

R Optimization Infrastructure

ROI

Installation

Introduction

Use Cases

Mixed topics

FAQ

What's

ROI

Extensions

Installation

Package

Repository

1	ROI.plugin.alabama	https://r-forge.r-project.org/src/contrib, http://R-Forg...
2	ROI.plugin.cbc	https://github.com/dirkSchumacher



Optimization Toolchain

For Business Decision Modeling

Difficulty: **Intermediate**

10 ROI.plugin.ipsoive

https://r-forge.r-project.org/src/contrib/ROI.plugin.ipsoive_0.1.0.tar.gz**High Performance**

Matt Dancho & SPECIAL GUEST: Jonathan Regenstein
Business Science Learning Lab #15

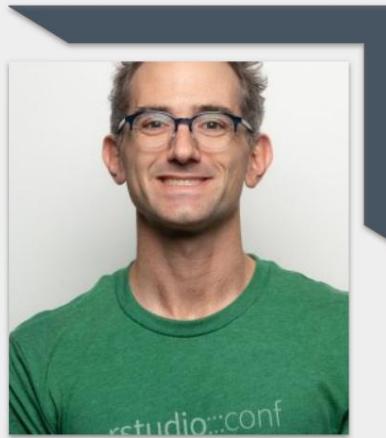


Learning Lab Structure

- **Presentation**
(20 min)

- **2 Demo's**
(30 min)

- **Presentation**
(10 mins)



Learning Lab 15

Quantitative Business Decision-Making Using
R's Optimization Toolchain

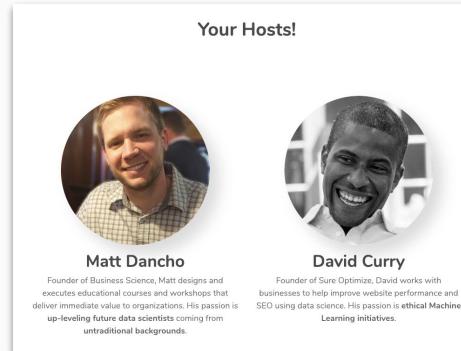
TUESDAY, JULY 30 @ 2PM EST

SPECIAL GUEST

Jonathan Regenstein

Director of Financial Services, RStudio

Jonathan is the Director of Financial Services at RStudio and the author of **Reproducible Finance with R** (CRC Press). He writes the Reproducible Finance blog series for RStudio and his code/apps can be seen at www.reproduciblefinance.com. Prior to joining RStudio, he worked at JP Morgan, studied international relations at Harvard University and did graduate work in political economy at Emory University.



Your Hosts!



Matt Dancho

Founder of Business Science. Matt designs and executes educational courses and workshops that deliver immediate value to organizations. His passion is up-leveling future data scientists coming from untraditional backgrounds.



David Curry

Founder of Sure Optimize. David works with businesses to help improve website performance and SEO using data science. His passion is ethical Machine Learning Initiatives.



Reproducible Finance with R

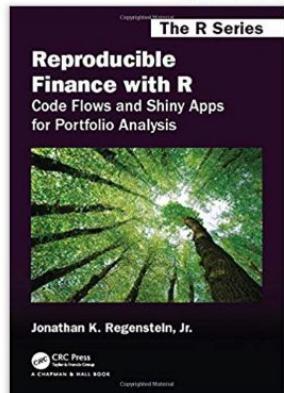
Book Giveaway!

Reproducible Finance with R: Code Flows and Shiny Apps for Portfolio Analysis (Chapman & Hall/CRC The R Series) 1st Edition

by Jonathan K. Regenstein Jr. (Author)

★★★★★ 20 customer reviews

Look inside ↓



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ISBN-10: 1138484229

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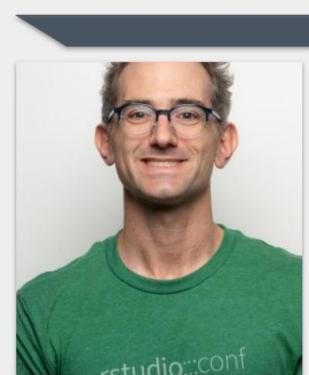
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Success Story

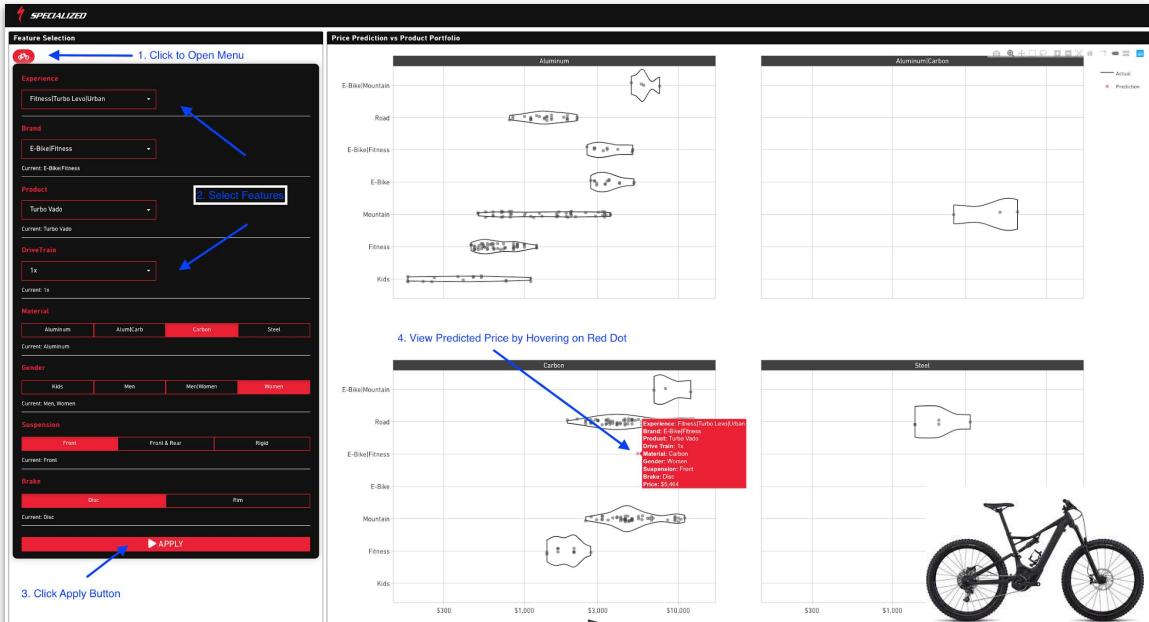
Joon Im

- Data Analyst at Instacart
- Watched **Learning Lab #8 - Web Scraping** - Web Scraped Specialized Bikes
- Took **Shiny Apps Course (102)** - Built the Specialized Web App



"Rvest has fundamentally changed the way I understand the Internet"

https://joon.shinyapps.io/specialized_price_prediction/



#BusinessScienceSuccess

Agenda

2 Parts



Part 1 (Today)

Starter Problem

Product Mix Problem

Linear Programming

Excel to R

	A	B	C	D	E	F
1	Exam Grade Optimization					
2						
3						
4	Exam	Grade	Weight	Intermediate Calc Product	Constraints min	max
5	Quiz #1	50	0.15	7.5		
6	Midterm	65	0.25	16.25		
7	Quiz #2	70	0.15	10.5		
8	Final		0.45		0	100
9	Course Grade	34.25			70	70
10						



Part 2 (Coming Soon)

Stock Portfolio Optimization

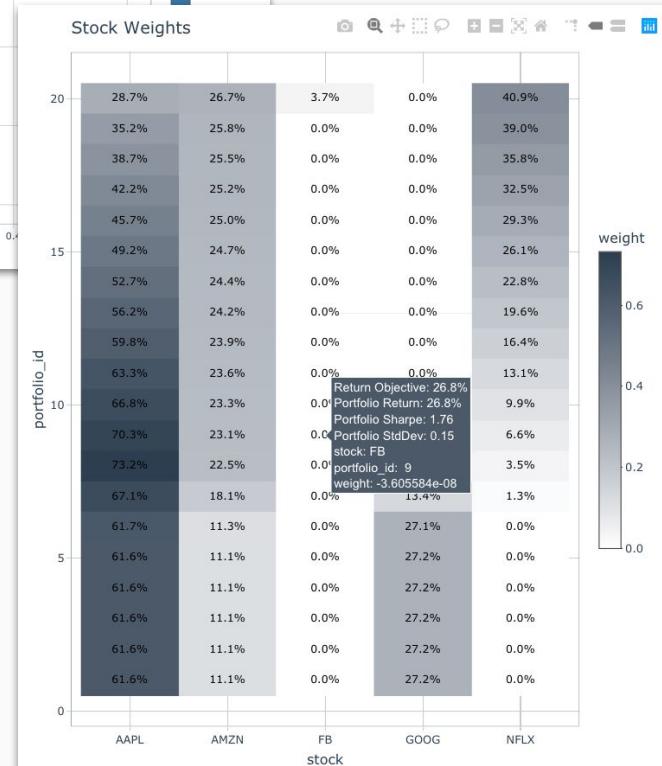
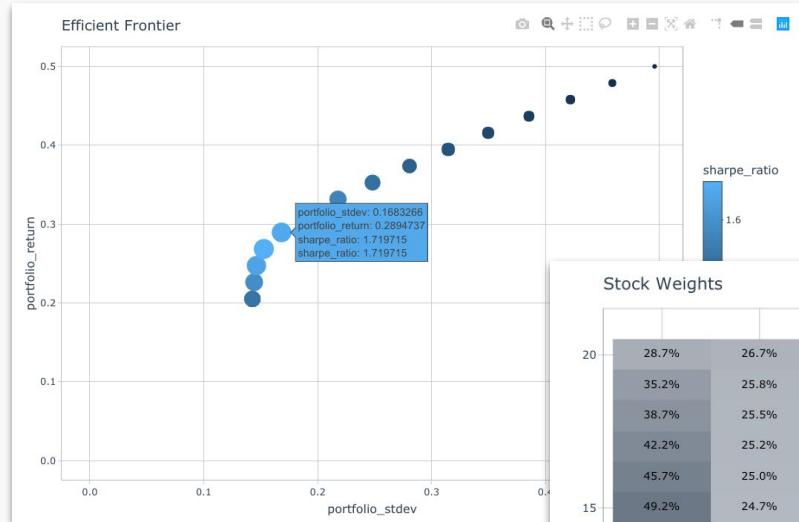
Efficient Frontier

Minimum Variance Portfolio

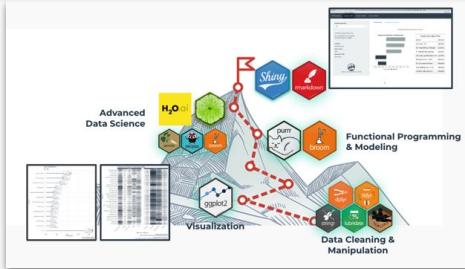
Nonlinear Programming

Iteration

Excel to R



Before We Get Started - SPECIAL OFFER - learninglabs - 15% OFF



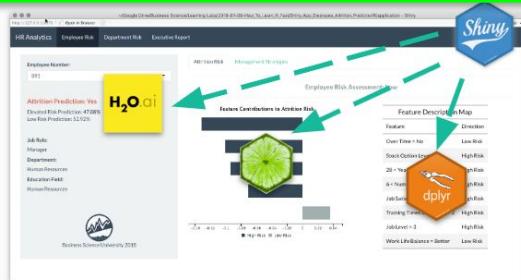
Do Business Projects Climb the Hill

Start

1



Analysis Courses
101 & 201

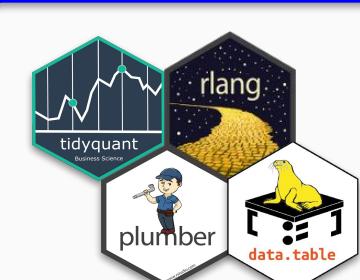


Build Production-Ready Web Apps

2



App Development Courses
102



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Finish

3



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Lab 14 **Churn + Survival Analysis**



Lab 13 **Wrangling 4.6M Rows w/ data.table**

Lab 12 **How I built anomalize**

Lab 11 **Market Basket Analysis w/ recommenderLab**



Lab 10 **Building API's with plumber & postman**

Learning Labs Pro
Community-Driven Data Science Courses

 Matt Dancho

\$19/m

Business Case Study

Manufacturing Company seeks to
increase Net Profit with limited
resources



Product Mix Optimization

Limited Resources

Apple has limited resources & many decisions:

- Multiple Manufacturing Lines
- Different Labor Costs
- Sales Estimates
- Production Assembly & Test Hours Available

Apple seeks to **maximize profit** in this environment





Business Process Model

Labor Costs →

Process Attributes →

Manufacturing Plan

Sales Estimates

Labor Constraints

Objective →

Optimization

80/20 Concepts



Terminology

Objectives

- The goal of the model.
- Always Maximize or Minimize.

Constraints

- Rules for the model
- Restricts the decision variables to boundaries

Decision Variables

- Your problem's frame of reference
- The parameters that your optimization model adjusts

```
89 model_2 <- MIPModel() %>%
90
91 add_variable(macbooks_tested_line_1[i], i = 1:n_models, type = "integer", lb = 0) %>%
92 add_variable(macbooks_tested_line_2[i], i = 1:n_models, type = "integer", lb = 0) %>%
93
94 add_constraint(macbooks_tested_line_1[i] + macbooks_tested_line_2[i] <= max_sales[i], i = 1:n_models) %>%
95
96 add_constraint(sum_expr((macbooks_tested_line_1[i] + macbooks_tested_line_2[i]) * labor_hours_for_assembly[i], i = 1:n_models) <= max_labor[1]) %>%
97 add_constraint(sum_expr((macbooks_tested_line_1[i]) * labor_hours_for_testing_line_1[i], i = 1:n_models) <= max_labor[2]) %>%
98 add_constraint(sum_expr((macbooks_tested_line_2[i]) * labor_hours_for_testing_line_2[i], i = 1:n_models) <= max_labor[3]) %>%
99
100 set_objective(
101   sum_expr(macbooks_tested_line_1[i] * unit_margin_line_1[i] + macbooks_tested_line_2[i] * unit_margin_line_2[i], i = 1:n_models),
102   sense = "max") %>%
103
104 solve_model(with_ROI(solver = "glpk"))
```



Types of Optimization Models

Linear

- Fastest solutions
- Easy to conceptualize
- Analysis limited to aggregations, constant multiplications, etc
- Many problems don't fit this mold (e.g. take correlation of something)

Quadratic

- Fast solutions
- Difficult to Conceptualize
- Requires formulation as a quadratic function

Nonlinear

- Easy to conceptualize
- Super Flexible
- Cannot use linear solvers
- Slower solutions
- Tendency to get suboptimal results (local vs global maxima)



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Part 1

Quadratic

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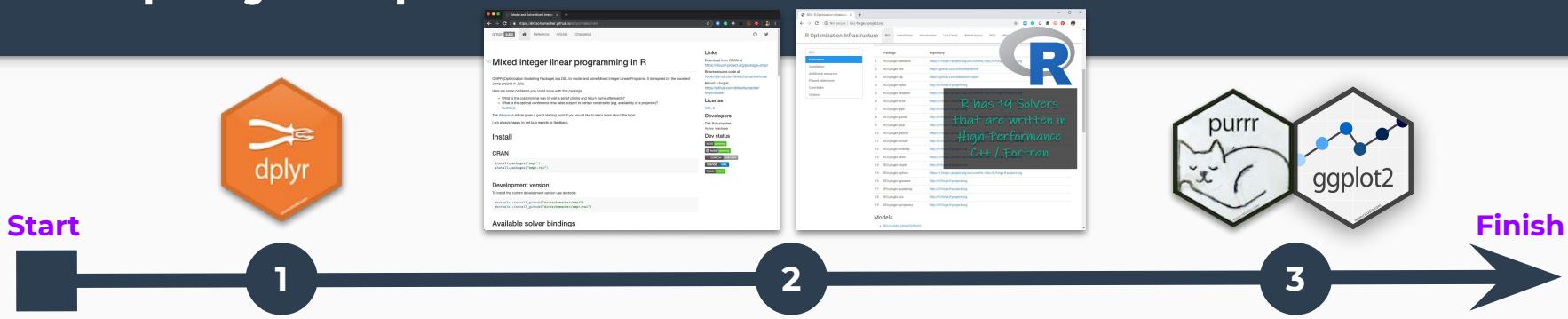
Part 2

Process & Tools

Churn Modeling & Machine Learning Tools

Business Modeling Process

Step-By-Step



dplyr

Format Data



ompr & ROI

Linear Programming

Our focus
today!

purrr & ggplot2

Simulation & Sensitivity Analysis





Tools Needed

ROI

- Like parsnip for Optimization Solvers
- 19 Solvers
- Interface requires Matrix Algebra Knowledge

Mixed integer linear programming (MILP)

$$\begin{array}{lllll} \text{maximize} & 7x_1 & + & 3x_2 & + & 1x_3 \\ \text{subject to} & 6x_1 & + & 4x_2 & + & 5x_3 & \leq 60 \\ & 8x_1 & + & x_2 & + & 2x_3 & \leq 80 \\ & 9x_1 & + & 1x_2 & + & 7x_3 & \leq 70 \\ & & & & & & \\ & x_1, x_3 \in \mathbb{Z}_{\geq 0} & & & & & \\ & x_2 \geq 0 & & & & & \end{array}$$

<http://roi.r-forge.r-project.org>

The screenshot shows the ROI R Optimization Infrastructure website. The 'Extensions' tab is active. On the right, a large blue R logo is displayed. A callout box contains the text: 'R has 19 Solvers that are written in High-Performance C++ / Fortran'. The main content area lists 19 packages and their repositories:

Package	Repository
ROI.plugin.alabama	https://r-forge.r-project.org/src/contrib/http://R-Forge.R-project.org
ROI.plugin.cbc	https://github.com/dirkSchumacher
ROI.plugin.clp	https://github.com/dstastorm-open
ROI.plugin.cplex	http://R-Forge.R-project.org
ROI.plugin.deoptim	https://r-forge.r-project.org/src/contrib/http://R-Forge.R-project.org
ROI.plugin.ecos	https://r-forge.r-project.org/src/contrib/http://R-Forge.R-project.org
ROI.plugin.glpk	http://R-Forge.R-project.org
ROI.plugin.gurobi	http://R-Forge.R-project.org/src/contrib/http://R-Forge.R-project.org
ROI.plugin.ipop	http://R-Forge.R-project.org/src/contrib/http://R-Forge.R-project.org
ROI.plugin.ip_solve	https://r-forge.r-project.org/src/contrib/http://R-Forge.R-project.org
ROI.plugin.mosek	http://R-Forge.R-project.org/src/contrib/http://R-Forge.R-project.org
ROI.plugin.msshinlp	http://R-Forge.R-project.org
ROI.plugin.neos	https://r-forge.r-project.org/src/contrib/http://R-Forge.R-project.org
ROI.plugin.nloptr	http://R-Forge.R-project.org
ROI.plugin.optmixt	https://r-forge.r-project.org/src/contrib/http://R-Forge.R-project.org
ROI.plugin.pooses	http://R-Forge.R-project.org
ROI.plugin.quadprog	http://R-Forge.R-project.org
ROI.plugin.scs	http://R-Forge.R-project.org
ROI.plugin.symphony	http://R-Forge.R-project.org

Below the table, under the 'Models' section, there is a single item: 'ROI.models.globalOptTests'.

Matrix Algebra is Conceptually Difficult

At first, it makes my head hurt

Now I love it

Really powerful for Nonlinear
Programming!!!

Mixed integer linear programming (MILP)

$$\begin{array}{lllll} \text{maximize} & 7x_1 & + & 3x_2 & + & 1x_3 \\ \text{subject to} & 6x_1 & + & 4x_2 & + & 5x_3 & \leq 60 \\ & 8x_1 & + & x_2 & + & 2x_3 & \leq 80 \\ & 9x_1 & + & 1x_2 & + & 7x_3 & \leq 70 \end{array}$$

$$x_1, x_3 \in \mathbb{Z}_{\geq 0}$$

$$x_2 \geq 0$$

```
A <- rbind(c(6, 4, 5), c(8, 0, 2), c(9, 1, 7))
milp <- OP(objective = L_objective(c(7, 1, 3), c("x", "y", "z")),
            constraints = L_constraint(L = rbind(c(6, 4, 5), c(8, 0, 2), c(9, 1, 7)),
                                         dir = c("<=", "<=", "<="),
                                         rhs = c(60, 80, 70)),
            types = c("I", "C", "I"),
            maximum = TRUE)
(sol <- ROI_solve(milp))
```

```
## Optimal solution found.
## The objective value is: 5.350000e+01
```

```
solution(sol)
```

```
##   x   y   z
## 7.0 4.5 0.0
```





Tools Needed

ompr

Pros:

- Tidyverse-style pipes
- More understandable equations
- Makes going from Excel to R easier

Cons

- Cannot be used for Nonlinear Programming

<https://dirkschumacher.github.io/ompr/index.html>

The screenshot shows the homepage of the ompr package. At the top, there's a navigation bar with links for 'ompr 0.8.0', 'Reference', 'Articles', and 'Changelog'. On the right side, there's a sidebar titled 'Links' containing links to CRAN, GitHub source code, and GitHub issues. Below the sidebar, there's a section titled 'Mixed integer linear programming in R' with a brief description of the package and some examples of problems it can solve. There's also a 'License' section indicating GPL-3. In the center, there's a 'Install' section with CRAN and Development version options. The Development version section includes build status badges for Travis CI, AppVeyor, and codecov, and a link to the devtools command. At the bottom, there's a section titled 'Available solver bindings'.



ompr

Uses pipes!

Faster **to make** business models
than Excel

Faster **to change** business models
than Excel

Fast **to solve** business models
than Excel

A simple example:

```
library(dplyr)
library(ROI)
library(ROI.plugin.glpk)
library(ompr)
library(ompr.roi)

result <- MIPModel() %>%
  add_variable(x, type = "integer") %>%
  add_variable(y, type = "continuous", lb = 0) %>%
  set_bounds(x, lb = 0) %>%
  set_objective(x + y, "max") %>%
  add_constraint(x + y <= 11.25) %>%
  solve_model(with_ROI(solver = "glpk"))
get_solution(result, x)
get_solution(result, y)
```

30 Min Demo

Super Basic Example



	A	B	C	D	E	F	G
1	Exam Grade Optimization						
2							
3				Intermediate Calc		Constraints	
4	Exam	Grade	Weight	Product		min	max
5	Quiz #1	50	0.15	7.5			
6	Midterm	65	0.25	16.25			
7	Quiz #2	70	0.15	10.5			
8	Final		0.45	0		100	
9	Course Grade	34.25		70		70	
10							

Product Mix Example - Manufacturing Macbook Pros



Recap & Learning Plan

2 Optimization Problems



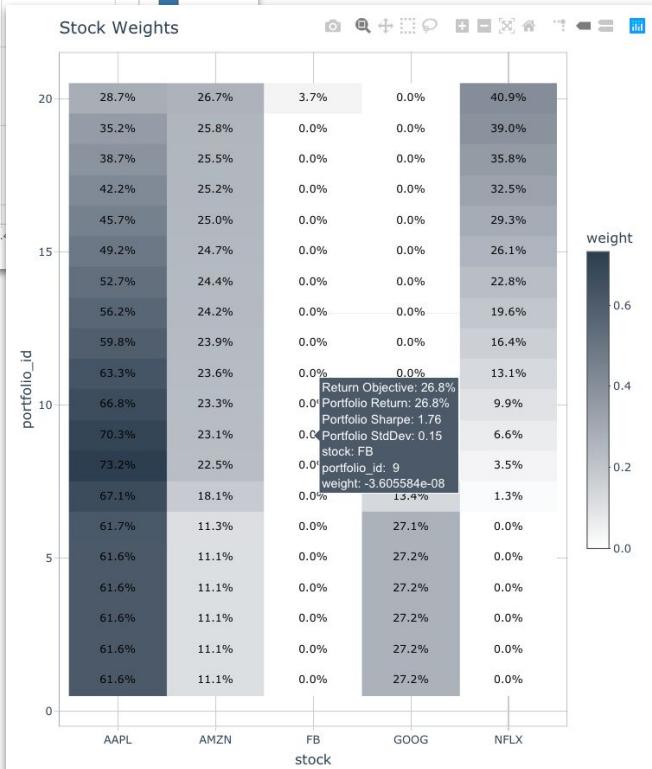
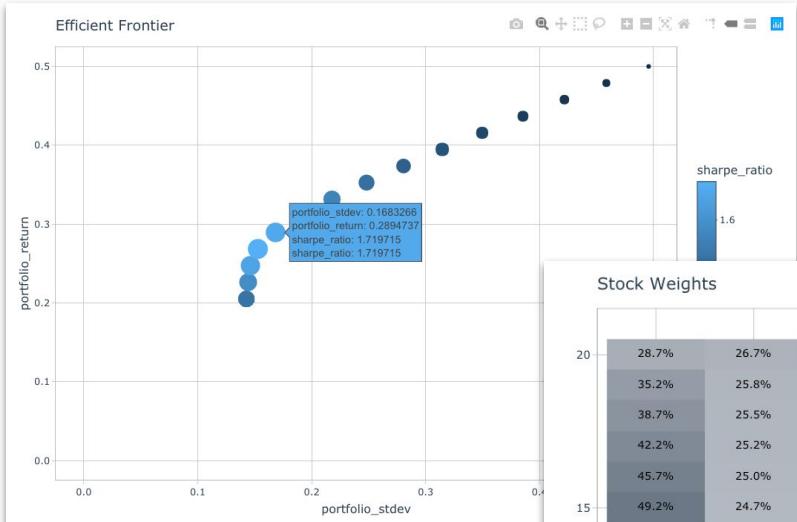
	A	B	C	D	E	F
1	Exam Grade Optimization					
2						
3						
4	Exam	Grade	Weight	Intermediate Calc	Constraints	
5	<i>Quiz #1</i>	50	0.15	7.5		
6	<i>Midterm</i>	65	0.25	16.25		
7	<i>Quiz #2</i>	70	0.15	10.5		
8	<i>Final</i>		0.45		0	100
9	Course Grade	34.25			70	70
10						

Part 2

Portfolio Optimization

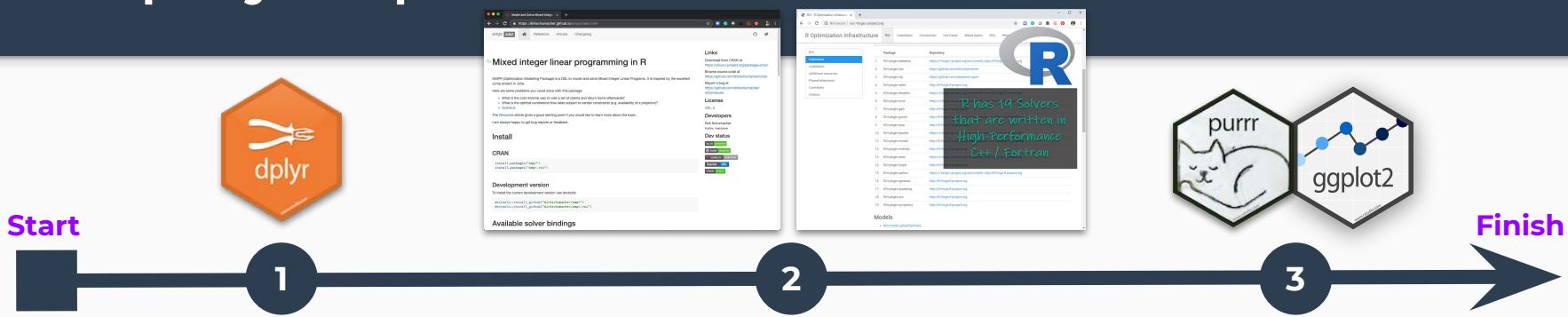
Nonlinear Programming

Simulation



Business Modeling Process

Step-By-Step



dplyr

Format Data



ompr & ROI

Linear Programming

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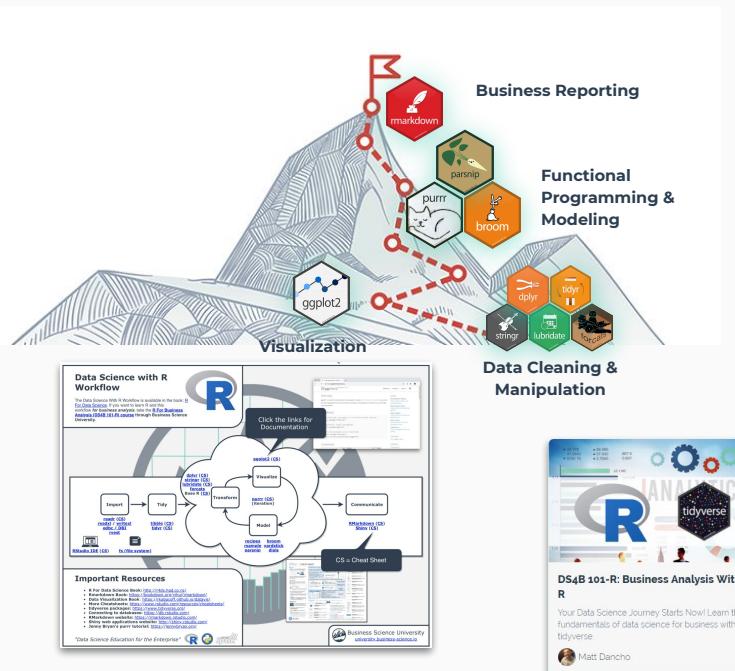


Step 1 - Learn the Foundations

Data Science Foundations

35 Hours of Video Lessons

- Machine Learning (parsnip)
 - **Data Manipulation (dplyr)**
 - **Visualization (ggplot2)**
 - Reporting (rmarkdown)
 - R Workflow Framework



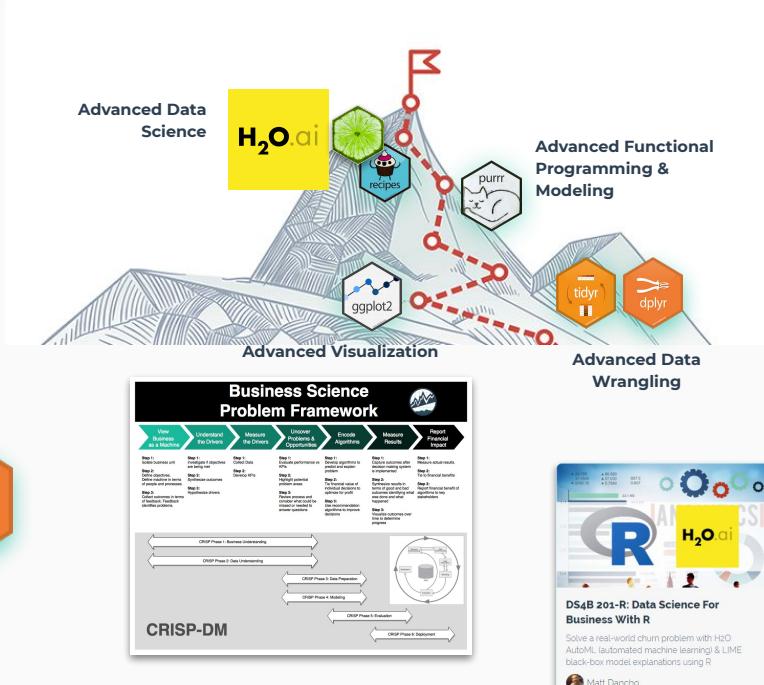
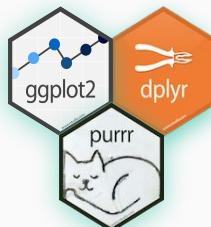


Step 2 - Learn Advanced ML

Advanced ML + Business Consulting

End-to-End Churn Project

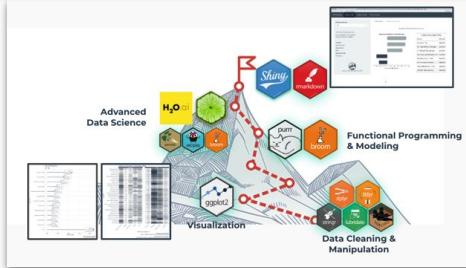
- Churn Prediction w/ Machine Learning (H2O)
- Churn Explanation (lime)
- Repeatable Framework for Business Problems
- **ROI Analysis for Project Benefit**
- **Sensitivity Analysis with purrr**
- **Classifier Threshold Optimization with purrr**



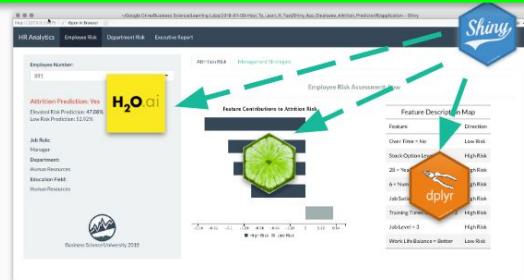
DS4B 201-R: Data Science For
Business With R

Solve a real-world churn problem with H2O
AutoML (automated machine learning) & LIME
black-box model explanations using R

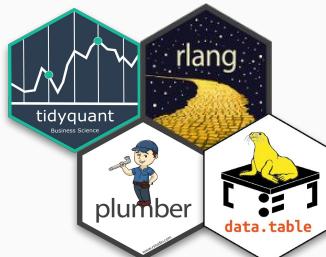
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R Shiny Web Apps For Business (DS4B 102-R)

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Build a predictive web application using Shiny, Flexdashboard, and XGBoost





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3 Course Bundle **0%** COMPLETE

R **tidyverse**

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DS4B 201-R: Data Science For Business With R

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Matt Dancho

R **Shiny**

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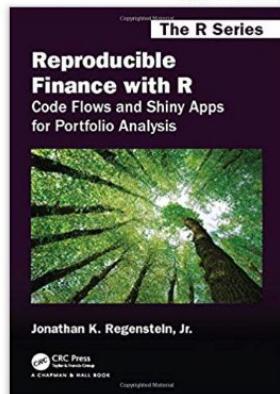
Reproducible Finance with R Book Giveaway

Reproducible Finance with R: Code Flows and Shiny Apps for Portfolio Analysis (Chapman & Hall/CRC The R Series) 1st Edition

by Jonathan K. Regenstein Jr. (Author)

★★★★★ 20 customer reviews

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ISBN-10: 1138484229

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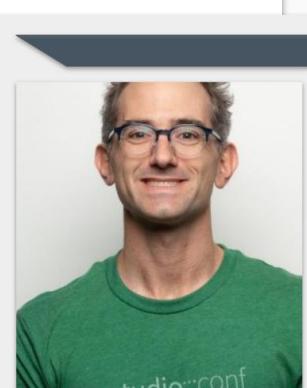
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Results



*“Your program allowed me to cut down to **50% of the time** to deliver solutions to my clients.”*

-Rodrigo Prado, Managing Partner Big Data Analytics & Strategy at Genesis Partners



*“I can already **apply** a lot of the early gains from the course to current working projects.”*

-Adam Mitchell, Data Analyst with Eurostar



*“My work became **10X easier**. I can spend quality time asking questions rather than wasting time trying to figure out syntax.”*

-Mohana Chittor, Data Scientist with Kabbage, Inc

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Results that
Matter to
the
Business

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