Contents

Part I: Complex Business Problems

1 Introduction 3

2 Characteristics of Complex Business Problems 9
2.1 Number of Possible Solutions 10
2.2 Time-Changing Environment 12
2.3 Problem-Specific Constraints 13
2.4 Multi-objective Problems 14
2.5 Modeling the Problem 16
2.6 A Real-World Example 19

3 An Extended Example: Car Distribution 25
3.1 Basic Terminology 25
3.2 Off-lease Cars 27
3.3 The Problem 28
3.4 Transportation 30
3.5 Volume Effect 32
3.6 Price Depreciation and Inventory 33
3.7 Dynamic Market Changes 33
3.8 The Solution 34

4 Adaptive Business Intelligence 37
4.1 Data Mining 38
4.2 Prediction 41
4.3 Optimization 43
4.4 Adaptability 44
4.5 The Structure of an Adaptive Business Intelligence System 45

Part II: Prediction and Optimization

5 Prediction Methods and Models 49
5.1 Data Preparation 51
5.2 Different Prediction Methods 56
5.2.1 Mathematical Methods 56
5.2.2 Distance Methods 62

5.2.3 Logic Methods 64
5.2.4 Modern Heuristic Methods 68
5.2.5 Additional Considerations 69
5.3 Evaluation of Models 69
5.4 Recommended Reading 74

6 Modern Optimization Techniques 75
6.1 Overview 75
6.2 Local Optimization Techniques 82
6.3 Stochastic Hill Climber 87
6.4 Simulated Annealing 90
6.5 Tabu Search 96
6.6 Evolutionary Algorithms 101
6.7 Constraint Handling 108
6.8 Additional Issues 112
6.9 Recommended Reading 114

7 Fuzzy Logic 117
7.1 Overview 119
7.2 Fuzzifier 119
7.3 Inference System 123
7.4 Defuzzifier 127
7.5 Tuning the Membership Functions and Rule Base 128
7.6 Recommended Reading 129

8 Artificial Neural Networks 131
8.1 Overview 132
8.2 Node Input and Output 134
8.3 Different Types of Networks 136
8.3.1 Feed-Forward Neural Networks 137
8.3.2 Recurrent Neural Networks 140
8.4 Learning Methods 142
8.4.1 Supervised Learning 142
8.4.2 Unsupervised Learning 146
8.5 Data Representation 147
8.6 Recommended Reading 148

9 Other Methods and Techniques 151
9.1 Genetic Programming 151
9.2 Ant Systems and Swarm Intelligence 158
9.3 Agent-Based Modeling 163
9.4 Co-evolution 169
9.5 Recommended Reading 173

Part III: Adaptive Business Intelligence

10 Hybrid Systems and Adaptability 177
10.1 Hybrid Systems for Prediction 178
10.2 Hybrid Systems for Optimization 183
10.3 Adaptability 187

11 Car Distribution System 191
11.1 Overview 192
11.2 Graphical User Interface 194
11.2.1 Constraint Handling 195
11.2.2 Reporting 201
11.3 Prediction Module 203
11.4 Optimization Module 206
11.5 Adaptability Module 208
11.6 Validation 211

12 Applying Adaptive Business Intelligence 215
12.1 Marketing Campaigns 215
12.2 Manufacturing 221
12.3 Investment Strategies 224
12.4 Emergency Response Services 228
12.5 Credit Card Fraud 232

13 Conclusion 239

Index 243