1	58
1 선익상사(주) 동 자동주유소	용산구	동자동	37.550201	126.972418	711.0	18850000.0	9.568763	12.593357	11.494239	25467	9	2	6
현대오일뱅크 2 ㈜ 직영갈월동 주유소	용산구	갈월동	37.547029	126.972228	700.0	15050000.0	9.713120	12.454393	11.199948	26924	9	1	22

	Dataset for Classification									
Variables	Name	Description								
	GAS_STATION	Naming of Gas Station								
	AREA	Area of Gas Station								
	ESTATE	Officially assessed individual land price;								
	DIST_EASTDC	Distance from EastDC;								
Independent Variable	DIST_WESTDC	Distance from WestDC;								
	DIST_KOREADC	Distance from KoreaDC;								
	POP1000	Population within 1km radius of Gas station								
	SCHOOL	The number of school within 1km radius of Gas station								
	APART	The number of apartment within 1km radius of Gas station								
	MARKET	The number of market within 1km radius of Gas station								

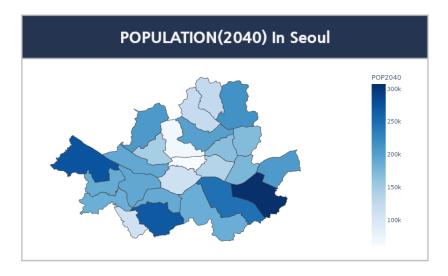
3.2 EDA



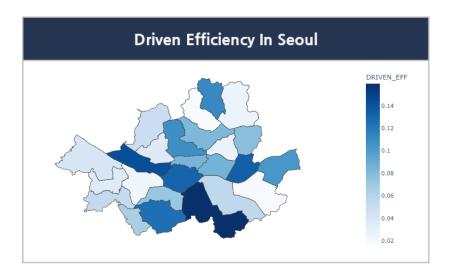
The darker the color, the higher the logistics volume. The dark part is Jongno-Gu and the bright part is Dobong-Gu. Therefore, there are a lot of logistics in Jongno-Gu, but Dobong-Gu does not.



The darker the color, the higher the Land price. The dark part is Gangnam-Gu and the bright part is Dobong-Gu. Therefore, land price is especially high in Gangnam-Gu, and Dobong-Gu is lowest. and there is little difference of estate price among district-Dobong, Gangbuk, Geumcheon, Nowon, Jungnang, Guro-where is lower estate price.



The darker the color, the higher the Population. The dark part is Songpa-Gu and the bright part are Jung-Gu and Jongno-Gu. Therefore, People live in Songpa-gu the most. and Jung-Gu & Jongno-Gu are lower population.



The darker the color, the higher the driven operation efficiency. The dark part is Seocho-Gu and the bright part are Gangbuk-Gu and Songpa-Gu. Therefore, Operation Efficiency is lowest in Gangbuk-Gu and Songpa-Gu, and highest in Seocho-Gu.



The darker the color, the higher the total sales. The dark part is Gangnam-Gu and the bright part is Dobong-Gu. Therefore, Total sales is especially high in G angnam-Gu, and Dobong-Gu is lowest.



The darker the color, the higher the number of stores. The dark part is Gangna m-Gu and the bright part is Dobong-Gu. Therefore, Total sales is especially high in Gangnam-Gu, and Dobong-Gu is lowest.

4. Data Analysis

4.1 Clustering

To choose optimal location where MFC is needed, we used four clustering algorithms-K-means, K-medoid, AGNES, GMM. We did standard scaling and doing PCA before clustering. Below is after doing StandardScaler.

```
In [6]: # StandardScalaer
        from sklearn.preprocessing import StandardScaler
        s_scaler = StandardScaler()
        s_scaled = s_scaler.fit_transform(df_scaling)
        pd.DataFrame(s_scaled, columns=col_name)
Out [6]:
             DRIVEN_EFF TOTAL_LOGIS POP2040 TOTAL_SALES NUM_STORE
                                                                             ESTATE
          0
                -1.136150
                              0.227904 -0.197550
                                                      0.290781
                                                                  -0.345691 -0.461560
                                                                  -0.450148 0.939167
           1
                 1.346835
                              -0.703058 -1.124559
                                                      1.234272
          2
                -0.489647
                              0.489605 0.105360
                                                      -0.365747
                                                                  -0.263659 -0.774076
                              0.893314 0.626548
                -1.152681
                                                      -0.754631
                                                                  -0.599345 -0.830897
           3
```

And then, we needed the number of Principal Component.

```
In [8]: print('Explained variance ratio :', pca.explained_variance_ratio_)
         pca_ratio = pd.DataFrame({'Explained variance':pca.explained_variance_,
                       'Explained variance ratio':pca.explained_variance_ratio_},
                      index=np.array([f"pca{num+1}" for num in range(s_scaled.shape[1])]))
         pca_ratio['Cumulative ratio'] = pca_ratio['Explained variance ratio'].cumsum()
         pca_ratio
         Explained variance ratio: [0.4736976 0.25002054 0.16547079 0.08416489 0.02014256 0.00650362]
Out [8]:
               Explained variance Explained variance ratio Cumulative ratio
                        2.960610
                                              0.473698
                                                             0.473698
         pca1
          pca2
                        1.562628
                                              0.250021
                                                             0.723718
                                              0.165471
          pca3
                        1.034192
                                                              0.889189
                                              0.084165
          pca4
                        0.526031
                                                             0.973354
          рса5
                        0.125891
                                              0.020143
                                                              0.993496
                        0.040648
                                              0.006504
                                                              1.000000
          pca6
```

According to upper image, we selected up to PCA3 because that point means the number of PC that Explained variance is more than 0.7 and cumulative ratio is over 80%. So, we concluded up to PC3 is suitable.

```
In [9]: pca = PCA(n_components=3)
         values_pca = pca.fit_transform(s_scaled)
         principalDf = pd.DataFrame(data=values_pca, columns = ['PC1', 'PC2',
         print('Explained variance ratio :', pca.explained_variance_ratio_)
         Explained variance ratio : [0.4736976  0.25002054  0.16547079]
In [10]: principalDf
Out [10]:
                  PC1
                            PC2
                                     PC3
           0 -0.484454 -0.823491
                                 0.285771
              1.235587
                       1.702674
                                 0.624046
           2 -0.893321 -0.611083
                                 0.128440
           3 -1.456038 -1.414561 -0.074750
```

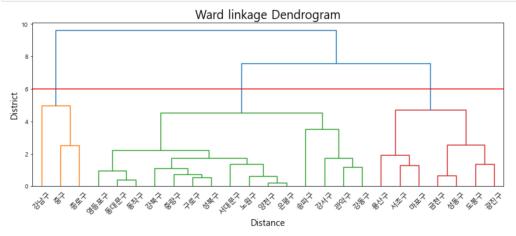
And then we adopted several algorithms and have struggled to interpret each clustering result.

4.1.1 AGNES

First, we did agglomerative hierarchical clustering. Using Euclidean distance and Ward linkage, we thought 3 is good for the number of clustering. The reason of using ward linkage is the result of trial and error. Indeed, Ward linkage is best among the several linkage(single, complete, average, etc..)

```
In [12]: from scipy.cluster.hierarchy import linkage, dendrogram, fcluster

plt.figure(figsize=(14, 5))
ax = plt.subplot(111)
dendrogram(linkage(values_pca, method='ward', metric = 'euclidean'), labels = df_table['DISTRICT'].values, leaf_font_size=12)
plt.axhline(y = 6, color = 'red')
plt.title('Ward linkage Dendrogram', size=20)
plt.xlabel('Distance', size=15)
plt.ylabel('District', size=15)
plt.show()
```

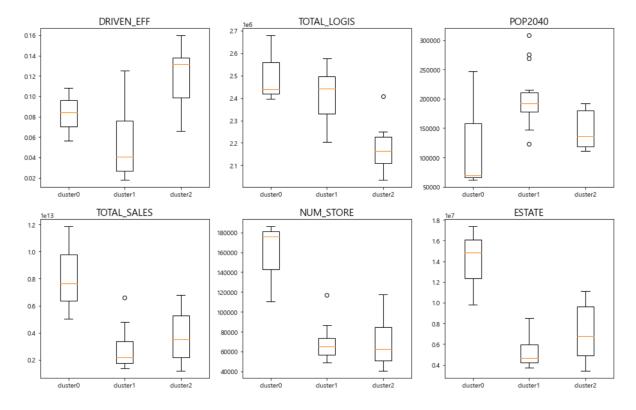


• Cluster0 : 강남구, 중구, 종로구

• Cluster1: 영등포구, 동대문구, 동작구, 강북구, 중랑구, 구로구, 성북구, 서대문구, 노원구, 양천구, 은평구, 송파구, 강서구, 관악구, 강동구

• Cluster2 : 용산구, 서초구, 마포구, 금천구, 성동구, 도봉구, 광진구

Using this result, each cluster was interpreted by performing a boxplot.



Cluster0

- ➤ Highest logistics, superior consumption, and large commerce
- Un-tact consumption is expected to be small due to high demand for logistics, but large commercial districts
- Because of the small population, it is difficult to expect an increase in demand
- The officially assessed reference land price is the largest -> Not suitable for MFC location

Cluster1

- Logistics volume and population are good
- Because it is a small commerce area and has high offline consumption, it can be expected that un-tact consumption will be large
- Low officially assessed reference land price and operation efficiency ->

Suitable for MFC location

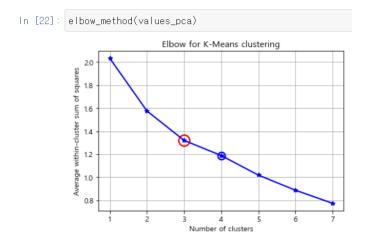
cluster2

- > Low officially assessed reference land price
- However, the logistics service rate is already high because the logistics volume is the lowest and the operation efficiency is the highest. -> Not suitable for MFC location

Therefore, Cluster1 is best suitable for MFC location.

4.1.2 K-means

In K-means, we had to determine the number of clustering "K". To solve that problem, we used "Elbow method".



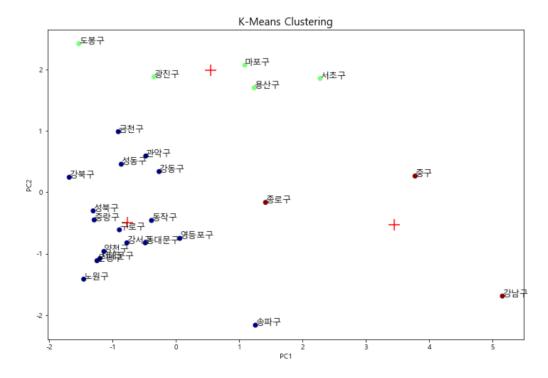
We determined the number k=3. Because when draw a line from where the number of clusters is 3 to 7, the last overlapping point is 3. And this point is like elbow. Also, because we had set the number of clusters in agglomerative dendrogram, we thought k=3 is the best.

```
In [23]: kmeans = KMeans(init='k-means++', n_clusters=3, random_state=100) # Opitmal K = 3
kmeans.fit(values_pca)

Out [23]: KMeans(n_clusters=3, random_state=100)
```

And visualize the result of k-means. A Blue color is Cluster0, Green color is

Cluster1, and Brown color is Cluster2.

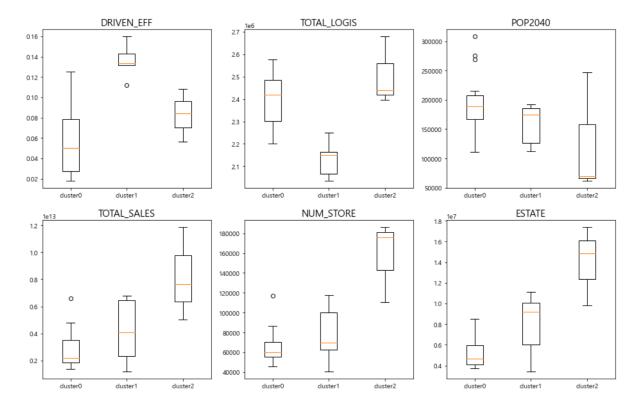


• Cluster0: 동대문구, 구로구, 노원구, 성북구, 강북구, 금천구, 영등포구, 중 랑구, 관악구, 양천구, 서대문구, 송파구, 강서구, 강동구, 성동구, 동작구, 은 평구

• Cluster1 : 도봉구, 광진구, 마포구, 용산구, 서초구

• Cluster2 : 강남구, 중구, 종로구

As before, we used EDA with boxplot to select which cluster is best.



Cluster0

- Logistics volume and population are good
- Although the population is large, the size of the commercial district is small, so you can expect an increase in un-tact consumption
- > Lowest officially assessed reference land price and operation efficiency
 - -> Suitable for MFC location

Cluster1

- Lowest logistics
- > Since the operation efficiency is the highest, it could be said that the logistics service rate is already high -> MFC location do not needed

Cluster2

Highest logistics

- > the highest commercial district and consumption power relative to the population
- But, officially assessed reference land price is so high -> Not suitable for MFC location

Therefore, Cluster0 is best suitable for MFC location.

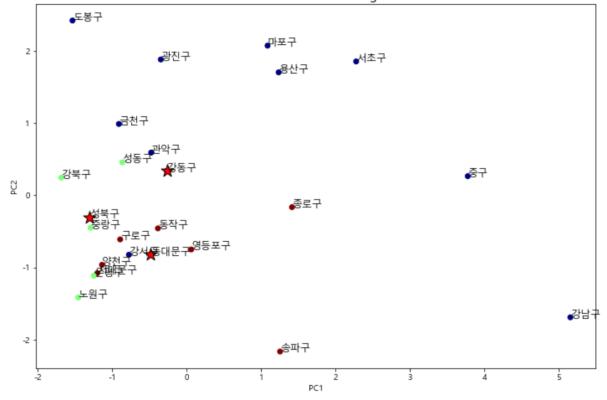
4.1.3 K-medoids

We have learned that K-means is sensitive to outliers. So we did K-medoids instead of K-means. We have already set K=3 and we have kept it here.

```
In [36]: from sklearn_extra.cluster import KMedoids
kmedoids = KMedoids(n_clusters=3, random_state=100).fit(values_pca)
```

Visualize the result of k-medoids. A Blue color is Cluster0, Green color is Cluster1, and Brown color is Cluster2.

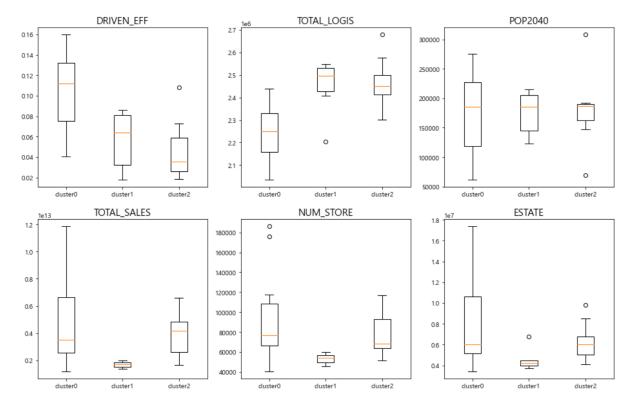
K-Medoids Clustering



- Cluster0: 용산구, 서초구, 마포구, 도봉구, 금천구, 관악구, 광진구, 강남구, 중구, 강서구, 강동구
- Cluster1 : 노원구, 성북구, 강북구, 중랑구, 성동구, 은평구
- Cluster2 : 동대문구, 구로구, 영등포구, 양천구, 서대문구, 송파구, 종로구, 동작구

Each cluster is represented by a one of the objects in the cluster. It seems to be low performance than k-means. Looked like low intra-class similarity but didn't ignore it because something meaningful could be hidden.

As before, we used EDA with boxplot to select which cluster is best.



Cluster0

- Un-tact consumption is expected to be small due to the largest population and the largest offline consumption and commercial district
- Logistics services are currently running well because of the smallest logistics volume but high operational efficiency
- > The officially assessed reference land price and its width are the largest
 - -> Not suitable for MFC location

Cluster1

- > Logistics volume and population are good
- Small commercial district size, so we can expect un-tact consumption
- ➤ Lowest the officially assessed reference land price and operation efficiency is not good -> MFC location is not bad

Cluster2

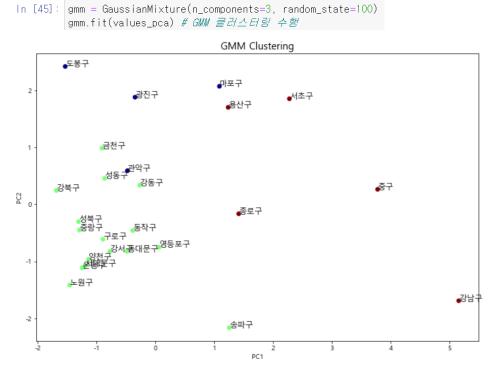
- Logistics volume and population are good
- Although the officially assessed reference land price is higher than Cluster1, the operation efficiency is the lowest and sales and commercial area size are larger than Cluster1 -> More suitable for

MFC location than Cluster1

Therefore, Cluster2 is best suitable for MFC location.

4.1.4 GMM

We didn't learned about Gaussian Mixture model, but it is one of the most popular techniques for clustering. We performed clustering on the assumption that the dataset of the analysis targets was generated by a combination of data with Gaussian distributions. And we also wondered how the results were different.

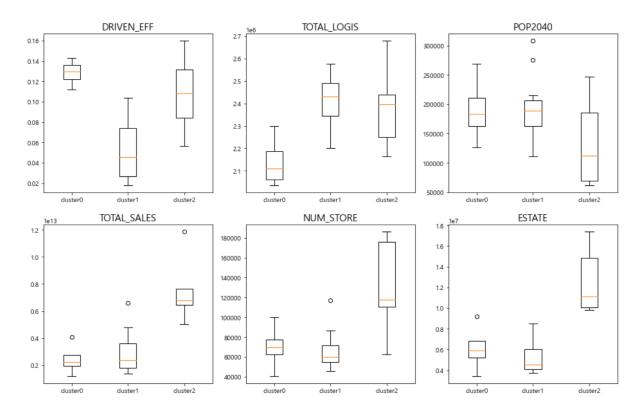


• Clutser0 : 마포구, 도봉구, 광진구, 관악구

• Cluster1: 동대문구, 구로구, 노원구, 성북구, 강북구, 금천구, 영등포구, 중

랑구, 양천구, 서대문구, 송파구, 강서구, 강동구, 성동구, 동작구, 은평구

• Cluster2 : 용산구, 서초구, 강남구, 중구, 종로구



Cluster0

- Low officially assessed reference land price and average population
- Since the operation efficiency is the highest and lowest logistics, it could be said that the logistics service rate is already high -> Not suitable for MFC location

Cluster1

- > Logistics volume and Population is good
- It can be expected to consume un-tact consumption because commercial area size is small
- > The officially assessed reference land price and operation efficiency is

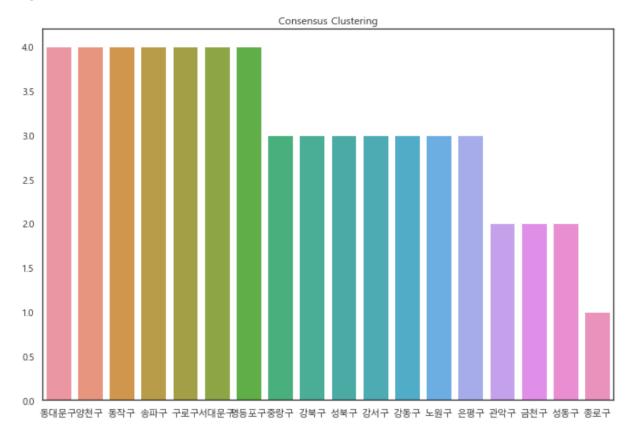
low -> Suitable for MFC location

Cluster2

- Logistics volume is good but Inconsistent demand due to wide range
- Operational efficiency is high and the officially assessed reference land price is too high -> Not suitable for MFC location

Therefore, Cluster1 is best suitable for MFC location.

We could not declare what clustering algorithm is more suitable. We thought there is no specially better the other one. So, we did consensus clustering about 4 algorithms.



In this case, y-label is Rank means if it is more counted, more suitable for MFC

location. Therefore, These districts(동대문구, 양천구, 동작구, 송파구, 구로구, 서대 문구, 영등포구) are more needed Micro-Fulfillment center. They are prior to the other districts. The table below is the result of the collection.

Rank(Candidate District where will be installed MFC)

1st	2nd	3rd	4rd
Dongdaemun	Jungnang	Gwanak	Jongno
Yangcheon	Gangbuk	Geumcheon	
Dongjak	Seongbuk	Seongdong	
Songpa	Gangseo		
Guro	Gangdong		
Seodaemun	Nowon		
Yeongdeungpo	Eunpyeong		

4.2 Classification

Until now, we had figured out that what districts are needed Micro-fulfillment center. So, we will now create a model to classify the appropriate gas station as an MFC. To know what gas station is suitable, we had calculated a score. According to a paper, the factors that determine the logistic center are land price, size of area, size of the commerce, distance to supplier, population of area, etc,,. Using this factor, we had to calculate score to do so we needed weight for each column. A AHP method is good for getting weight, and then we discussed about what column is more meaningful. The scale is as follows:

척도	정의
1	Equal importance
3	Moderate importance
5	Strong importance
7	Very strong importance
9	Absolute importance
2,4,6,8	Intermediate values of the above values

We got a lot of debates, and finally we get a weight of each feature. Right side is the result of AHP method.

airwise Comparison Matrix								
	AREA	ESTATE	DISTANCE	POPULATION	SCHOOL	APARTMENT	MARKET	
AREA	1	1/2	3	1/3	9	7	5	
ESTATE	2		3	3	9	7	6	
DISTANCE	1/3	1/3		1/3	9	5	3	
POPULATION	3	1/3	3	1	9	6	5	
SCHOOL	1/9	1/9	1/9	1/9		1/3	1/4	
APARTMENT	1/7	1/7	1/5	1/6	3		1	
MARKET	1/5	1/6	1/3	1/5	4	1	1	

AREA	0.198
ESTATE	0.327
DISTANCE	0.124
POPULATION	0.244
SCHOOL	0.020
APARTMENT	0.040
MARKET	0.048

And then get a score with equation : **SCORE** = (AREA*0.198) - (ESTATE*0.327) - (DIST_EASTDC*0.0413) - (DIST_WESTDC*0.0413) - (DIST_KOREADC*0.0413) + (POP1000*0.244) + (SCHOOL*0.020) + (APART*0.040) + (MARKET *0.048)

	AREA	ESTATE	DIST_EASTDC	DIST_WESTDC	DIST_KOREADC	POP1000	SCHOOL	APART	MARKET	SCORE
0	0.043427	0.189831	0.318940	0.438800	0.443422	0.253190	0.357143	0.018519	0.983051	0.013764
1	0.169609	0.432974	0.341411	0.418207	0.436269	0.411800	0.642857	0.037037	0.101695	-0.037691
2	0.166631	0.345562	0.346831	0.413507	0.424874	0.435364	0.642857	0.018519	0.372881	0.008770
3	0.250571	0.236987	0.349078	0.411788	0.450253	0.489771	0.357143	0.037037	0.067797	0.053482
4	0.117620	0.305306	0.395409	0.373522	0.403165	0.442966	0.642857	0.111111	0.338983	0.016702

And using quct() function, generate categorical variable "SCORE_CAT".

```
In [11]: df['SCORE_CAT'] = pd.qcut(dfdf.SCORE ,4, labels=['매우부적합', '부적합', '적합', '매우적합']) df
```

	AREA	ESTATE	DIST_EASTDC	DIST_WESTDC	DIST_KOREADC	POP1000	SCHOOL	APART	MARKET	SCORE_CAT
(245.0	8280000.0	8.970251	13.202286	11.678968	15660	5	1	58	부적합
1	711.0	18850000.0	9.568763	12.593357	11.494239	25467	9	2	6	매우부적합
2	700.0	15050000.0	9.713120	12.454393	11.199948	26924	9	1	22	부적합
3	1010.0	10330000.0	9.772973	12.403577	11.855362	30288	5	2	4	적합
4	519.0	13300000.0	11.006969	11.272070	10.639303	27394	9	6	20	부적합

For doing classification, we split the data with train_test_split.(train:test = 7:3)

```
In [12]: feature_cols = df.columns[[5,6,7,8,9,12,13,14,15]]
# define X and y
X = df[feature_cols]
y = df.SCORE_CAT

In [13]: X_train, X_test, y_train, y_test = train_test_split(X, y, test_size=0.3, random_state=1113)
print(X_train.shape, y_train.shape)
print(X_test.shape, y_test.shape)

(328, 9) (328,)
(141, 9) (141,)
```

And use models K-Nearest Neighbors Classifier, Logistic Regression, Decision Tree, RandomForest, GradientBoosting Classifier.

<Decision Tree>

```
In [16]: clf = DecisionTreeClassifier(random_state=0).fit(X_train, y_train)
        predicted=clf.predict(X_test)
       print ('Confusion Matrix :')
       print(confusion_matrix(y_test, predicted))
       accuracy_score_clf = 'Accuracy Score :', accuracy_score(y_test, predicted)
        print(accuracy_score_clf)
       print ('Report : ')
       print (classification_report(y_test, predicted))
        Confusion Matrix :
        [[35 0 9 1]
         [033 0 2]
         [10 0 16 4]
         [ 0 5 4 22]]
        ('Accuracy Score :', 0.75177304964539)
        Report :
                    precision recall f1-score support
              매우부적합
                           0.78
                                    0.78
                                             0.78
                                                        45
                          0.87
                                            0.90
               매우적합
                                   0.94
                                                       35
                        0.55 0.53
                                           0.54
                부적합
                                                      30
                        0.76 0.71 0.73
                                                    31
                적합
                                          0.75
                                                   141
           accuracy
          macro avg 0.74 0.74 ighted avg 0.75 0.75
                                       0.74
                                                   141
        weighted avg
                                         0.75
                                                    141
```

<Logistic Regression>

```
In [18]: | Ir = LogisticRegression(C=20, max_iter=1000, random_state=0).fit(X_train, y_train)
        predicted=Ir.predict(X_test)
        print ('Confusion Matrix :')
        print(confusion_matrix(y_test, predicted))
        accuracy_score_Ir = 'Accuracy Score :',accuracy_score(y_test, predicted)
        print(accuracy_score_Ir)
        print ('Report : ')
        print (classification_report(y_test, predicted))
        Confusion Matrix :
        [[31 1 12 1]
         [ 0 29 3 3]
         [0 3 21 6]
         [ 1 12 5 13]]
        ('Accuracy Score :', 0.6666666666666666)
        Report :
                     precision recall f1-score support
               매우부적합
                              0.97
                                        0.69
                                                 0.81
                                                             45
                매우적합
                             0.64
                                      0.83
                                                0.73
                 부적합
                            0.51
                                      0.70
                                               0.59
                                                           30
                           0.57
                  적합
                                     0.42
                                               0.48
                                                          31
            accuracy
                                             0.67
                                                       141
           macro avg
                         0.67 0.66
0.70 0.67
                                             0.65
                                                       141
        weighted avg
                                             0.67
                                                        141
```

< K-Nearest Neighbors>

KNN is needed to scaler. So, we transform data with MinMaxScaler before modeling.

```
In [19]: scaler = MinMaxScaler()
        X_train_scaled = scaler.fit_transform(X_train)
        X_test_scaled = scaler.transform(X_test)
In [20]: knn = KNeighborsClassifier(n_neighbors=11).fit(X_train_scaled, y_train)
        predicted=knn.predict(X_test_scaled)
        print ('Confusion Matrix :')
        print(confusion_matrix(y_test, predicted))
        accuracy_score_knn = 'Accuracy Score :',accuracy_score(y_test, predicted)
        print(accuracy_score_knn)
        print ('Report : ')
        print (classification_report(y_test, predicted))
        Confusion Matrix :
        [[34 1 9 1]
         [ 0 26 1 8]
         [ 3 1 15 11]
         [0 5 7 19]]
        ('Accuracy Score :', 0.666666666666666)
        Report :
                      precision recall f1-score support
               매우부적합
                              0.92
                                        0.76
                                                  0.83
                                                             45
                매우적합
                             0.79
                                       0.74
                                                0.76
                                                             35
                 부적합
                                      0.50
                                                0.48
                            0.47
                                                            30
                            0.49
                                               0.54
                  적합
                                      0.61
                                                           31
            accuracy
                                             0.67
                                                        141
                          0.67
                                    0.65
                                             0.66
                                                        141
           macro avo
        weighted avg
                         0.70
                                    0.67
                                             0.68
                                                        141
```

<Random Forest>

```
In [21]: | forest = RandomForestClassifier(max_depth = 12, random_state=0).fit(X_train, y_train)
          predicted=forest.predict(X_test)
         print ('Confusion Matrix :')
         print(confusion_matrix(y_test, predicted))
         accuracy_score_forest = 'Accuracy Score :',accuracy_score(y_test, predicted)
         print(accuracy_score_forest)
         print ('Report : ')
         print (classification_report(y_test, predicted))
          Confusion Matrix :
          [[37 0 8 0]
[ 0 31 2 2]
          [ 4 0 19 7]
[ 2 7 2 20]]
          ('Accuracy Score :', 0.7588652482269503)
          Report :
                        precision recall f1-score support
                 매우부적합
                                  0.86
                                             0.82
                                                        0.84
                  매우적합
                                 0.82
                                            0.89
                                                       0.85
                   부적합
                                0.61
                                           0.63
                                                      0.62
                    적합
                               0.69
                                          0.65
                                                     0.67
                                                   0.76
                                                               141
              accuracy
                              0.74
                                        0.75
                                                   0.74
                                                               141
             macro avg
                             0.76
                                        0.76
                                                               141
          weighted avg
In [23]: plt.figure(figsize=(10, 6))
         sns.barplot(x='Feature Importance', y='Feature Name', data=pd.DataFrame([(i, j) for i, j in
plt.title('Random Forest Feature Importances', fontsize=18)
         plt.show()
         4
                                        Random Forest Feature Importances
                   AREA
                  ESTATE
             DIST_EASTDC
             DIST_WESTDC
            DIST_KOREADC
                 POP1000
                 SCHOOL
                 MARKET
                                               0.10
                                                                                   0.25
                                                                                               0.30
                                                        Feature Importance
```

The Population is most important features in Random Forest. 2nd is Estate, and 3rd is Area.

<GradientBoost Classifier>

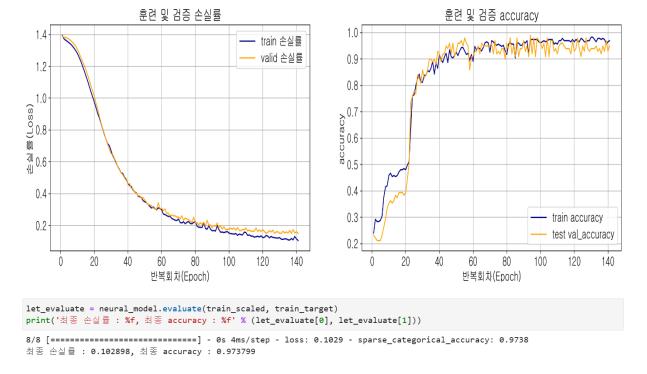
```
In [24]: gb = GradientBoostingClassifier(max_depth=7, random_state=0).fit(X_train, y_train)
                        predicted=gb.predict(X_test)
                         print ('Confusion Matrix :
                         print(confusion_matrix(y_test, predicted))
                          accuracy_score_gb = 'Accuracy Score :',accuracy_score(y_test, predicted)
                          print(accuracy_score_gb)
                          print ('Report : ')
                         print (classification_report(y_test, predicted))
                          Confusion Matrix :
                           [[38 0 7 0]
                              [ 0 29 1 5]
                             [5 0 19 6]
                              [ 0 4 5 2211
                           ('Accuracy Score :', 0.7659574468085106)
                                                                 precision recall f1-score support
                                              매우부적합
                                                                                             0.88
                                                                                                                          0.84
                                                                                                                                                       0.86
                                                                                                                                                                                           45
                                                매우적합
                                                                                           0.88
                                                                                                                       0.83
                                                                                                                                                   0.85
                                                                                                                                                                                        35
                                                    부적합
                                                                                      0.59
                                                                                                                   0.63
                                                                                                                                                0.61
                                                                                                                                                                                     30
                                                       적합
                                                                                    0.67
                                                                                                                0.71
                                                                                                                                            0.69
                                                                                                                                                                                  31
                                                                                                                                                                          141
                                                                                                                                          0.77
                                     accuracy
                                                                                0.76
                                                                                                             0.75
                                                                                                                                          0.75
                                                                                                                                                                          141
                                  macro avg
                                                                              0.77
                                                                                                            0.77
                                                                                                                                          0.77
                          weighted avg
                                                                                                                                                                          141
In [26]: plt.figure(figsize=(10, 6))
                        \verb|sns.barplo| t(x='Feature \ Importance', \ y='Feature \ Name', \ data=pd.DataFrame([(i,\ j)\ for\ i,\ j\ in)) | to the proof of the 
                       plt.title('Gradient Boosting Classifier Feature Importances', fontsize=18)
                       plt.show()
                       4
                                                                                  Gradient Boosting Classifier Feature Importances
                                                  AREA
                                              ESTATE
                                   DIST EASTDO
                                  DIST_WESTDC
                                DIST_KOREADO
                                            MARKET
                                                                                                                                                        0.20
                                                                                                                                               Feature Importance
```

Population is most important in Gradient Boosting too. 2nd is Estate, and 3rd is Area.

4.3 Multi-Class_Classification Artificial Neural Network

We used multi-classification neural network technology to predict four classes. As a result of observing the loss rate and accuracy, it was trained well without overfitting. The final loss rate is 12 percent and the final accuracy is 95 percent. For the result of binary classification is 1 - Loss rate = precision, but

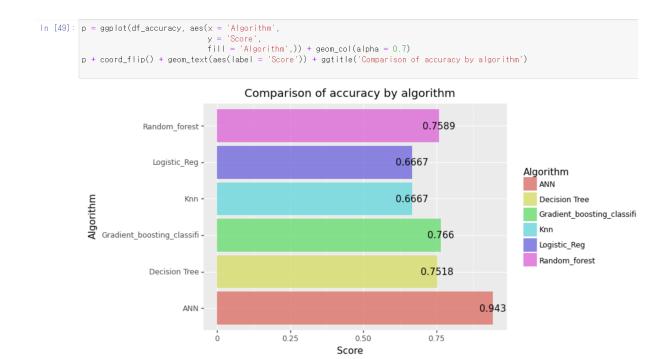
our result is appropriate because it is multiple classification.



Lastly, we had compared the performance with accuracy.

Out [48]:

	Algorithm	Score
0	Logistic_Reg	0.6667
1	Knn	0.6667
2	Decision Tree	0.7518
3	Random_forest	0.7589
4	Gradient_boosting_classifi	0.7660
5	ANN	0.9430



Understandably, ANN is the best classification model among them with accuracy score 94.3%.

Finally, we have the MFC demand region (the region where MFC is most neede d) as a result of clustering. And using neural network classification, we selected the best gas station for MFC location.

	GAS_STATION	DISTRICT	DONG	SCORE_CAT	${\bf Actual_Location_Score}$	Predicted_value_by_ANN	SCORE
49	삼미상사㈜ 장안킹셀프주유소	동대문구	장안동	매우적합	1	1	0.119815
52	삼영주유소	동대문구	장안동	매우적합	1	1	0.108965
55	배봉로주유소	동대문구	전농동	매우적합	1	1	0.084279
60	대성산업㈜청량리주유소	동대문구	청량리동	매우적합	1	1	0.091912
147	에이치지 가로공원주유소	양천구	신월동	매우적합	1	1	0.113783
149	동일석유㈜ 개나리주유소	양천구	신월동	매우적합	1	1	0.143189
165	양천구주유소	양천구	목동	매우적합	1	1	0.118080
235	SK에너지㈜양평주유소	영등포구	양평동3가	매우적합	1	1	0.160287
236	SK에너지㈜ 기린주유소	영등포구	양평동4가	매우적합	1	1	0.145911
243	㈜정수에너지개발	영등포구	신길동	매우적합	1	1	0.106042
247	㈜엠에스주유소	영등포구	대림동	매우적합	1	1	0.088108
249	(주)대청에너지	영등포구	대림동	매우적합	1	1	0.115939
251	현대오일뱅크㈜직영신대방셀프주유소	동작구	신대방동	매우적합	1	1	0.146005

However, several gas stations were selected in the same region. Therefore, one optimal location per region was selected using a group-by based on the regio n.

	DISTRICT	SCORE	GAS_STATION	DONG	SCORE_CAT	Actual_Location_Score	Predicted_value_by_ANN
0	동대문구	0.119815	삼미상사㈜ 장안킹셀프주유소	장안동	매우적합	1	1
1	동작구	0.146005	현대오일뱅크㈜직영신대방셀프주유소	신대방동	매우적합	1	1
2	양천구	0.143189	동일석유㈜ 개나리주유소	신월동	매우적합	1	1
3	영등포구	0.160287	SK에너지㈜양평주유소	양평동3가	매우적합	1	1

The results of map visualization are as follows.



Therefore, among of 469 gas stations, 141 MFCs were selected, and the four m ost suitable gas stations for MFCs were selected.



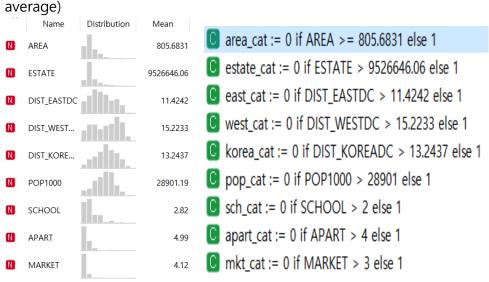
4.4 Association Rule

We want to know which variables affect the cluster group the most. Association rule is indicating how often an event occurs together and how much it is relat ed to each other. The indicators of association rules are usually support, confid ence, and lift. Other indicators exist, but we used them with the indicators I lea rned in class. Since our dataset for using the association rule is numerical data, it was categorized through binning. The numerical data were changed into bin ary variables, which are greater or smaller than the average.

This is 9 numerical attributes.

	GAS_STATION	AREA	ESTATE	DIST_EASTDC	DIST_WESTDC	DIST_KOREADC	POP1000	SCHOOL	APART	MARKET
1	현대오일뱅크(245.00	8280000	8.97025	13.2023	11.679	15660	5	1	58
2	선익상사(주) 동	711.00	18850000	9.56876	12.5934	11.4942	25467	9	2	6
3	현대오일뱅크㈜	700.00	15050000	9.71312	12.4544	11.1999	26924	9	1	22
4	서계주유소	1010.00	10330000	9.77297	12.4036	11.8554	30288	5	2	4
5	㈜영원에너지	519.00	13300000	11.007	11.2721	10.6393	27394	9	6	20
6	㈜신태성주유소	447.00	12560000	11.3075	10.9692	10.7474	29460	6	6	5
7	현대오일뱅크㈜	1090.00	5880000	12.4011	9.80518	11.5668	19479	1	2	1
8	한국석유공업㈜	729.00	20900000	11.5979	11.2026	9.31318	12041	1	3	5
9	(주)중앙에너비	365.00	19850000	7.84822	14.9818	8.67607	16531	0	0	2
10	한남제3한강주	764.00	24360000	7.88949	15.0662	8.44207	15595	0	0	1

Changed into binary attributes through binning (greater or smaller than the



After binning

	GAS_STATION	area_cat	estate_c	at	east_cat	west_cat	korea_cat	pop_cat	sch_cat	apart_cat	mkt_cat	SCORE_CAT
1	현대오일뱅크(Low	Low		Short	Short	Short	Low	High	Low	High	부적합
2	선익상사(주) 등	Low	High		Short	Short	Short	Low	High	Low	High	매우부적합
3	현대오일뱅크㈜	Low	High		Short	Short	Short	Low	High	Low	High	부적합
4	서계주유소	High	High		Short	Short	Short	High	High	Low	High	적합
5	㈜영원에너지	Low	High		Short	Short	Short	Low	High	High	High	부적합
6	㈜신태성주유소	Low	High		Short	Short	Short	High	High	High	High	부적합
7	현대오일뱅크㈜	High	Low		Far	Short	Short	Low	Low	Low	Low	부적합
8	한국석유공업㈜	Low	High		Far	Short	Short	Low	Low	Low	High	매우부적합
9	(주)중앙에너비	Low	High		Short area	Short O If AREA	Short	Low	Low	Low	Low	매우부적합
10	한남제3한강주	Low	High		Short	Short	Short Short	Low	Low	Low	Low	매우부적합

The most frequent items

→ It was divided into larger or smaller than mean, but we think the reaso n why the value is so large is because there are a lot of outliers.

Association Rule

Min support: 10% Min confidence: 65%

- Area = Low, Population = Low, Apart = Low → Score = 매우 부적합 (Li ft: 2.865)
- Population = Low, School = Low, Apart = Low → Score = 매우 부적합 (Lift: 2.663)
- Area = High, Estate = Low, Population = High → Score = 매우 적합 (Li ft: 2.991)

Min support: 20% Min confidence: 40%

- Estate = Low, Population = High → Location = 매우 적합 (Lift: 2.121)
- Population = Low, Apart = Low → Location = 매우 부적합 (Lift: 2.292)

→ Through the association rules, it tends to be that the larger area, the la rger population, and the lower official land price, the more suitable for MFC location. It is similar to Random Forest and Gradient Boosting results.

5. Conclusion

5.1. Project Conclusion

Our project can make 2 main conclusions. First, it is a conclusion about the area where MFC is needed. Select a suitable location for entering the MFC through 4 clustering methods. After that, make a consensus with 4 methods. The area selected with the most frequency is where MFC entry is most needed. This is the rank of the districts where MFC location is required.

Rank(Candidate District where will be installed MFC)

1st	2nd	3rd	4rd
Dongdaemun	Jungnang	Gwanak	Jongno
Yangcheon	Gangbuk	Geumcheon	
Dongjak	Seongbuk	Seongdong	
Songpa	Gangseo		
Guro	Gangdong		
Seodaemun	Nowon		
Yeongdeungpo	Eunpyeong		

Among the "141" gas station in Seoul, only "4" gas stations that are most suitable for Micro fulfillment center



5.2. Expectation effectiveness

- SEOUL

There is a possibility that the introduction of MFC in Seoul on a trial basis will cause innovation in the logistics industry. \rightarrow Recession caused by COVID-19, can revitalize the economy

- CUSTOMER

As the logistics delivery process decreases, various products can be received faster than now.

- GAS STATION

Even those who have difficulty building their own fulfillment into the city at a low cost and can increase the competitiveness in the market

LOGISTICS COMPANY

Provides high delivery service at low cost while gaining advantage in the delivery market.

5.3. Limitation

- Logistics data is only available by district, so logistics variables are not considered in the classification model.

- Considering only the internal conditions of Seoul when analyzing the location.
- There may be other meaningful variables that we did not think.
- We don't use MCLP, so we can't find the best place where covers all demands.
- Our project can't consider coverage.

Dataset Explanation

Dataset Explanation	
데이터 명	링크
개별공시지가_2022	
년	https://data.seoul.go.kr/dataList/OA-
Land Value by	1180/F/1/datasetView.do
public announcement	
in 2022	
서울시 주유소	
현황:	1
Status of Oil station in	https://www.data.go.kr/data/15098386/fileD
Seoul	ata.do
주민등록인구	
(연령별_동별)_2022	
: Total population data	https://data.seoul.go.kr/dataList/10727/S/2/d
. Total population data	atasetView.do
자치구단위	
월별 착지 데이터 :	1.4//175 100 001 00/1.4./ltCl.D
Monthly delivery data	http://175.193.201.33/data/selectSampleDat
	a.do?r_id=P213&sample_data_seq=327&tab_
	type=&file_id=&sch_text=cj%EB%8C%80%E
	<u>D%95%9C%ED%86%B5%EC%9A%B4&sch_o</u>
	<u>rder=U&currentPage=1</u>
서울시_상권_매출액 :	
Commercial sales data in Seoul	
Sures data in South	https://data.seoul.go.kr/dataList/OA-
	15572/S/1/datasetView.do
서울시 건축물대장 법정동	
코드정보 : Code information	1. + + : // 1. + 1 1 / 1. + - I + / O. ^
of address in seoul	https://data.seoul.go.kr/dataList/OA-
	15410/S/1/datasetView.do

서울시 우리마을가게 상권분석서비스(상권영역): Commercial sales Area data	https://data.seoul.go.kr/dataList/OA- 15560/S/1/datasetView.do
CJ택배 운행량 월별 통계 : CJ delivery service monthly data	http://175.193.201.33/data/selectSampleDat a.do?r_id=P213&sample_data_seq=326&tab_ type=&file_id=&sch_text=cj%EB%8C%80%E D%95%9C%ED%86%B5%EC%9A%B4&sch_o rder=U¤tPage=1
물류터미널정보_221001: Distibution Center information	https://www.nlic.go.kr/nlic/fmTerminal0010. action

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