

Homework 5

Group 1

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1 Introduction

The wine industry was valued at \$257.5 billion in 2012 and is predicted to be valued at \$303.6 billion by 2016.¹ As wine is a consumer product, accommodating consumer preference is critical to maintaining a competitive advantage. By understanding the factors involved in wine sales we can better understand consumer behavior and adjust our strategies accordingly.

2 Statement of the Problem

The purpose of this report is to develop statistical models to make inference into the factors associated with the number of cases of wine sold.

3 Data Exploration

3.1 Variables Explained

The variables provided in the Wine Training Data Set are explained below:

Variable Code	Definition
INDEX	Identification Variable (do not use)
TARGET	Number of Cases Purchased
AcidIndex	Proprietary method of testing total acidity of wine by using a weighted average
Alcohol	Alcohol Content
Chlorides	Chloride content of wine
CitricAcid	Citric Acid Content
Density	Density of Wine
FixedAcidity	Fixed Acidity of Wine
FreeSulfurDioxide	Sulfur Dioxide content of wine
LabelAppeal	Marketing Score indicating the appeal of label design for consumers. High numbers suggest customers like the label design. Negative numbers suggest customers don't like the design.
ResidualSugar	Residual Sugar of wine
STARS	Wine rating by a team of experts. 4 Stars = Excellent, 1 Star = Poor
Sulphates	Sulfate content of wine
TotalSulfurDioxide	Total Sulfur Dioxide of Wine
VolatileAcidity	Volatile Acid content of wine
pH	pH of wine

¹"Research and Markets: Wine: 2012 Global Industry Almanac - The Global Wine Market Grew by 3.1% in 2011 to Reach a Value of \$257.5 Billion." Research and Markets: Wine: 2012 Global Industry Almanac - The Global Wine Market Grew by 3.1% in 2011 to Reach a Value of \$257.5 Billion | Business Wire. N.p., 21 May 2012. Web. 20 Nov. 2016.

3.2 Variables Summary Statistics

3.2.1 Discrete Variables

Interestingly, we can see some general sense of the make up of our data set. In this set, most wines sell between

Table 2: Wine Training Data Table of Discrete Variables

Variable	Levels	n	%	$\sum\%$
TARGET	0	2734	21.4	21.4
	1	244	1.9	23.3
	2	1091	8.5	31.8
	3	2611	20.4	52.2
	4	3177	24.8	77.0
	5	2014	15.7	92.8
	6	765	6.0	98.8
	7	142	1.1	99.9
	8	17	0.1	100.0
all		12795	100.0	
LabelAppeal	-2	504	3.9	3.9
	-1	3136	24.5	28.5
	0	5617	43.9	72.3
	1	3048	23.8	96.2
	2	490	3.8	100.0
	all		12795	100.0
STARS	1	3042	32.2	32.2
	2	3570	37.8	70.1
	3	2212	23.4	93.5
	4	612	6.5	100.0
	all		9436	100.0

3.2.2 Continous Variables

Table 3: Wine Training Data Table of Continuous Variables

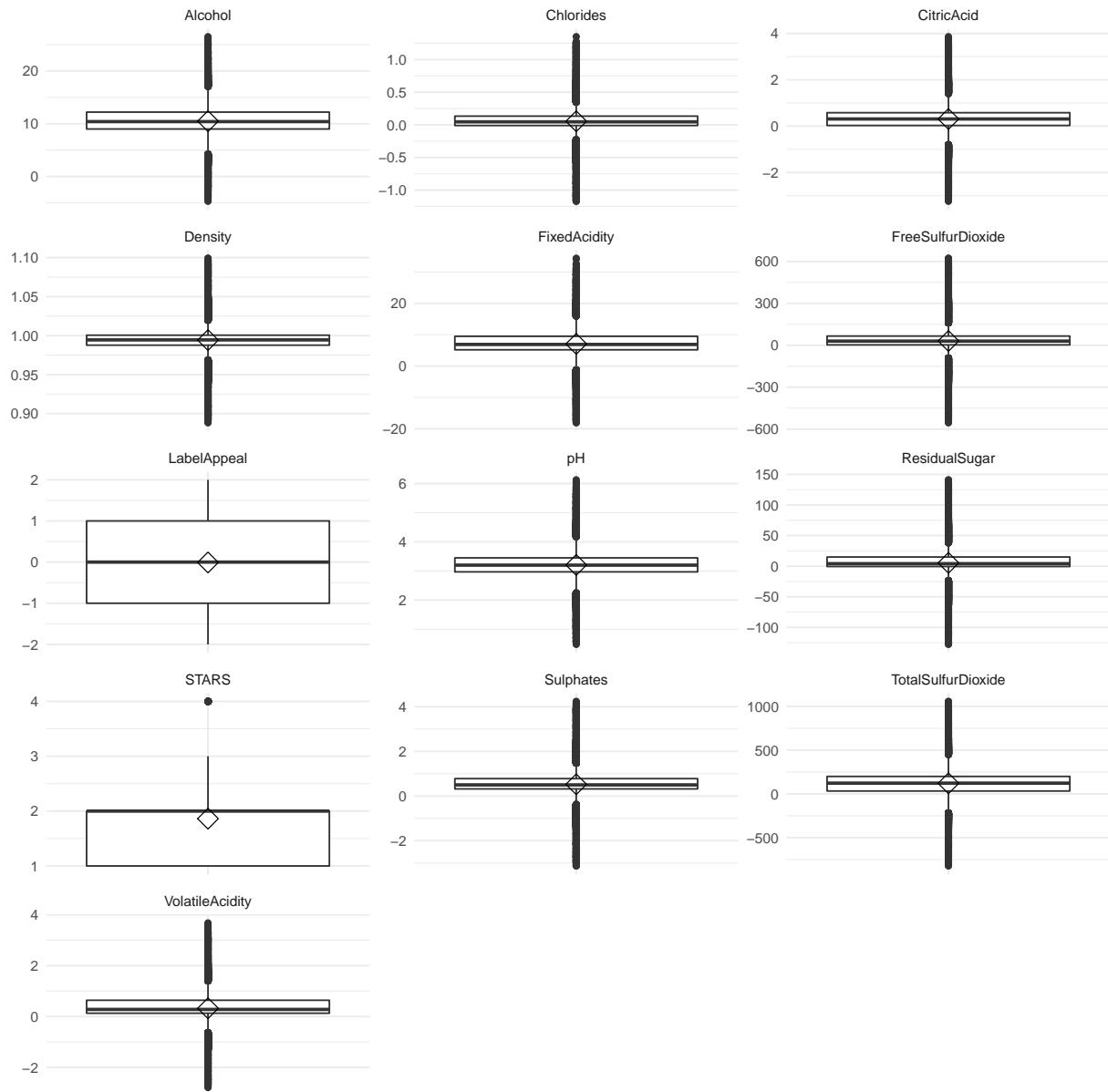
Variable	n	Min	q ₁	\tilde{x}	\bar{x}	q ₃	Max	s	IQR	#NA
FixedAcidity	12795	-18.1	5.2	6.9	7.1	9.5	34.4	6.3	4.3	0
VolatileAcidity	12795	-2.8	0.1	0.3	0.3	0.6	3.7	0.8	0.5	0
CitricAcid	12795	-3.2	0.0	0.3	0.3	0.6	3.9	0.9	0.5	0
ResidualSugar	12179	-127.8	-2.0	3.9	5.4	15.9	141.2	33.7	17.9	616
Chlorides	12157	-1.2	0.0	0.0	0.1	0.2	1.4	0.3	0.2	638
FreeSulfurDioxide	12148	-555.0	0.0	30.0	30.8	70.0	623.0	148.7	70.0	647
TotalSulfurDioxide	12113	-823.0	27.0	123.0	120.7	208.0	1057.0	231.9	181.0	682
Density	12795	0.9	1.0	1.0	1.0	1.0	1.1	0.0	0.0	0
pH	12400	0.5	3.0	3.2	3.2	3.5	6.1	0.7	0.5	395
Sulphates	11585	-3.1	0.3	0.5	0.5	0.9	4.2	0.9	0.6	1210
Alcohol	12142	-4.7	9.0	10.4	10.5	12.4	26.5	3.7	3.4	653

4 Data Transformation

4.1 Outliers Treatment

4.1.1 Box Plots of Variables for Winsorizing

Box Plots provide a visualization of the quartiles and outliers of our data set.² Using the box plots, we can conclude that the variables to be winsorized are Free Sulfur Dioxide, Residual Sugar, and Total Sulfur Dioxide.



²"Box Plot." Wikipedia. Wikimedia Foundation, n.d. Web. 24 Nov. 2016.

4.1.2 Winsorizing

We chose winsorizing as the method to address outliers. Instead of trimming values, winsorizing uses the interquartile range to replace values that are above or below the interquartile range multiplied by a factor. Those values above or below the range multiplied by the factor are then replaced with max and min value of the interquartile range. Using the factor 2.2 for winsorizing outliers is a method developed by Hoaglin and Iglewicz and published Journal of American Statistical Association in 1987³.

The below table is the summary results of the winsorizing of the data.

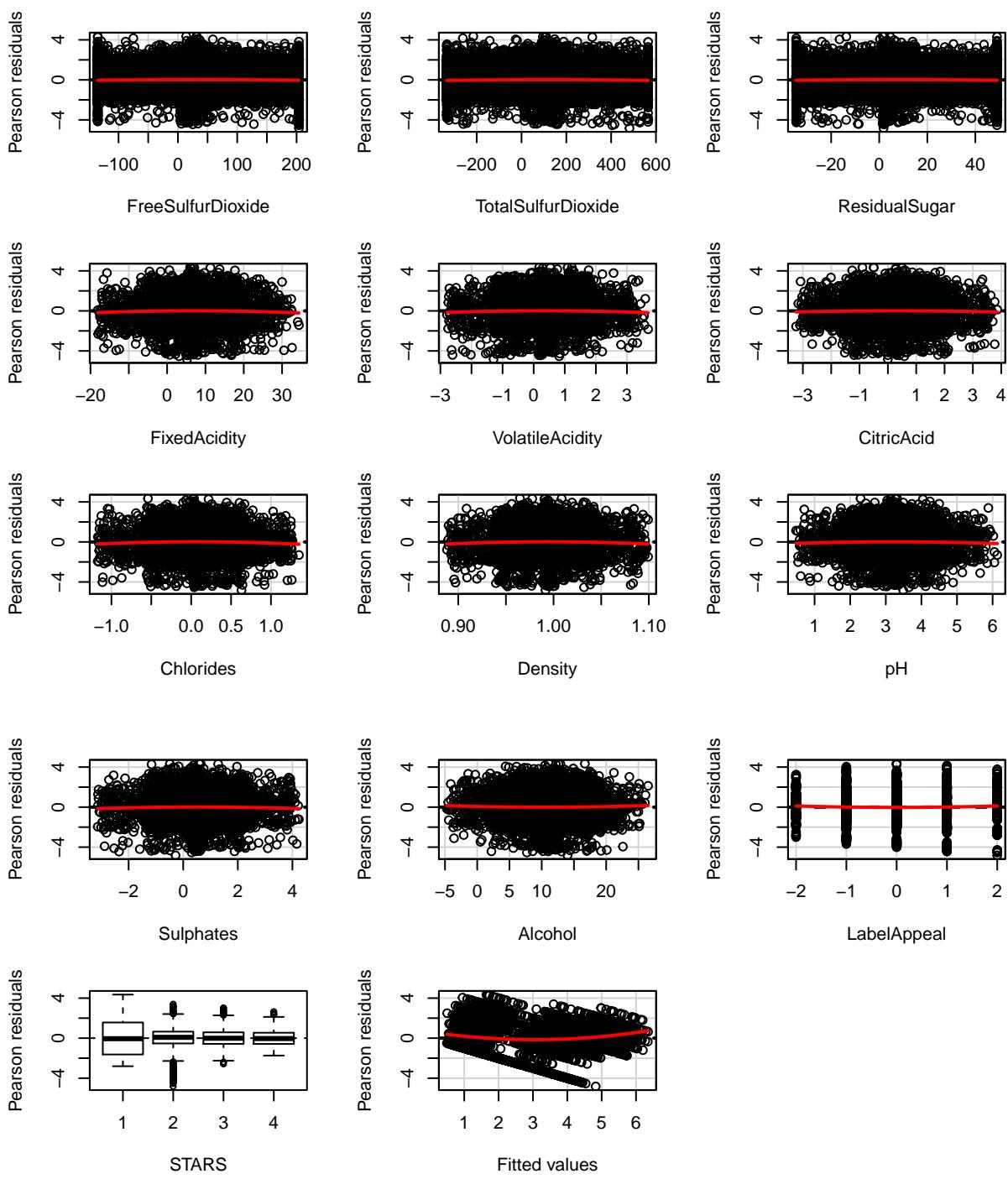
Table 4:

Statistic	N	Mean	St. Dev.	Min	Max
FreeSulfurDioxide	12,795	31.980	99.037	-135.000	204.000
TotalSulfurDioxide	12,795	120.531	203.186	-333.000	565.000
ResidualSugar	12,795	5.927	23.817	-34.600	49.100
TARGET	12,795	3.029	1.926	0	8
FixedAcidity	12,795	7.076	6.318	-18.100	34.400
VolatileAcidity	12,795	0.324	0.784	-2.790	3.680
CitricAcid	12,795	0.308	0.862	-3.240	3.860
Chlorides	12,795	0.055	0.311	-1.171	1.351
Density	12,795	0.994	0.027	0.888	1.099
pH	12,795	3.208	0.669	0.480	6.130
Sulphates	12,795	0.527	0.888	-3.130	4.240
Alcohol	12,795	10.489	3.636	-4.700	26.500
LabelAppeal	12,795	-0.009	0.891	-2	2
STARS	12,795	1.862	0.876	1	4

³Hoaglin, D. C., and Iglewicz, B. (1987), Fine tuning some resistant rules for outlier labeling, Journal of American Statistical Association, 82, 1147-1149.

4.2 BoxCox Transformations

The Box-Cox transformations were done on . These transformations were done based on the residual plots. In the residual plots, these three variables showed a great deal of non-constant variance because the plots were funnel-shaped.



Test stat Pr(>|t|) FreeSulfurDioxide -1.892 0.058 TotalSulfurDioxide -1.751 0.080 ResidualSugar -2.101 0.036
FixedAcidity -1.881 0.060 VolatileAcidity -1.694 0.090 CitricAcid -1.092 0.275 Chlorides -2.370 0.018 Density
-2.286 0.022 pH -1.500 0.134 Sulphates -1.616 0.106 Alcohol 1.408 0.159 LabelAppeal 3.071 0.002 STARS NA
NA Tukey test 17.998 0.000