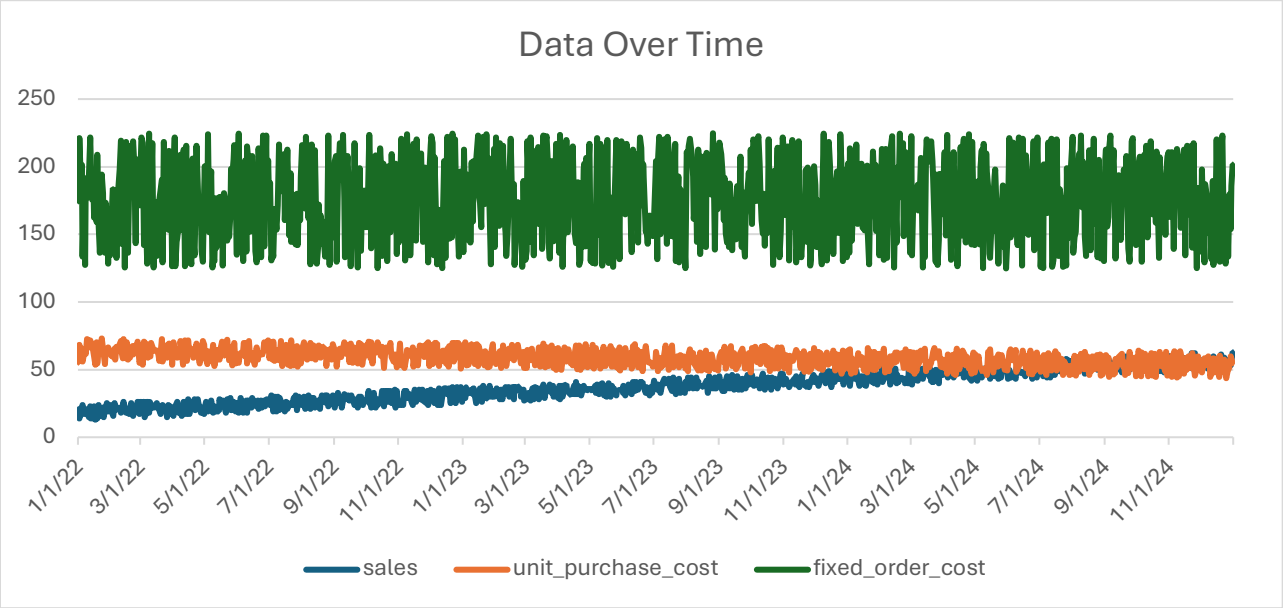
Module 11 – EOQ

Exploratory Data Analysis

In this section, you should perform some data analysis on the data provided to you. Please format your findings in a visually pleasing way and please be sure to include these cuts:

- *Make line graphs showing the following data over time:*
  - *Sales*
  - *Unit Purchase Cost*
  - *Fixed Order Cost*



- *Use a forecast method to determine annual demand for 2025 to use for our model*
  - *Naïve*

Using data from 2024 only the Average demand = 18317

  - *Moving Average / Weighted Moving Average*
  - *Linear Regression*
  - *Exponential Smoothing*
- *For costs, use a similar/different method. Otherwise, a simple overall average is fine.*

2024		
Avg sales	Avg Unit Purchase Cost	Avg Fixed order cost
50.05	54.95	175.79

Model Formulation

Write the formulation of the model into here prior to implementing it in your Excel model. Be explicit with the definition of the decision variables, objective function, and constraints. Please restate the variables in the algorithm (i.e. D = Annual Demand)

D = annual demand
C = unit purchase cost for the item
S = fixed cost of placing an order
i = cost of holding inventory for the year
Q = order quantity

Constraints
Q >= 1

Model Optimized for Minimizing Costs with Optimal Order Quantity

Implement your formulation into Excel and be sure to make it neat. This section should include:

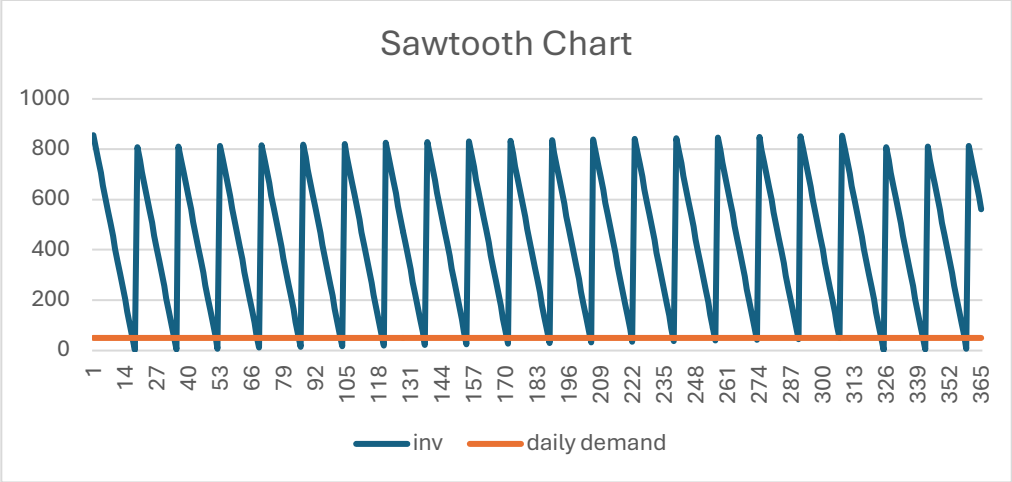
- *A screenshot of your optimized final model (formatted nicely, of course)*

Annual Demand		18,317
Cost per Unit	$	55
Cost per Order	$	176
Holding Cost		16%
Order Quantity		855.8454993
Purchasing Cost	$	1,006,519.15
Cost of Ordering	$	3,762.30
Inventory Cost	$	3,762
Total Cost	$	1,014,043.74

- *A text explanation of what your model is recommending*

My model is recommending ordering about 856 (rounding up) units each time an order is placed to minimize our total cost, which with our optimized solution our total costs would be $1,014,043.74.

- *Make a "sawtooth chart" for 2025, see below for reference. Assume you start with year with your EOQ Quantity like it has below*



Model with Stipulation

Please copy the tab of your original model before continuing with the next part to avoid messing up your original solution.

Implement the below EOQ extension, EOQ with planned backorders. We have added 2 new variables: A = shortage cost & b = planned back orders. Restate the previous variables with these new ones please. Note, you'll need to solve for both Q and b* here to get the optimal solution. You should start Q out as the EOQ from the previous section and b as 0. Also, note that this algorithm does not include `D * C` as it's not relevant to this analysis*

$$\text{Total Relevant Cost} = \frac{D}{Q}S + \frac{(Q-b)^2}{2Q}C_i + \frac{b^2}{2Q}A$$

Lastly, do the following:

- *Explain why you may include planned backorders (i.e. plan to accept purchases when out-of-stock such that some customers will wait for their purchase). Please think critically prior to doing any searches for why*
- *Make a similar "sawtooth chart" with the results here. Note, it will be very similar as before, but inventory will go below 0 before replenishing*