Table of Contents

Foreword p. xiii

Preface p. xv

- Acknowledgments p. xvii
- 1 Introduction p. 1
- 1.1 What Is Data Mining? p. 1
- 1.2 Where Is Data Mining Used? p. 2
- 1.3 The Origins of Data Mining p. 2
- 1.4 The Rapid Growth of Data Mining p. 3
- 1.5 Why Are There So Many Different Methods? p. 4
- 1.6 Terminology and Notation p. 4
- 1.7 Road Maps to This Book p. 6
- 2 Overview of the Data Mining Process p. 9
- 2.1 Introduction p. 9
- 2.2 Core Ideas in Data Mining p. 9
- 2.3 Supervised and Unsupervised Learning p. 11
- 2.4 The Steps in Data Mining p. 11
- 2.5 Preliminary Steps p. 13
- 2.6 Building a Model: Example with Linear Regression p. 21
- 2.7 Using Excel for Data Mining p. 27
- Problems p. 31
- 3 Data Exploration and Dimension Reduction p. 35
- 3.1 Introduction p. 35
- 3.2 Practical Considerations p. 35

Example 1 House Prices in Boston p. 36

3.3 Data Summaries p. 37

3.4 Data Visualization p. 38

3.5 Correlation Analysis p. 40

3.6 Reducing the Number of Categories in Categorical Variables p. 41

3.7 Principal Components Analysis p. 41

Example 2 Breakfast Cereals p. 42

Principal Components p. 45

Normalizing the Data p. 46

Using Principal Components for Classification and Prediction p. 49

Problems p. 51

4 Evaluating Classification and Predictive Performance p. 53

4.1 Introduction p. 53

4.2 Judging Classification Performance p. 53

Accuracy Measures p. 53

Cutoff for Classification p. 56

Performance in Unequal Importance of Classes p. 60

Asymmetric Misclassification Costs p. 61

Oversampling and Asymmetric Costs p. 66

Classification Using a Triage Strategy p. 72

4.3 Evaluating Predictive Performance p. 72

Problems p. 74

5 Multiple Linear Regression p. 75

5.1 Introduction p. 75

5.2 Explanatory vs. Predictive Modeling p. 76

5.3 Estimating the Regression Equation and Prediction p. 76 Example: Predicting the Price of Used Toyota Corolla Automobiles p. 77 5.4 Variable Selection in Linear Regression p. 81 Reducing the Number of Predictors p. 81 How to Reduce the Number of Predictors p. 82 Problems p. 86 6 Three Simple Classification Methods p. 91 6.1 Introduction p. 91 Example 1 Predicting Fraudulent Financial Reporting p. 91 Example 2 Predicting Delayed Flights p. 92 6.2 The Naive Rule p. 92 6.3 Naive Bayes p. 93 Conditional Probabilities and Pivot Tables p. 94 A Practical Difficulty p. 94 A Solution: Naive Bayes p. 95 Advantages and Shortcomings of the naive Bayes Classifier p. 100 6.4 k-Nearest Neighbors p. 103 Example 3 Riding Mowers p. 104 Choosing k p. 105 k-NN for a Quantitative Response p. 106 Advantages and Shortcomings of k-NN Algorithms p. 106 Problems p. 108 7 Classification and Regression Trees p. 111 7.1 Introduction p. 111 7.2 Classification Trees p. 113

7.3 Recursive Partitioning p. 113

7.4 Example 1: Riding Mowers p. 113

Measures of Impurity p. 115

7.5 Evaluating the Performance of a Classification Tree p. 120

Example 2 Acceptance of Personal Loan p. 120

7.6 Avoiding Overfitting p. 121

Stopping Tree Growth: CHAID p. 121

Pruning the Tree p. 125

7.7 Classification Rules from Trees p. 130

7.8 Regression Trees p. 130

Prediction p. 130

Measuring Impurity p. 131

Evaluating Performance p. 132

7.9 Advantages, Weaknesses, and Extensions p. 132

Problems p. 134

8 Logistic Regression p. 137

8.1 Introduction p. 137

8.2 The Logistic Regression Model p. 138

Example: Acceptance of Personal Loan p. 139

Model with a Single Predictor p. 141

Estimating the Logistic Model from Data: Computing Parameter Estimates p. 143

Interpreting Results in Terms of Odds p. 144

8.3 Why Linear Regression Is Inappropriate for a Categorical Response p. 146

8.4 Evaluating Classification Performance p. 148

Variable Selection p. 148

- 8.5 Evaluating Goodness of Fit p. 150
- 8.6 Example of Complete Analysis: Predicting Delayed Flights p. 153
- Data Preprocessing p. 154
- Model Fitting and Estimation p. 155
- Model Interpretation p. 155
- Model Performance p. 155
- Goodness of fit p. 157
- Variable Selection p. 158
- 8.7 Logistic Regression for More Than Two Classes p. 160
- Ordinal Classes p. 160
- Nominal Classes p. 161
- Problems p. 163
- 9 Neural Nets p. 167
- 9.1 Introduction p. 167
- 9.2 Concept and Structure of a Neural Network p. 168
- 9.3 Fitting a Network to Data p. 168
- Example 1 Tiny Dataset p. 169
- Computing Output of Nodes p. 170
- Preprocessing the Data p. 172
- Training the Model p. 172
- Example 2 Classifying Accident Severity p. 176
- Avoiding overfitting p. 177
- Using the Output for Prediction and Classification p. 181
- 9.4 Required User Input p. 181
- 9.5 Exploring the Relationship Between Predictors and Response p. 182

9.6 Advantages and Weaknesses of Neural Networks p. 182

Problems p. 184

- 10 Discriminant Analysis p. 187
- 10.1 Introduction p. 187
- 10.2 Example 1: Riding Mowers p. 187
- 10.3 Example 2: Personal Loan Acceptance p. 188
- 10.4 Distance of an Observation from a Class p. 188
- 10.5 Fisher's Linear Classification Functions p. 191
- 10.6 Classification Performance of Discriminant Analysis p. 194
- 10.7 Prior Probabilities p. 195
- 10.8 Unequal Misclassification Costs p. 195
- 10.9 Classifying More Than Two Classes p. 196
- Example 3 Medical Dispatch to Accident Scenes p. 196
- 10.10 Advantages and Weaknesses p. 197

Problems p. 200

- 11 Association Rules p. 203
- 11.1 Introduction p. 203
- 11.2 Discovering Association Rules in Transaction Databases p. 203
- 11.3 Example 1: Synthetic Data on Purchases of Phone Faceplates p. 204
- 11.4 Generating Candidate Rules p. 204

The Apriori Algorithm p. 205

11.5 Selecting Strong Rules p. 206

Support and Confidence p. 206

Lift Ratio p. 207

Data Format p. 207

The Process of Rule Selection p. 209 Interpreting the Results p. 210 Statistical Significance of Rules p. 211 11.6 Example 2: Rules for Similar Book Purchases p. 212 11.7 Summary p. 212 Problems p. 215 12 Cluster Analysis p. 219 12.1 Introduction p. 219 12.2 Example: Public Utilities p. 220 12.3 Measuring Distance Between Two Records p. 222 Euclidean Distance p. 223 Normalizing Numerical Measurements p. 223 Other Distance Measures for Numerical Data p. 223 Distance Measures for Categorical Data p. 226 Distance Measures for Mixed Data p. 226 12.4 Measuring Distance Between Two Clusters p. 227 12.5 Hierarchical (Agglomerative) Clustering p. 228 Minimum Distance (Single Linkage) p. 229 Maximum Distance (Complete Linkage) p. 229 Group Average (Average Linkage) p. 230 Dendrograms: Displaying Clustering Process and Results p. 230 Validating Clusters p. 231 Limitations of Hierarchical Clustering p. 232 12.6 Nonhierarchical Clustering: The k-Means Algorithm p. 233 Initial Partition into k Clusters p. 234

Problems p. 237

- 13 Cases p. 241
- 13.1 Charles Book Club p. 241
- 13.2 German Credit p. 250
- 13.3 Tayko Software Cataloger p. 254
- 13.4 Segmenting Consumers of Bath Soap p. 258
- 13.5 Direct-Mail Fundraising p. 262
- 13.6 Catalog Cross-Selling p. 265
- 13.7 Predicting Bankruptcy p. 267

References p. 271

Index p. 273