CS/ECE/ISyE 524 — Introduction to Optimization — Spring 2023

Final Course Project: Due 5/5/23

Vehicle Relocation Schedule Optimization

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1. introduction

Overview

It is always a challenge for car rental companies to match the vehicle supply with order demand in all the locations. This is due to the low transportability of inventory in the industry. The cost of relocating vehicles from other locations for meeting the demand of a certain location, especially when the locations are far from long distance, could be even higher than the potential profit. Therefore, maximizing the service rate while not hurting the revenue becomes a significant business target in the car rental industry. In this project, we mainly focus on the car relocation schedule between five locations of Zipcar in

the Chicago area. We intend to perform an analysis to find the optimal relocation schedules benefiting their business performance. The five locations we choose are in the same region and not far from each other because we need to satisfy the premise that relocation cost is lower than the potential profit. The demand data was from a member's project last semester(Tian, 2022). The data was estimated based on research.

We will analyze three different cases in this project. In the first case, we assume that all customers will return vehicles to the original location after use, while in the second case we assume the vehicles will be returned to random locations instead. We intend to compare the business results between the two cases to see the impact from the supply variability.

In the third case, we make a new assumption that there are third-party companies nearby supporting our company when backorders happen. We can rent more vehicles from the third-party company at some cost when the car inventory of our locations is in shortage. We initially assume outsourcing from third parties will reduce our profit due to the high cost. In this case, the rental strategy with third-party companies would also be a variable in the optimization problem.

The problem is a vehicle sharing problem. There are 5 stations in this city {A, B, C, D, E}, with each station having an amount of vehicles available. The demand in each station is randomly distributed, but we simplified the demand to some constants in this optimization problem. The example demand for each station is shown in the time schedule. Initially, each station has 30 vehicles at 0:00, which means there are 150 vehicles in total. From 0:00 to 23:00, the company can relocate any number of vehicles from one station to another in order to better satisfy customer demand. The relocation cost is based on the distance between stations. In the Figure1 for example, the relocation cost from A to B would be higher than A to E due to the longer distance. The distance would also make the travel time and return time different for each customer, which would influence the station inventory. Every time we successfully serve a customer, the company would gain profits based on their distance. If a customer arrives but there is no vehicle available, a backorder incurs with a penalty cost of 100. The objective of this optimization problem is to satisfy the maximum number of customers and to maximize the total profits.

To better visualize the network flow in this problem, we use figure 1 to interpret the relationship and the distance between each station. We consider station E as a center station. If there is one single line between two stations, for example A to E, the distance is 1. If the travel crosses one city, for example A to D, the distance will be 2. The revenue for one distance is 80, and the relocation cost for one distance is 30.

iupyter Figure 1. Example network between each station

2. Mathematical Model

2.1 General model

In this section, the basic mathematical models that used in this project will be introduced. For each case & senario, we will form it as one optimization problem, with some variables, constraints, and objectives. The purpose of this section is to briefly illustrate the models used in coding part and help the reader to understand the logic in our code.

Firstly, we are solving the rental vehicle problem with customers returning their vehicles at the same statoin. The objective is to find the relocation schedule that maxmize the profit and the customer service rate. The problem is analyzed in time-series, so we should define the single process in this system for one customer.

- 1. Customer arrives at station a
- 2. if vehicles available at station a
- ightarrow 3. Customer spend some time to station b
 - 4. Inventory at station b increases
- 2. if no vehicle available at station a
- ightarrow 3. Lose customer with penalty cost

iupyter Figure 2. The Flow Chart of Order Process

This problem is considered in whole day (24 hours) time period, so the inventory level and the customer demand vary at each time. For exampe, we can set variable $I_{i,j}$ as the inventory level of station i at time j. In part of inventory level, there are some other variables we create to better model this problem.

 $I_{i,j}$: the inventory level in station i at time j

 $N_{i,j}$: the number of customer served in station i at time $m{j}$

 $B_{i,j}$: the number of backorder station i at time j

 $L_{i,j}$: the total number of vehicle leaving in station i at time j

 $A_{i,j}$: the total number of vehicle arriving in station i at time j

 $R_{i,j}$: the number of vehicle relocating in direction i at time j

Cr: the relocation cost when relocating one vehicle

Re : the revenue gained when serveing one customer

P: the penalty cost company should pay when losing one

customer

 $From_{i,j}$: the total relocation number from station i at time j

 $To_{i,j}$: the total relocation number to station i at time j

Before discussing the cosntraints in this problem, we should explain the variable $R_{i,j}$ first, which associated with the network flow between each city (Figure.1). The figure shows one example about the network flow, and we will use this as an example to solve the vehicle-sharing optimization. In first case, each road in the figure is open, which means that we can relocate the vehicles from each station to another one. The relocation work consumes the same time as the customer's travel time from one city to another.

Because this problem is discussed in one-day's time period, the initial states for some of the variables should be included in the model, so the assumptions we discussed in problem statement are considered as constraints in model. In the first case, we assume that each station has 20 available vehicles initially, $I_{i,1}$ = 20. Because the problem start at time = 1, if the traveling time is assumed to be 2 hours, there will be no arrival for each station, $A_{i,1:2}$ = 0. There are some other constraints that we need to include in our model:

• The customer served at each time point should be the minimum value of the demand and inventory. If the inventory level is large enough for customer demand, the number of customer served $(N_{i,j})$ should be the demand number; if the customer demand exceed the inventory level, the number of customer served $(N_{i,j})$ should be the inventory value, and the unserved customers become backorders $(B_{i,j})$. These constraints can be expressed by:

$$N_{i,j} = Min\{I_{i,j}, D_{i,j}\}$$

$$\tag{1}$$

$$B_{i,j} = D_{i,j} - N_{i,j} (2)$$

• Because the first constraint above is a conditional constraint, it is hard to solve in optimization problem. We use some tricks and tips to simplify this constraint. $N_{i,j}$ should be the minimum value of $\{I_{i,j}, D_{i,j}\}$. We can create a new variable $X_{i,j}$ here, satisfying $X_{i,j} \leq I_{i,j}$ and $X_{i,j} \leq D_{i,j}$. Then, we maximize the value of $X_{i,j}$, which gives the same result as $X_{i,j} \in X_{i,j}$. Intheobjective function, the value of $X_{i,j}$, which is also $X_{i,j} \in X_{i,j}$, is maximized, so we can directly use the two inequalities to replace the first constraint above:

$$N_{i,j} \leq I_{i,j} \tag{3}$$

$$N_{i,j} \leq D_{i,j} \tag{4}$$

 Considering the relocation at each station, at each time some vehicles could be relocated to random stations. This is the target variable that we are going to solve.
 For eaxmple, the vehicles from station A can be relocated to station E in that case, and the vehicles from station E can be relocated to either A, B, C or D. Because the possible route at each station are different, we let $R_{i,j}$ denotes the vehicle number relocating on direction i at time j. And $\sum\limits_k R_{k,j}$ denotes the sum of all relocation

numbers from one station with k possible directions from that station.

$$From_{i,j} = \sum_{k} R_{k,j} \tag{5}$$

$$From_{i,j} \leq I_{i,j} - N_{i,j} \tag{6}$$

$$L_{i,j} = From_{i,j} + N_{i,j} \tag{7}$$

• To make the system sustainable, the vehicles returned from customers and relocation should be considered as new invetory at the new station. The travel time and relocation time are assumed to be Δ . In the first case, we assume the travel time and relocation time are the same. Because we assumed that the customers will return their vehicles to the same station where thet picked, the number of arrival contains the number of customer served.

$$To_{i,j} = \sum_{k} R_{k,j-\Delta} \tag{8}$$

$$A_{i,j} = To_{i,j} + N_{i,j-\Delta} \tag{9}$$

• The problem is continuous in time series, so the inventory level is updating in time.

$$To_{i,j} = \sum_{k} R_{k,j-\Delta} \tag{10}$$

$$A_{i,j} = To_{i,j} + N_{i,j-\Delta} \tag{11}$$

• Combining with the remaining constraints, we have the following model:

$$\max_{R_{i,j}} \sum_{i}^{n} \sum_{j}^{24} ReN_{i,j} - CrR_{i,j} - PB_{i,j}$$
(12)

$$ext{s.t.} \quad N_{i,j} \ \leq \ I_{i,j}, \qquad \qquad i = 1, 2, \ldots, n, \ \ j = 1, 2, \ldots, 24$$

$$N_{i,j} \leq D_{i,j}, \tag{13}$$

$$From_{i,j} = \sum_{k} R_{k,j}, \tag{14}$$

$$From_{i,j} \leq I_{i,j} - N_{i,j} \tag{15}$$

$$To_{i,j} = \sum_{k} R_{k,j-\Delta} \tag{16}$$

$$L_{i,j} = From_{i,j} + N_{i,j} \tag{17}$$

$$A_{i,j} = To_{i,j} + N_{i,j-\Delta}$$
 (18)

$$I_{i,j} = I_{i,j-1} + A_{i,j} - L_{i,j-1} (19)$$

2.2 Return vehicles to random stations

In the previous question, we assumed that the customers will return their vehicles to the same station where they picked. In this section, we will discuss how to model the problem if customers randomly choose their destinations, which would create more uncertainty in our model. To solve this problem, we indroduce a new variable $T_{i,j,k}$, which denotes the number of vehicles traveling from station i to j at time k. The sum of $T_{i,j,k}$ from one station should equal to the customer served number ($N_{i,k}$):

$$N_{i,k} = \sum_{j=1}^{n-1} T_{i,j,k}$$
 (20)

To find one vehicle's destination, we assign them with one random destination, with each probability $P_j=\frac{1}{n}$, where P_j denotes the probability to destination j, and n is the count for station. When the value of $N_{i,j}$ is large, we can use the expectation to estimate $T_{i,j,k}$.

$$\mathbb{E}\left(T_{i,j,k}\right) = \frac{1}{n} N_{i,k} \tag{21}$$

Because sometimes the expectation number can be fraction by using the above equation, we simplify the way expressing $T_{i,j,k}$ for better understanding. For any station i and time k, the difference in $T_{i,j,k}$ between each j station should not exceed 1.

$$\mid T_{i,j_1,k} \ - \ T_{i,j_2,k} \mid \ \leq \ 1 \qquad orall \ j_1,j_2 \in \{1,2,\ldots,n\}$$

There is a trade-off in this case. The two targets we want to get is to maximize the total profits and maximize the customer satisfaction. We did not introduce the trade-off because we use the penalty cost in total profits calculation as the trade-off. Since the penalty cost is larger than relocation cost, we can always maximize the two targets by only maximizing the profits. When the penalty cost is smaller, we can rewrite the objective function as:

$$\max_{R_{i,j}} |\sum_{i}^{n} \sum_{j}^{24} ReN_{i,j} - CrR_{i,j} - PB_{i,j}| + \lambda |\sum_{i}^{n} \sum_{j}^{24} N_{i,j}|$$
 (23)

2.3 Third - party supplier

Since backorders always happen, the company can choose to rent some vehicles from other suppliers to meet the customer's requests. In this case, we assume these vehicles are rented daily with some cost. This cost varies, and we define it to be Mc=500 in our model. And introduce variable M_i as the rent number at station i. Because these vehicles are rented daily, we should only the initial inventory level $I_{i,1}$.

$$I_{i,1}' = I_{i,1} + M_i (24)$$

• With new objective function:

$$\max_{R_{i,j},M_i} \sum_{i}^{n} \sum_{j}^{24} ReN_{i,j} - CrR_{i,j} - PB_{i,j} - McM_i$$
 (25)

There is a trade-off in this case, because when we invest more from the supplier, we can satisfy more customers with more cost. The two targets we are going to meet are: to maximize the profits and maximize the customer satisfaction. When one part goes up, the another part always drops. To balance the trade-off between these two targets, we set a tradeoff parameter λ , which changes the weight of each target. This parameter is changable for users, so that they can decide which target is more important. The objective function becomes:

$$\max_{R_{i,j},M_i} |\sum_{i}^{n} \sum_{j}^{24} ReN_{i,j} - CrR_{i,j} - PB_{i,j} - McM_i| + \lambda |\sum_{i}^{n} \sum_{j}^{24} N_{i,j}|$$
 (26)

Suppose that for each supplier in different stations, they have a minimum number of rental, which means the value of M_i should exceed some values. In this case, our target is to find the maximum price we are going to take to maintain the profit in case 2. The new constraint is the profit should be equal or larger than the previous one. Combining with the remaining constraints, we have the following model:

$$\begin{array}{lll} \max & Mc \\ \mathrm{s.\,t.} & N_{i,j} \leq I_{i,j}, & i = 1, 2, \ldots, n, \ j = 1, 2, \\ & N_{i,j} \leq D_{i,j}, & From_{i,j} = \sum_k R_{k,j}, & \\ & From_{i,j} \leq I_{i,j} - N_{i,j} & \\ & To_{i,j} = \sum_k R_{k,j - \Delta} & \\ & L_{i,j} = From_{i,j} + N_{i,j} & \\ & A_{i,j} = To_{i,j} + \sum_k T_{k,i,j - \Delta} & \\ & I_{i,j} = I_{i,j-1} + A_{i,j} - L_{i,j-1} & \\ & I'_{i,1} = I_{i,1} + M_i & \\ & |T_{i,j_1,k} - T_{i,j_2,k}| \leq 1 & \forall \ j_1, j_2 \in \{1,2, \\ & \sum_i \sum_j^{n} ReN_{i,j} - CrR_{i,j} - PB_{i,j} - McM_i \geq Profit & \end{array}$$

3. Solution and Codes

```
In [33]: using CSV, DataFrames
         using PyPlot, JuMP, HiGHS, Ipopt, Gurobi
         # Can also input the user's demand and distance data in CSV file
         # The demand file should have data with time feature in rows and station feature in co
         # In this project, we use the demand in 5 stations (5 columns) in 24 hours (24 rows).
         # The distance matrix shows the connection between each station. If value = 0, no conn
         demand = CSV.read("Demand.csv", DataFrame);
         distance = CSV.read("Distance.csv", DataFrame);
         dis = Matrix(distance[:,2:6]);
         println("The overview of the demand:")
 In [2]:
         println(demand)
         println("----")
         println("
                      Table 1. Demand table")
         The overview of the demand:
         24×5 DataFrame
          Row
               Α
                             C
                                    D
                                           Е
                Int64 Int64 Int64 Int64
                                        3
            1
                   6
                          3
                                 6
                                              6
                   2
            2
                          4
                                 2
                                              2
                                       4
            3
                   5
                          3
                                 5
                                       3
                                              5
            4
                          0
                                 4
                                              4
                   4
            5
                   0
                          2
                                 0
                                       2
                                              0
                          3
                                1
            6
                   1
                                       3
                                              1
                          9
            7
                  19
                                19
                                       9
                                             19
```

Table 1. Demand table

Case 1: Return at same station

```
In [34]: # find the edge between each possible station
edge = [];
for i in 1:size(dis)[1]
    for j in 1:size(dis)[2]
        if dis[i,j]>0
            push!(edge, [i, j])
        end
    end
```

```
end
edge_num = size(edge)[1];
# Create a matrix showing all possible route from one specific station
fromA = []; fromB = []; fromC = []; fromD = []; fromE = [];
for i in 1:edge_num
    if edge[i][1] == 1
        fromA = push!(fromA, i)
    elseif edge[i][1] == 2
        fromB = push!(fromB, i)
    elseif edge[i][1] == 3
        fromC = push!(fromC, i)
    elseif edge[i][1] == 4
        fromD = push!(fromD, i)
    elseif edge[i][1] == 5
        fromE = push!(fromE, i)
end
from_arr = [fromA, fromB, fromC, fromD, fromE];
# Create a matrix showing all possible route to one specific station
toA = []; toB = []; toC = []; toD = []; toE = [];
for i in 1:edge_num
    if edge[i][2] == 1
        fromA = push!(toA, i)
    elseif edge[i][2] == 2
        fromB = push!(toB, i)
    elseif edge[i][2] == 3
        fromC = push!(toC, i)
    elseif edge[i][2] == 4
        fromD = push!(toD, i)
    elseif edge[i][2] == 5
        fromE = push!(toE, i)
    end
end
to_arr = [toA,toB,toC,toD,toE];
```

```
In [4]: # I is the inventory level in station i at time j.
        # N is the Customer serveed in station i at time j.
        # B is the backorder in station i at time j.
        # L is the customer leave from station i at time j.
        # A is the customer arrive in station i at time j.
        # R is the relocation on direction i at time j.
        Cr = 30; R = 80; P = 100;
        m = Model(optimizer with attributes(Gurobi.Optimizer, "output flag" => false))
        @variable(m, I[1:5,1:24]);
        @variable(m, N[1:5,1:24]);
        @variable(m, B[1:5,1:24]);
        @variable(m, A[1:5,1:24]);
        @variable(m, L[1:5,1:24]);
        @variable(m, Cr == 30);
        @variable(m, Re == 80);
        @variable(m, P == 100);
        @variable(m, R[1:edge_num,1:24],Bin);
        @constraint(m, I[:,1] .== 20);
        @constraint(m, A[:,1:2] .== 0);
        for i in 1:size(dis)[1]
```

```
for j in 1:24
                 # @constraint(m, N[i,j] == min(demand[j,i], I[i,j]))
                 @constraint(m, N[i,j] <= demand[j,i])</pre>
                 @constraint(m, N[i,j] <= I[i,j])</pre>
                 @constraint(m, B[i,j] == demand[j,i] - N[i,j])
                 road = from_arr[i]
                 fromi = 0;
                 for k in road
                     fromi += R[k,j]
                 @constraint(m, 0 <= fromi)</pre>
                 @constraint(m, fromi <= I[i,j] - N[i,j])</pre>
                 @constraint(m, L[i,j] == fromi + N[i,j])
             end
         end
         for i in 1 : 5
             for j in 3:24
                 # suppose the customers return at the same station
                 road = to_arr[i]
                 toi = 0;
                 for k in road
                     toi += R[k,j-2]
                 @constraint(m, A[i,j] == toi + N[i,j-2])
             end
         end
         for i in 1:5
             for j in 2:24
                 @constraint(m, I[i,j] == I[i,j-1] + A[i,j] - L[i,j-1])
             end
         end
         #set_optimizer_attribute(m, "print_level", 0)
         @objective(m, Max, Re*sum(N) - Cr*sum(R) - P*sum(B))
         optimize!(m)
        Set parameter WLSAccessID
        Set parameter WLSSecret
        Set parameter LicenseID to value 960002
        Academic license - for non-commercial use only - registered to hdu47@wisc.edu
In [5]: println("Total profit: ",objective_value(m))
         println("Customer served: ", sum(value.(N)/sum(Matrix(demand)))))
         ex_df=DataFrame(value.(R)',:auto);
         bo_df = DataFrame(value.(B)',:auto)
         println("Relocation schedule: ")
         rename!(ex_df, [:A_E, :B_D, :B_E, :C_E, :D_B, :D_E, :E_A, :E_B, :E_C, :E_D])
        Total profit: 44120.0
        Customer served: 0.7832103321033208
        Relocation schedule:
```

Out[5]: 24×10 DataFrame

Row	A_E	B_D	B_E	C_E	D_B	D_E	E_A	E_B	E_C	E_D
	Float64									
1	-0.0	0.0	0.0	-0.0	0.0	0.0	-0.0	0.0	0.0	0.0
2	0.0	0.0	-0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3	-0.0	0.0	-0.0	-0.0	0.0	-0.0	0.0	-0.0	-0.0	-0.0
4	-0.0	-0.0	1.0	-0.0	0.0	-0.0	-0.0	-0.0	-0.0	-0.0
5	-0.0	0.0	1.0	-0.0	-0.0	1.0	-0.0	-0.0	0.0	-0.0
6	-0.0	-0.0	1.0	-0.0	-0.0	1.0	-0.0	-0.0	-0.0	-0.0
7	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0
8	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0
9	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0
10	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	0.0	-0.0	-0.0	-0.0
11	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0
12	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0
13	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	0.0
14	0.0	-0.0	-0.0	0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0
15	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	1.0
16	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	1.0	-0.0	1.0
17	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	0.0
18	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	1.0	-0.0	1.0
19	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0
20	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0
21	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0
22	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0
23	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
24	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4										

Case 2: Return at random station

```
In [35]: # case 2, customers will not return their vehicles at the same station
# T denotes the number of customer travel from i to j at time k
# suppose all customers' travel time are the same

Cr = 30; R = 80; P = 100;
m11 = Model(optimizer_with_attributes(Gurobi.Optimizer, "output_flag" => false))
```

```
@variable(m11, I[1:5,1:24]);
@variable(m11, N[1:5,1:24]);
@variable(m11, B[1:5,1:24]);
@variable(m11, A[1:5,1:24]);
@variable(m11, L[1:5,1:24]);
@variable(m11, Cr == 30);
@variable(m11, Re == 80);
@variable(m11, P == 100);
@variable(m11, T[1:5,1:5,1:24].>=0);
@variable(m11, R[1:edge_num,1:24],Bin);
@constraint(m11, I[:,1] .== 20);
@constraint(m11, A[:,1:2] .== 0);
for i in 1:size(dis)[1]
    for j in 1:24
        # @constraint(m1, N[i,j] == min(demand[j,i], I[i,j]))
        @constraint(m11, N[i,j] <= demand[j,i])</pre>
        @constraint(m11, N[i,j] <= I[i,j])</pre>
        @constraint(m11, B[i,j] == demand[j,i] - N[i,j])
        road = from arr[i]
        fromi = 0;
        for k in road
            fromi += R[k,j]
        end
        @constraint(m11, 0 <= fromi)</pre>
        @constraint(m11, fromi <= I[i,j] - N[i,j])</pre>
        @constraint(m11, L[i,j] == fromi + N[i,j])
        # set some constraints for the variable T:
        # The customer's destination should be random, we set the difference in number
        # Also, the sum of T[i,:,j] should be the same as N[i,j]
        @constraint(m11, N[i,j] == sum(T[i,:,j]))
        for k = 1:5
            for k2 = 1:5
                @constraint(m11, T[i,k,j] - T[i,k2,j] \leftarrow 1)
                @constraint(m11, T[i,k,j] - T[i,k2,j] >= -1)
            end
        end
    end
    for j in 3:24
        # suppose the customers return to different stations
        road = to_arr[i]
        toi = 0;
        for k in road
            toi += R[k,j-2]
        @constraint(m11, A[i,j] == toi + sum(T[:,i,j-2]))
    end
    for j in 2:24
        @constraint(m11, I[i,j] == I[i,j-1] + A[i,j] - L[i,j-1])
    end
end
@objective(m11, Max, Re*sum(N) - Cr*sum(R) - P*sum(B))
optimize!(m11)
```

```
Set parameter WLSAccessID
         Set parameter WLSSecret
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In [25]: println("Total profit: ",objective_value(m1))
          println("Customer served: ", sum(value.(N)/sum(Matrix(demand))))
         Total profit: 49820.0
         Customer served: 0.8108856088560885
 In [8]: # try different tradeoff parameter
          # expect to give same results
          \lambda 2 = [0.1, 1, 10, 100, 1000]
          Cr = 30; R = 80; P = 100;
          result J12 = []
          result_J22 = []
          for \lambda in \lambda2
              m1 = Model(optimizer with attributes(Gurobi.Optimizer, "output flag" => false))
              @variable(m1, I[1:5,1:24]);
              @variable(m1, N[1:5,1:24]);
              @variable(m1, B[1:5,1:24]);
              @variable(m1, A[1:5,1:24]);
              @variable(m1, L[1:5,1:24]);
              @variable(m1, Cr == 30);
              @variable(m1, Re == 80);
              @variable(m1, P == 100);
              @variable(m1, T[1:5,1:5,1:24].>=0);
              @variable(m1, R[1:edge_num,1:24],Bin);
              @constraint(m1, I[:,1] .== 20);
              @constraint(m1, A[:,1:2] .== 0);
              for i in 1:size(dis)[1]
                  for j in 1:24
                      # @constraint(m1, N[i,j] == min(demand[j,i], I[i,j]))
                      @constraint(m1, N[i,j] <= demand[j,i])</pre>
                      @constraint(m1, N[i,j] <= I[i,j])</pre>
                      @constraint(m1, B[i,j] == demand[j,i] - N[i,j])
                      road = from_arr[i]
                      fromi = 0;
                      for k in road
                           fromi += R[k,j]
                      end
                      @constraint(m1, 0 <= fromi)</pre>
                      @constraint(m1, fromi <= I[i,j] - N[i,j])</pre>
                      @constraint(m1, L[i,j] == fromi + N[i,j])
                      # set some constraints for the variable T:
                      # The customer's destination should be random, we set the difference in nu
                      # Also, the sum of T[i,:,j] should be the same as N[i,j]
                      @constraint(m1, N[i,j] == sum(T[i,:,j]))
                      for k = 1:5
                           for k2 = 1:5
                               @constraint(m1, T[i,k,j] - T[i,k2,j] \ll 1)
                               @constraint(m1, T[i,k,j] - T[i,k2,j] >= -1)
                           end
                      end
                  end
                  for j in 3:24
                      # suppose the customers return to different stations
```

```
road = to_arr[i]
            toi = 0;
            for k in road
                toi += R[k,j-2]
            @constraint(m1, A[i,j] == toi + sum(T[:,i,j-2]))
        end
        for j in 2:24
            @constraint(m1, I[i,j] == I[i,j-1] + A[i,j] - L[i,j-1])
    end
    J1 = Re*sum(N) - Cr*sum(R) - P*sum(B)
    J2 = \lambda * sum(N)
    @objective(m1, Max, J1+J2)
    optimize!(m1)
    push!(result_J12,value.(J1));
    push!(result_J22,sum(value.(N)/sum(Matrix(demand))));
end
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Set parameter WLSAccessID
Set parameter WLSSecret
```

```
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```

Case 3: Add new suppliers

```
In [9]: # case 3, add thrid party for new vehicle supply
# the solution is to find where to rent how many vehicles in one-day period
# the third-party would charge a fee for a whole day's rent.
# how much it could improve if we choose to use this strategy?

# set the tradeoff parameter
\[ \lambda = 10 \]

Cr = 30; R = 80; P = 100;
\[ \mathrm{m2} = \text{Model(optimizer_with_attributes(Gurobi.Optimizer, "output_flag" => false))} \]

@variable(\mathrm{m2}, I[1:5,1:24]);
@variable(\mathrm{m2}, N[1:5,1:24]);
@variable(\mathrm{m2}, A[1:5,1:24]);
@variable(\mathrm{m2}, A[1:5,1:24]);
@variable(\mathrm{m2}, A[1:5,1:24]);
@variable(\mathrm{m2}, L[1:5,1:24]);
@variable(\mathrm{m2}, L[1:5,1:24]);
@variable(\mathrm{m2}, L[1:5,1:24]);
```

```
@variable(m2, Cr == 30);
@variable(m2, Re == 80);
@variable(m2, P == 100);
# Mc demotes the daily cost for renting one more vehicle from the third-party company.
@variable(m2, Mc == 1000);
@variable(m2, T[1:5,1:5,1:24].>=0);
@variable(m2, R[1:edge_num,1:24],Bin);
# Add variable M here, denotes how many vehicles are rented at station i
@variable(m2, M[1:5] .>=0);
@constraint(m2, A[:,1:2] .== 0);
for i in 1:size(dis)[1]
    @constraint(m2, I[i,1] == 20 + M[i]);
    for j in 1:24
        # @constraint(m2, N[i,j] == min(demand[j,i], I[i,j]))
        @constraint(m2, N[i,j] <= demand[j,i])</pre>
        @constraint(m2, N[i,j] <= I[i,j])</pre>
        @constraint(m2, B[i,j] == demand[j,i] - N[i,j])
        road = from_arr[i]
        fromi = 0;
        for k in road
            fromi += R[k,j]
        end
        @constraint(m2, 0 <= fromi)</pre>
        @constraint(m2, fromi <= I[i,j] - N[i,j])</pre>
        @constraint(m2, L[i,j] == fromi + N[i,j])
        @constraint(m2, N[i,j] == sum(T[i,:,j]))
        for k = 1:5
            for k2 = 1:5
                 @constraint(m2, T[i,k,j] - T[i,k2,j] <= 1)</pre>
                 @constraint(m2, T[i,k,j] - T[i,k2,j] >= -1)
            end
        end
    end
    for j in 3:24
        road = to_arr[i]
        toi = 0;
        for k in road
            toi += R[k,j-2]
        @constraint(m2, A[i,j] == toi + sum(T[:,i,j-2]))
    end
    for j in 2:24
        @constraint(m2, I[i,j] == I[i,j-1] + A[i,j] - L[i,j-1])
    end
end
J1 = Re*sum(N) - Cr*sum(R) - P*sum(B) - Mc*sum(M)
J2 = \lambda * sum(N)
@objective(m2, Max, J1+J2)
optimize!(m2)
Set parameter WLSAccessID
```

```
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```

```
println("Total profit: ",value.(J1))
In [10]:
          println("Customer served: ", sum(value.(N)/sum(Matrix(demand))))
          bo_df3 = DataFrame(value.(B)',:auto)
          sp = round.(value.(M))
          println(round.(value.(M)))
          println(value.(J1))
          println(value.(J2))
         Total profit: 49747.99999999985
         Customer served: 0.856642066420664
          [6.0, 0.0, 3.0, 0.0, 0.0]
         49747.99999999985
         9286.0
In [11]: # try with different \lambda values
          \lambda 1 = [0.1, 1, 10, 100, 1000]
          Cr = 30; R = 80; P = 100;
          result_J1 = []
          result_J2 = []
          M_matrix = []
          for \lambda in \lambda 1
              m2 = Model(optimizer with attributes(Gurobi.Optimizer, "output flag" => false))
              @variable(m2, I[1:5,1:24]);
              @variable(m2, N[1:5,1:24]);
              @variable(m2, B[1:5,1:24]);
              @variable(m2, A[1:5,1:24]);
              @variable(m2, L[1:5,1:24]);
              @variable(m2, Cr == 30);
              @variable(m2, Re == 80);
              @variable(m2, P == 100);
              # Mc demotes the daily cost for renting one more vehicle from the third-party comp
              @variable(m2, Mc == 1000);
              @variable(m2, T[1:5,1:5,1:24].>=0);
              @variable(m2, R[1:edge_num,1:24], Bin);
              # Add variable M here, denotes how many vehicles are rented at station i
              @variable(m2, M[1:5] .>=0);
              @constraint(m2, A[:,1:2] .== 0);
              for i in 1:size(dis)[1]
                  @constraint(m2, I[i,1] == 20 + M[i]);
                  for j in 1:24
                      # @constraint(m2, N[i,j] == min(demand[j,i], I[i,j]))
                      @constraint(m2, N[i,j] <= demand[j,i])</pre>
                      @constraint(m2, N[i,j] <= I[i,j])</pre>
                      @constraint(m2, B[i,j] == demand[j,i] - N[i,j])
                      road = from_arr[i]
                      fromi = 0;
                      for k in road
                           fromi += R[k,j]
                      @constraint(m2, 0 <= fromi)</pre>
                      @constraint(m2, fromi <= I[i,j] - N[i,j])</pre>
                      @constraint(m2, L[i,j] == fromi + N[i,j])
                      @constraint(m2, N[i,j] == sum(T[i,:,j]))
                      for k = 1:5
                           for k2 = 1:5
                               @constraint(m2, T[i,k,j] - T[i,k2,j] <= 1)
                               @constraint(m2, T[i,k,j] - T[i,k2,j] >= -1)
```

```
end
                      end
                  end
                  for j in 3:24
                      road = to_arr[i]
                      toi = 0;
                      for k in road
                          toi += R[k,j-2]
                      @constraint(m2, A[i,j] == toi + sum(T[:,i,j-2]))
                  end
                  for j in 2:24
                      @constraint(m2, I[i,j] == I[i,j-1] + A[i,j] - L[i,j-1])
                  end
              end
              J1 = Re*sum(N) - Cr*sum(R) - P*sum(B) - Mc*sum(M)
              J2 = \lambda^* sum(N)
              @objective(m2, Max, J1+J2)
              optimize!(m2)
              push!(result_J1,value.(J1));
              push!(result_J2,sum(value.(N)/sum(Matrix(demand))));
              push!(M_matrix, round.(value.(M)))
          end
          result_J2
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         Set parameter LicenseID to value 960002
         Academic license - for non-commercial use only - registered to hdu47@wisc.edu
         Set parameter WLSAccessID
         Set parameter WLSSecret
         Set parameter LicenseID to value 960002
         Academic license - for non-commercial use only - registered to hdu47@wisc.edu
         5-element Vector{Any}:
Out[11]:
          0.8201107011070109
          0.8201107011070108
          0.856642066420664
          0.9507380073800736
          0.99999999999998
In [36]: | # It shows that the rental cost from supplier would significantly influence the total
          # In this section, we would like to find the maximum rental cost. If Mc exceed this vo
          # the compared total cost we choose is the result in case 2.
          result_Mc = []
          result_rt = []
          Cr = 30; R = 80; P = 100;
```

```
for num in [5, 10, 15, 20, 25, 30]
    m3 = Model(Ipopt.Optimizer)
    @variable(m3, I[1:5,1:24]);
    @variable(m3, N[1:5,1:24]);
    @variable(m3, B[1:5,1:24]);
    @variable(m3, A[1:5,1:24]);
    @variable(m3, L[1:5,1:24]);
    @variable(m3, Cr == 30);
    @variable(m3, Re == 80);
    @variable(m3, P == 100);
    # Mc demotes the daily cost for renting one more vehicle from the third-party comp
    # It should be a variable in this problem that going to be solved
    @variable(m3, Mc >= 0);
    @variable(m3, T[1:5,1:5,1:24].>=0);
    @variable(m3, R[1:edge_num,1:24].>=0);
    @variable(m3, M[1:5] .>=0);
    # The variable "limit" demotes the profit we found in case 2.
    @variable(m3, limit == objective_value(m11));
    @variable(m3, \lambda == 0.1);
    @constraint(m3, A[:,1:2] .== 0);
    @constraint(m3, sum(M) >= num);
    for i in 1:size(dis)[1]
        @constraint(m3, I[i,1] == 20 + M[i]);
        for j in 1:24
            # @constraint(m3, N[i,j] == min(demand[j,i], I[i,j]))
            @constraint(m3, N[i,j] <= demand[j,i])</pre>
            @constraint(m3, N[i,j] <= I[i,j])</pre>
            @constraint(m3, B[i,j] == demand[j,i] - N[i,j])
            road = from_arr[i]
            fromi = 0;
            for k in road
                fromi += R[k,j]
            end
            @constraint(m3, 0 <= fromi)</pre>
            @constraint(m3, fromi <= I[i,j] - N[i,j])</pre>
            @constraint(m3, L[i,j] == fromi + N[i,j])
            @constraint(m3, N[i,j] == sum(T[i,:,j]))
            for k = 1:5
                for k2 = 1:5
                    @constraint(m3, T[i,k,j] - T[i,k2,j] <= 1)
                    @constraint(m3, T[i,k,j] - T[i,k2,j] >= -1)
                end
            end
        end
        for j in 3:24
            # suppose the customers return to different stations
            road = to_arr[i]
            toi = 0;
            for k in road
                toi += R[k,j-2]
            end
            @constraint(m3, A[i,j] == toi + sum(T[:,i,j-2]))
        end
        for j in 2:24
            @constraint(m3, I[i,j] == I[i,j-1] + A[i,j] - L[i,j-1])
        end
    end
    # set the profits gained in this strategy should exceed that in case 2.
```

```
@constraint(m3, Re*sum(N) - Cr*sum(R) - P*sum(B) - Mc*sum(M) >= limit);
# include the trade-off in the objective function, with given λ.
@objective(m3, Max, Mc );
set_optimizer_attribute(m3, "print_level", 0)
optimize!(m3);
push!(result_Mc,value.(Mc));
push!(result_rt,sum(value.(N)/sum(Matrix(demand))));
end
```

4. Results and Discussion

General results

By summarizing the model outcomes in the past three cases, we can compare how each situation influence the results. The basic model results are shown in the table 2. There are some interpretations we get from the result:

- The change of demand can increase both the profits and service rate in the second case. The returned vehicles can be used as a part of relocation source for another station, so if the fluctuations of demand at each station are differet, profits and service rate will be increased by allowing customer to return the vehicles to other stations. In the demand matrix, the demand in station A in the morning is significantly high, and the demand in station B in the afternoon is high. The customers driven from station A would return their cars at station B, and the arrived vehicles at station B can be sources for customers with no relocation needs.
- When outsourcing more vehicles from third-party suppliers, the service rate can be improved at the trade-off of total profits decreases due to the high cost. In our assumption, the daily rental cost is 1000 per vehicle. We set up a tradeoff parameter to balance the weight between profits and service rate for the purpose of maximizing business performance. Higher value of tradeoff parameter will make the service rate weights more in the objective function than profits, and vice versa.

Case	Profits (\$)	Service Rate
Return to the same station	44120	0.758
Return to different stations	49820	0.811
Add supplier	49750	0.857

Table 2. Result summary for each case

Case interpretation

In this part, we use the result from case 1 as an example to show how to interpret the result. In the code part, we printed a table with schedule, which showed how many vehicles need to be relocated on direction i at time t. We do not need to relocate vehicles all times, so we can simplify the schedule like table 3. For example, the first row means we need to relocate 1 vehicle from station B to station E at time 4. The users can also print the relocation schedule table for other cases.

Time	From - To	Number
4	B - E	1
5	B - E	1
5	D - E	1
6	B - E	1
6	D - E	1
15	E - D	1
16	E - B	1
16	E - D	1
18	E - B	1
18	E - D	1

Table 3. Relocation schedule for case 1

In the result, we are expected to relocate one vehicle from one station to another. The number of cars been relocated is not many, but the profits and service rate can still be improved. We also make a summarized plot to show the backorders (Figure 3). The overall distribution of backorder among different stations distributes smoothly, but there are peaks in backorder during the morning and evening. For example, the demand at station E in the morning is higher, so we can relocate vehicles from other stations to station E; and the demand at station E drops in the evening, and we can relocate vehicles from station E to other stations as well.

```
In [13]:
    using Plots
    sums = sum.(eachrow(bo_df))
    sums2 = sum.(eachcol(bo_df))
    time = collect(range(1, stop=24))
    station =['A','B','C','D','E']
    p1 = Plots.bar(time,sums,legend=false, xguide = "Time",
        yguide = "Back order number",title = "Total backorders in time", size = (800,400))
    p2 = Plots.bar(station,sums2,legend=false, xguide = "Station",
        yguide = "Back order number",title = "Total backorders by station",size = (800,400)
    Plots.plot(p1,p2,layout = (1,2))
```

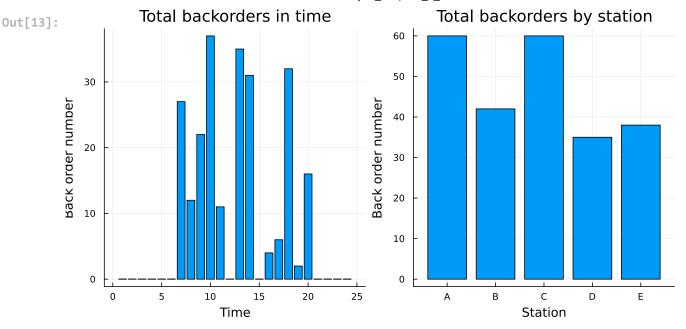


Figure 3. Backorders in time and station scale

In case 3, we rent some vehicles from the third-party supplier to maximum the service rate. From our model, the company is recommended to rent 6 vehicles at station A and 3 vihicles at station C, and the backorder number would significantly decrease in the senario (Figure 4).

```
sums = sum.(eachrow(bo_df3))
In [14]:
          sums2 = sum.(eachcol(bo_df3))
          time = collect(range(1, stop=24))
           station =['A','B','C','D','E']
           p1 = Plots.bar(time,sums,legend=false,
                                                        xguide = "Time",
               yguide = "Back order number", title = "Total backorders in time", size = (1200,400)
          p2 = Plots.bar(station, sums2, legend=false,
                                                            xguide = "Station",
               yguide = "Back order number", title = "Total backorders by station", size = (1200,40
          p3 = Plots.bar(station, sp, legend=false,
                                                         xguide = "Station",
               yguide = "Rental number",title = "Order to supplier",size = (1200,400))
          Plots.plot(p1,p2,p3,layout = (1,3))
                 Total backorders in time
                                                Total backorders by station
                                                                                    Order to supplier
Out[14]:
                                           40
                                         3ack order number
                                                                         Rental number
                                           30
                                           20
                                                                           2
           10
                                           10
```

Figure 4. Backorders while renting more vehicles

Trade-off between profits and service rate

As we discussed previously, there is a trade-off between profits and service rate. In case 2, the trade-off can be determined by the number of vehicles we relocate. When we relocate more vehicles, the relocation fee reduces more profit, but will increases service rate. However, the trade-off will be ignored when penalty cost is taken into consideration. This is becasue the penalty cost from losing customer is always the most, so our target in the senario would always be maximizing service rate no matter how much weight (tradeoff parameter) we set in the objective function (figure 5).

$$\max |J_{profits}| + \lambda |J_{service\ rate}| \tag{38}$$

```
x1 = [-1,0,1,2,3]
In [15]:
          y1 = result J12
          # Create some data for the second curve
          x2 = x1
          y2 = result_{J22}
          # Create a plot with a secondary y-axis
          Plots.plot(x1, y1, label="Curve 1",xguide = "\lambda = (10^n)",yguide = "Profits", linewidth
          plot!(Plots.twinx(), x2, y2, label="Service rate",yguide = "Service rate",ylim = (0,1)
          # Add Legends for both curves
          plot!(legend=:topright)
          #plot!(xguide = "Station",yguide = "Rental number")
                                                                                           1.0
Out[15]:
             49821.00
                                                                            Service rate
                                                                                           0.8
             49820.75
                                                                                           0.6
             49820.50
             49820.25
                                                                                           0.2
             49820.00
                                                                                           0.0
                        -1
                                        0
                                                                       2
                                                  \lambda = (10^n)
```

Figure 5. Profits and service rate vs. trade-off parameter in case 2

In case 3, the rental cost from the third-party supplier is introduced, which can compensate the effect of penalty cost. In this case, when we rent more vehicles from the supplier, the total profits would drop since the rental cost is higher than the penalty cost. At the same time, the service rate would increase since there are more vehicles available in our system (Table 4). In the following figure (Figure 6), two curves show the trade-off between the profits and service rate. By using the previous λ value, we can get 50k in profits and 0.8 service rate. If we want to gain more customer satisfaction and service rate, trade-off parameter can be set to larger scale. For example, when the λ changes to 10^3 , we can get 100% service rate, with 23k profits as compensation.

λ	Α	В	C	D	E	Service rate
0.1	0	0	2	0	0	0.82
1	0	0	2	0	0	0.82
10	6	0	3	0	0	0.86
100	8	2	16	0	9	0.95
1000	17	2	24	0	21	1.0

Table 4. Service rate with different trade-off parameter values

```
In [21]: x1 = [-1,0,1,2,3]
y1 = result_J1

# Create some data for the second curve
x2 = x1
y2 = result_J2

# Create a plot with a secondary y-axis
Plots.plot(x1, y1, label="profit",xguide = "\lambda = (10^n)",yguide = "Profits", linewidth
plot!(Plots.twinx(), x2, y2, label="Service rate",yguide = "Service rate",ylim = (0,1)

# Add legends for both curves
plot!(legend=:topright)

#plot!(xguide = "Station",yguide = "Rental number")
```

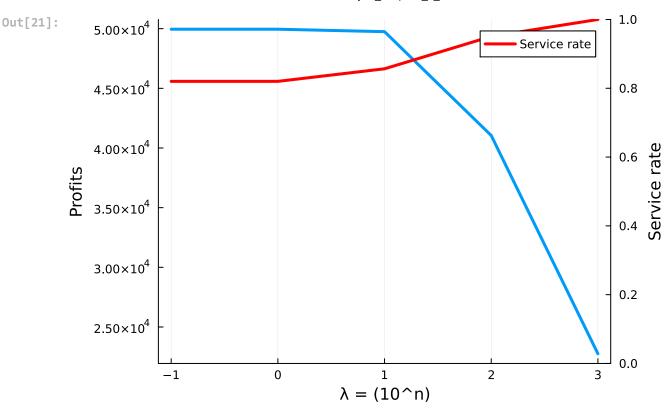


Figure 6. Profits and service rate vs. trade-off parameter in case 3

Acceptable price

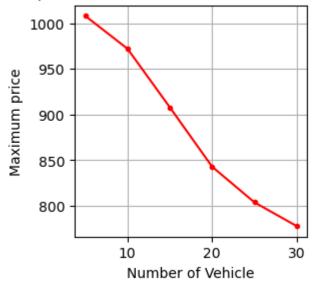
In the previous section, we made an assumption that the daily rental cost from supplier is 1000. In reality, we can find the acceptable price by given service rate. The relationship between the acceptable price and service rate can be interpreted in the following figure (Figure 7). For example, when we want to reach around 0.9 in service rate, we need to rent 20 vehicles. If we are renting 20 vehicles, the acceptable rental price from supplier would be around 840 such that we can maintain the same profits as we made in case two. Obviously, the higher service rate we want to get, the lower offer we can give to the supplier. In reality, the price from the supplier is not negotiable, so the company can use this analysis to find the decision. On the other hand, we always want to sacrifice some profits to gain more service rate.

```
In [28]: x= [5, 10, 15, 20, 25, 30];
    figure(figsize = (3,3))
        PyPlot.plot(x,result_Mc,"r.-", markersize=6)
        xlabel("Number of Vehicle")
        ylabel("Maximum price")
        #Legend(Loc = "upper Left")
        PyPlot.grid()
        title("Acceptable Price vs. Number of Vehicle rented");

    figure(figsize = (3,3))
        PyPlot.plot(x,result_rt,"b.-", markersize=6)
        xlabel("Number of Vehicle")
        ylabel("Service Rate")
        #Legend(Loc = "upper Left")
```

PyPlot.grid()
title("Service Rate vs. Number of Vehicle rented");

Acceptable Price vs. Number of Vehicle rented



Service Rate vs. Number of Vehicle rented

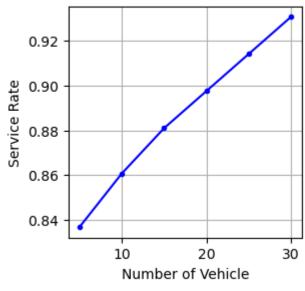


Figure 7. Acceptable price vs. rental number and service rate

5. Conclusion

Conclusion

Based on the analysis all above, we conclude that relocation is a viable way to improve the business result of Zipcar. However, backorders still exist even after relocating, indicating that Zipcar needs to add more cars into the operation. On the other hand, outsourcing has proved that the service rate will be increased indeed, but the profit will be reduced as the trade-off. Therefore, we have two recommendations for Zipcar: Investing more vehicles and negotiating with third-party companies for lower cost.

Our first suggestion is that Zipcar consider adding more cars into the operation for the five locations. As we can see from the figure 3 that all five locations have backorders in case 1 and case 2. Plus, It is reflected from table 3 that the vehicles available for relocating are very little, which means the total number of cars in the system need to be increased to meet the demand. However, the challenge in this scenario is that Zipcar will need to have a reliable demand forecasting system. An accurate forecasting data will help Zipcar to add the optimal amount of vehicles that will maximize service rate while avoiding inventory overstock. Besides, the timeline of the data we analyzed is only one day. So Zipcar also needs to consider the demand fluctuation from seasonality before making the decision.

The second suggestion we have is negotiating the outsource cost with third party companies. As we can see from the figure 4 that the strategy of outsourcing can remarkably reduce the amount of backorders. The advantage of outsourcing over the first recommendation is that it provides Zipcar with flexibility. Zipcar can easily adjust the number of vehicles in their operation as the demand changes, and do not need to consider the overstock issue during slack season. However, we have the assumption that the cost of outsourcing is higher than the profit, so there is a trade-off for Zipcar to make between service rate and revenue. Therefore, Zipcar may consider negotiating the outsource cost with the third party in order to achieve a long-term strategic partnership that mutually benefits both parties. Under the partnership, Zipcar will be able to improve the operation without sacrificing revenue, while the third party will receive more orders and business possibilities.

The result from our model has proved the feasibility of the methods, and we believe the report will benefit the business performance of Zipcar, especially if our recommendations can be implemented.

6. Reference

Jiaxin, Tian. (2022). *Vehicle Sharing Inventory Management* [Unpublished manuscript]. University of Wisconsin Madison