

## Transportation Cost Optimization

**Bashkim Çerkini**

Kellogg and Brown & Root, Ferizaj, Kosovë  
bashkimçerkini@gmail.com

**Roberta Bajrami**

University AAB, Ferizaj, Kosovë  
Roberta.Bajrami@universitetiaab.com

**Robert Kosova**

Faculty of Information Technology, Durrës, Albania  
robertko60@yahoo.com

**Valentina Shehu**

Faculty of Natural Science, Durrës, Albania  
shehuv@yahoo.com

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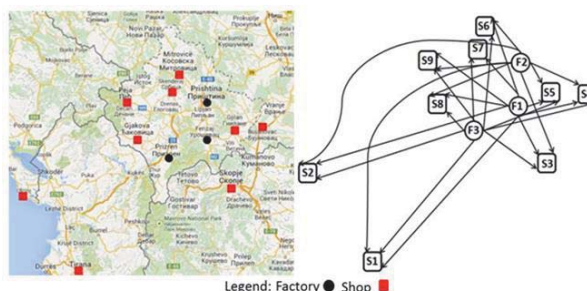
### Abstract

Many manufacturing make their products in few locations and ship them to many different locations. In this paper we use Evolver, Excel Solver and Microsoft Solver Foundation in order to optimize transportation cost or to find the cheaper way to make and ship products to the customers and meet customers' demands. "Proplast" company that manufactures doors and windows is located in three different places; in Ferizaj, Pristina and Prizren and supplies 9 shops in Kosovë, Albania, Macedonia, Montenegro and Serbia. Mathematically speaking, our goal is to find minimal transportation cost and this problem will be set up as a linear programming model with the below definition: \* Minimize total production and transportation cost; \* Constraints: -The amount shipped from each factory cannot exceed plant capacity, - Every shop must receive its required demand, - Transportation trucks have the limit of loading quantity and - Each shipping amount must be nonnegative. We will show Evolver, Excel Solver and Microsoft Solver Foundation results and will find the least expensive way. Also we will compare minimum and maximum cost for all software's.

**Keywords:** Transportation Cost, Optimization, Evolver, Excel Solver and MS Solver Foundation.

### 1. Introduction

In this paper we have chosen "Proplast" company that manufactures doors and windows in three different factories and transport its products in nine different shops as shown in the map and graph below:



**Figure 1.** Distribution Network from Factory to the Shops

We will utilize the power of Evolver, Microsoft Solver and Microsoft Solver Foundation in order to optimize transportation cost. Technically speaking our objective is to find a lowest logistical cost. Minimizing cost as optimization transportation problem is a classic problem in supply chain in the field of optimization. This problem is specifically essential in distribution and retail environments with the transportation management needs.

In the optimization of the supplier selection problem using discrete firefly algorithm is showing a firefly optimization based algorithm which helps to choose the proper suppliers in a case of given order quantity of a given product. The developed algorithm takes account of the minimum and maximum order quantities at the different suppliers as constraints. The algorithm takes account of the capacity and the cost of the used transport vehicles too. The article describes the operation of the algorithm and the penalty functions applied. In the last part the firefly algorithm and the solution given by the MS Excel solver's general reduced gradient and the evolutionary algorithm is compared.

## 2. Minimizing Transportation Cost for Window and Door “Proplast” Company

Mathematical expression for calculation transportation cost per unit is:

$$C = (ck \cdot L) / m$$

**C** – Total cost

**ck** - Operator cost per 1 km

**L** – Total length between factory and demand shop

**m** – Truck Loading Capacity

The total cost (C) is in proportion with the length of the routes. Operator cost (ck) includes maintenance and direct costs of operation (driver wage, fuel consumption, tires, brake shoes, etc.). Vehicle depreciation costs are included as a part of operator cost too. All cost in this paper is calculated in Euro. Based on the mathematical formula and data's we will populate the table below with the transportation cost per unit:

**Table 1.** Transportation cost per unit from factories to the shops

Factory	Shop								
	S1	S2	S3	S4	S5	S6	S7	S8	S9
F1	2.08	2.20	0.48	1.18	0.31	0.65	0.53	0.80	0.82
F2	2.26	2.38	0.79	1.49	0.47	0.37	0.45	0.75	0.75
F3	1.58	1.70	0.89	1.58	0.88	0.92	0.73	0.33	0.88

The mathematical model for this task will look as below:

$$\text{Min} \sum_i^m \sum_j^n C_{ij} * S_{ij}$$

Constraints:

$$\sum_j^n S_{ij} \leq F_i \quad i = 1, \dots, m \quad C_{ij} \text{ - is cost per unit from factory } i \text{ to shop } j$$

$$\sum_i^m S_{ij} = D_j \quad j = 1, \dots, n \quad S_{ij} \text{ - Shipment amount from factory } i \text{ to the shop } j$$

$$S_{ij} \leq \text{max } T \quad i = 1, \dots, m \quad F_i \text{ - Production capacity for factory } F_1, F_2 \text{ or } F_3$$

$$\quad \quad \quad j = 1, \dots, n \quad D_j \text{ - Shipment amount received in the shop } j$$

$$S_{ij} \geq 0 \quad i = 1, \dots, m \quad \text{Max } T \text{ - is maximal loading truck capacity}$$

$$\quad \quad \quad j = 1, \dots, n$$

Transportation Cost Minimization will be calculated using Evolver, Excel Solver and MS Foundation and will set up with the below specifications:

- **Target cell** - Minimize total shipping cost.
- **Changing cells** - The amount made at every factory for shipping to every shop.
- **Constraints**
  - Shipping amount from each factory cannot exceed production factory capacity
  - Every demand point must receive at least its required demand
  - Each changing cell cannot be negative.

Target Cell is in cell C25 named Total Min Cost. Changing cells are in the cells C17:H19. Constraints shown under column H named “Sent” H17:H19 are less or equal to “Capacity” in column K17:K19. Constraints in row 20 named

"Received" are in the cells C20:G20 and are bigger or equal to row 22 named "Demand" in the cells C22:G22 which contains demands for each shop. Column K named "Capacity" in the cells K17:K19 is production capacity for each factory and C23 is Maximum truck transportation capacity.

Demand amount for each shop is on weekly bases. Each factory has only one heavy truck with maximum capacity of 500 units. Each factory have maximum production capacity on weekly bases; maximum capacity for factory F1 is 1300 units, maximum capacity for factory F2 is 1100 units and maximum capacity F3 is 1000 units. All above constrains are entered into Excel table below.

**Table 2.** Target Cell, Changing Cells and Constrains

Shipments													
	B	C	D	E	F	D	H	E	F	G	H	I	K
16		S1	S2	S3	S4	S5	S6	S7	S8	S9	Sent		Capacity
17	F1	0	0	300	250	275	0	0	150	0	975	<=	1300
18	F2	0	0	0	0	0	325	375	275	125	1100	<=	1100
19	F3	500	475	0	0	0	0	0	25	0	1000	<=	1000
20	Received	500	475	300	250	275	325	375	450	125			
21		>=	>=	>=	>=	>=	>=	>=	>=	>=			
22	Demand	500	475	300	250	275	325	375	450	125			
23	Max Truck Capacity	500											
24													
25	Total Min Cost	<b>2,842.38</b>											

Total minimum cost of 2,842.38 shown in cell C25 in above table is the same from three methods: Evolver, Excel Solver and MS Foundation.

**2.1 Optimization with Evolver**

Evolver is an advanced, yet simple-to-use optimization add-in for Microsoft Excel. Evolver uses inventive genetic algorithm (GA) and linear programming technology to quickly solve problems in finance, distribution, resource allocation, manufacturing, engineering, and more. Practically any kind of problem that can be modeled in Excel can be solved by Evolver, including otherwise impossible, complex nonlinear problems. After we get all constrains entered in evolver model and run the software we get the total minimal cost equal to 2,842.38.

Adjustable Cells and Hard Constrains are shown below:

**Table 3.** Adjustable Cells

Trial	ElapsedTime	Result	Adjustable Cells																										
			C17	D17	E17	F17	G17	H17	I17	J17	K17	C18	D18	E18	F18	G18	H18	I18	J18	K18	C19	D19	E19	F19	G19	H19	I19	J19	K19
2	0:00:02	2,842.38 €	0	0	300	250	275	0	0	150	0	0	0	0	0	0	325	375	275	125	500	475	0	0	0	0	0	25	0

**Table 4.** Hard Constraints

Hard Constraints													
SUM(C17:K17)=1300	SUM(C18:K18)=1100	SUM(C19:K19)=1000	SUM(C17:G19)=500	SUM(D17:J19)=475	SUM(E17:K19)=300	SUM(F17:J19)=250	SUM(G17:G19)=275	SUM(H17:H19)=325	SUM(I17:J19)=375	SUM(J17:J19)=450	SUM(K17:K19)=125		
Met	Met	Met	Met	Met	Met	Met	Met	Met	Met	Met	Met		

**2.2 Optimization with Excel Solver**

Excel Solver is part of a suite of commands sometimes called what-if analysis tools. With Solver, you can find an optimal (maximum or minimum) value for a formula in one cell - called the target cell - subject to constraint, or limit, on the values of other formula cells on a worksheet. Solver works with a set of cells, called Changing cells or Adjustable cells that participate in computing the formulas in the objective and constraint cells. Solver adjusts the values in the changes cells to satisfy the limits on constraint cells and produce the result we want for the target cell.

Table 1 and 2 will be used again in the Excel Solver. In below tables are shown Answer, Sensitivity and Limits report of the Microsoft Excel Solver.

**Table 5. Answer Report**

Target Cell (Min)			
Cell	Name	Original Value	Final Value
SC\$25	Total Min Cost >=	\$ 2,842.38	\$ 2,842.38

Adjustable Cells			
Cell	Name	Original Value	Final Value
SC\$17	F1\$1	0	0
SD\$17	F1\$2	0	0
SE\$17	F1\$3	300	300
SF\$17	F1\$4	250	250
SG\$17	F1\$5	275	275
SH\$17	F1\$6	0	0
SI\$17	F1\$7	0	0
SJ\$17	F1\$8	150	150
SK\$17	F1\$9	0	0
SC\$18	F2\$1	0	0
SD\$18	F2\$2	0	0
SE\$18	F2\$3	0	0
SF\$18	F2\$4	0	0
SG\$18	F2\$5	0	0
SH\$18	F2\$6	325	325
SI\$18	F2\$7	375	375
SJ\$18	F2\$8	275	275
SK\$18	F2\$9	125	125
SC\$19	F3\$1	500	500
SD\$19	F3\$2	475	475
SE\$19	F3\$3	0	0
SF\$19	F3\$4	0	0
SG\$19	F3\$5	0	0
SH\$19	F3\$6	0	0
SI\$19	F3\$7	0	0
SJ\$19	F3\$8	25	25
SK\$19	F3\$9	0	0

**Table 6. Limits Report**

Target		Value		Upper		Target		Lower	
Cell	Name	Value	Limit	Result	Limit	Result	Limit	Result	Limit
SC\$25	Total Min Cost >=	\$ 2,842.38							
SC\$17	F1\$1	0	0	2842.38	325	3518.06			
SD\$17	F1\$2	0	0	2842.38	325	3556.08			
SE\$17	F1\$3	300	300	2842.38	500	2938.5			
SF\$17	F1\$4	250	250	2842.38	500	3137.13			
SG\$17	F1\$5	275	275	2842.38	500	2912.65			
SH\$17	F1\$6	0	0	2842.38	325	3054.15			
SI\$17	F1\$7	0	0	2842.38	325	3015.54			
SJ\$17	F1\$8	150	150	2842.38	475	3100.95			
SK\$17	F1\$9	0	0	2842.38	325	3109.14			
SC\$18	F2\$1	0	0	2842.38	0	2842.38			
SD\$18	F2\$2	0	0	2842.38	0	2842.38			
SE\$18	F2\$3	0	0	2842.38	0	2842.38			
SF\$18	F2\$4	0	0	2842.38	0	2842.38			
SG\$18	F2\$5	0	0	2842.38	0	2842.38			
SH\$18	F2\$6	325	325	2842.38	325	2842.38			
SI\$18	F2\$7	375	375	2842.38	375	2842.38			
SJ\$18	F2\$8	275	275	2842.38	275	2842.38			
SK\$18	F2\$9	125	125	2842.38	125	2842.38			
SC\$19	F3\$1	500	500	2842.38	500	2842.38			
SD\$19	F3\$2	475	475	2842.38	475	2842.38			
SE\$19	F3\$3	0	0	2842.38	0	2842.38			
SF\$19	F3\$4	0	0	2842.38	0	2842.38			
SG\$19	F3\$5	0	0	2842.38	0	2842.38			
SH\$19	F3\$6	0	0	2842.38	0	2842.38			
SI\$19	F3\$7	0	0	2842.38	0	2842.38			
SJ\$19	F3\$8	25	25	2842.38	25	2842.38			
SK\$19	F3\$9	0	0	2842.38	0	2842.38			

**Table 7. Sensitivity Report**

Constraints						
Cell	Name	Final Value	Shadow Price	Constraint R.H. Side	Allowable Increase	Allowable Decrease
SC\$20	Received S1	500	2.079	500	325	0
SD\$20	Received S2	475	2.1645	475	25	150
SE\$20	Received S3	300	0.4806	300	200	300
SF\$20	Received S4	250	1.179	250	250	250
SG\$20	Received S5	275	0.3123	275	225	275
SH\$20	Received S6	325	0.4158	325	175	150
SI\$20	Received S7	375	0.4977	375	125	150
SJ\$20	Received S8	450	0.7956	450	325	150
SK\$20	Received S9	125	0.7911	125	275	125
SL\$17	F1 Sent	975	0	1300	1E+30	325
SL\$18	F2 Sent	1100	-0.045	1100	150	275
SL\$19	F3 Sent	1000	-0.4635	1000	150	25

Adjustable Cells						
Cell	Name	Final Value	Reduced Cost	Objective Coefficient	Allowable Increase	Allowable Decrease
SC\$17	F1\$1	0	0	2.079	0.225	0.0815
SD\$17	F1\$2	0	0.0815	2.196	1E+30	0.0815
SE\$17	F1\$3	300	0	0.4806	0.3582	0.4806
SF\$17	F1\$4	250	0	1.179	0.36	1.179
SG\$17	F1\$5	275	0	0.3123	0.207	0.3123
SH\$17	F1\$6	0	0.2358	0.6516	1E+30	0.2358
SI\$17	F1\$7	0	0.0351	0.5328	1E+30	0.0351
SJ\$17	F1\$8	150	0	0.7956	0.0297	0.045
SK\$17	F1\$9	0	0.0297	0.8208	1E+30	0.0297
SC\$18	F2\$1	0	0.225	2.259	1E+30	0.225
SD\$18	F2\$2	0	0.2565	2.376	1E+30	0.2565
SE\$18	F2\$3	0	0.3582	0.7938	1E+30	0.3582
SF\$18	F2\$4	0	0.36	1.494	1E+30	0.36
SG\$18	F2\$5	0	0.207	0.4743	1E+30	0.207
SH\$18	F2\$6	325	0	0.3708	0.2358	0.4158
SI\$18	F2\$7	375	0	0.4527	0.0351	0.4977
SJ\$18	F2\$8	275	0	0.7506	0.045	0.0297
SK\$18	F2\$9	125	0	0.7461	0.0297	0.7911
SC\$19	F3\$1	500	-0.0315	1.584	0.0315	1E+30
SD\$19	F3\$2	475	0	1.701	0.0315	2.1645
SE\$19	F3\$3	0	0.8712	0.8883	1E+30	0.8712
SF\$19	F3\$4	0	0.8685	1.584	1E+30	0.8685
SG\$19	F3\$5	0	1.0278	0.8766	1E+30	1.0278
SH\$19	F3\$6	0	0.9657	0.918	1E+30	0.9657
SI\$19	F3\$7	0	0.6912	0.7254	1E+30	0.6912
SJ\$19	F3\$8	25	0	0.3321	0.4635	0.0315
SK\$19	F3\$9	0	0.5526	0.8802	1E+30	0.5526

### 2.3 Optimization with Microsoft Foundation Solver

Microsoft Solver Foundation is a set of advance tools for mathematical simulation, optimization and modeling that relies on a managed execution environment and the common language runtime (CLR).

Solver Foundation OML (Optimization Modeling Language) with constrains is shown below:

Model [ Parameters[ Sets[Any], SRC, DST ], Parameters[ Reals[-Infinity, Infinity], Cost [SRC, DST] ], Decisions [ Reals[0, 500], Shipments[SRC, DST] ], Constraints[ Constraint1 ->

Shipments[0,0]+Shipments[0,1]+Shipments[0,2]+Shipments[0,3]+Shipments[0,4]+Shipments[0,5]+Shipments[0,6]+Shipments[0,7]+Shipments[0,8]<=1300,

Constraint2 ->

Shipments[1,0]+Shipments[1,1]+Shipments[1,2]+Shipments[1,3]+Shipments[1,4]+Shipments[1,5]+Shipments[1,6]+Shipments[1,7]+Shipments[1,8]<=1100,

Constraint3 ->

Shipments[2,0]+Shipments[2,1]+Shipments[2,2]+Shipments[2,3]+Shipments[2,4]+Shipments[2,5]+Shipments[2,6]+Shipments[2,7]+Shipments[2,8]<=1000,

Constraint4 -> Shipments[0,0]+Shipments[1,0]+Shipments[2,0]>=500,

Constraint5 -> Shipments[0,1]+Shipments[1,1]+Shipments[2,1]>=475,

Constraint6 -> Shipments[0,2]+Shipments[1,2]+Shipments[2,2]>=300,

Constraint7 -> Shipments[0,3]+Shipments[1,3]+Shipments[2,3]>=250,

Constraint8 -> Shipments[0,4]+Shipments[1,4]+Shipments[2,4]>=275,

Constraint9 -> Shipments[0,5]+Shipments[1,5]+Shipments[2,5]>=325,

Constraint10 -> Shipments[0,6]+Shipments[1,6]+Shipments[2,6]>=375,

Constraint11 -> Shipments[0,7]+Shipments[1,7]+Shipments[2,7]>=450,

Constraint12 -> Shipments[0,8]+Shipments[1,8]+Shipments[2,8]>=125 ],

Goals[ Minimize[ TotalCost -> Annotation[Sum[{i, SRC}, {j, DST}, Cost[{i, j}\*Shipments[{i,j}], "order", 0] ] ] ] After all solver foundation parameters and OML are entered we get results as below:

**Table 8.** Solver Foundation Results

Solver Foundation Results	
Name	Value
Solution Type	Optimal
TotalCost	2842.38
Shipments[0, 0]	0
Shipments[0, 1]	0
Shipments[0, 2]	300
Shipments[0, 3]	250
Shipments[0, 4]	275
Shipments[0, 5]	0
Shipments[0, 6]	0
Shipments[0, 7]	150
Shipments[0, 8]	0
Shipments[1, 0]	0
Shipments[1, 1]	0
Shipments[1, 2]	0
Shipments[1, 3]	0
Shipments[1, 4]	0
Shipments[1, 5]	325
Shipments[1, 6]	375
Shipments[1, 7]	275
Shipments[1, 8]	125
Shipments[2, 0]	500
Shipments[2, 1]	475
Shipments[2, 2]	0
Shipments[2, 3]	0
Shipments[2, 4]	0
Shipments[2, 5]	0
Shipments[2, 6]	0
Shipments[2, 7]	25
Shipments[2, 8]	0

When Optimization Goal is changed to Maximum in cell C25 we will get Maximum Transportation cost of 4,816.31 Euro for Evolver, Excel Solver and Microsoft Foundation.

### 3. Comparison between Minimal and Maximal Total Cost

Below chart shows minimal and maximal cost for Evolver, Excel Solver and Microsoft Foundation Solver. We have same cost in all three software. Maximal cost for all three software's are around 70% higher than minimal cost. Using optimal distribution network will impact cost and time saving.

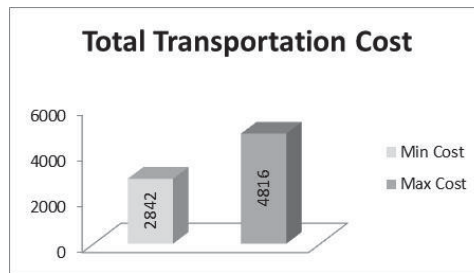


Figure 2. Comparison between Minimal and Maximal Cost

#### 4. Conclusion

Logistical route system is flexible based on the circumstances and demands. Optimization problems in many fields can be modeled and solved using Evolver, Excel Solver or Microsoft Foundation Solver. In this paperwork we have used them to resolve logistical route optimization problem in order to reduce transportation cost. Matrices range in this paperwork is  $3 \times 9$  but the same procedure can be applied in the cases with higher range of the matrices  $N \times M$ . Optimization problems in general are real world problems, we meet in many fields such as mathematics, science, engineering, business or finances. In this matter, we find the optimal or most efficient way of using limited resources to reach objective of the situation. In this paperwork the main goal is to maximize profit, minimize cost, minimizing the total distance travelled and using this can be done very well by using Evolver, Excel Solver and Microsoft Foundation Solver.

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