# **Advanced Machine Learning Analysis for Marketing**

This project aims to explore Advanced Machine Learning techniques for analyzing retail data based on three years of sales data across 45 stores situated in diverse regions, each comprising multiple departments.

One of the primary challenges in modeling retail data stems from the necessity to make informed decisions in the face of limited data availability. Notably, sales surge during holidays and significant events, offering opportunities to evaluate the consequences of strategic choices on the overall performance. Moreover, the implementation of discounts and promotions can significantly influence sales outcomes. The primary objective of this endeavor is to forecast the potential impacts on specific departments and their extents.

Consequently, the central objectives to address involve the utilization of sophisticated machine learning methodologies to:

- 1. Predict sales at the department level for each individual store.
- 2. Model the ramifications of markdowns during holiday weeks.
- 3. Generate actionable marketing recommendations based on derived insights, with a focus on prioritizing actions that yield the most substantial business impact.

# Agenda

This project involves the examination and prediction of store sales utilizing various techniques. We will begin by employing autocorrelation analysis to uncover time lag delays and subsequently adjust a dataset accordingly. A range of machine learning models will then be employed to forecast time series data, focusing on departmental weekly sales patterns.

Building upon neural network methodologies, we will explore the impact of markdowns on sales within the store, both during holiday periods and regular weeks. Subsequently, we will formulate a sales strategy tailored to a specific department.

The project can be broken down into the following stages:

- 1. Importing Libraries and Defining Auxiliary Functions
- 2. Data Downloading and Pre-processing
- 3. Predicting Department-wide Sales
  - Analysis of Previous Data
  - Creation of the Dataset
  - Data Normalization
  - Linear Regression
  - Back Propagation Neural Network
  - Long Short-Term Memory (LSTM)
- 4. Modeling the Effects of Markdowns on Holiday Weeks
  - Initial Analysis
  - Linear Regression
  - Back Propagation Neural Network
  - Sensitivity Analysis

- 5. Recommendations
- 6. Final Reflection and Comments

The statistical data was sourced from the website <a href="https://www.kaggle.com/manjeetsingh/retaildataset">https://www.kaggle.com/manjeetsingh/retaildataset</a>. This dataset is made available under the CC BY-IGO license, which grants the freedom to copy, adapt, distribute, and utilize the work, including for commercial purposes, without the need for explicit permission.

# **Importing Libraries and Defining Auxiliary Functions**

```
# Import necessary libraries
In [77]:
         import pandas as pd
         import matplotlib.pyplot as plt
         import seaborn as sns
         import numpy as np
         import scikeras # Importing scikeras for using Keras models with scikit-learn API
         # Import specific modules from libraries
         from statsmodels.graphics.tsaplots import acf, pacf, plot acf, plot pacf
         from sklearn.preprocessing import MinMaxScaler
        from sklearn.linear model import LinearRegression
         from sklearn import metrics
         from scikeras.wrappers import KerasClassifier, KerasRegressor # Import Keras wrappers
         from keras.models import Sequential
        from keras.layers import Dense, Dropout # Import layers for building neural networks
         from keras.callbacks import EarlyStopping # Import EarlyStopping for model training
         from keras.layers import LSTM # Import LSTM layer for time series analysis
```

# Data Downloading and Pre-processing

## **Data Downloading**

We will obtain retail data relevant to store, department, and regional operations concerning the designated dates. Additionally, we have included the CSV file within this repository. This ensures access remains convenient either as an alternative to the provided link or for easier future retrieval.

```
In [78]: # Load the dataset from the specified URL into a DataFrame
    df1 = pd.read_csv('https://cf-courses-data.s3.us.cloud-object-storage.appdomain.cloud/IB
    # Assign a name to the DataFrame to indicate the dataset
    df1.dataframeName = 'Features data set.csv'
    # Display the loaded DataFrame
    df1
```

Out[78]:		Store	Date	Temperature	Fuel_Price	MarkDown1	MarkDown2	MarkDown3	MarkDown4	MarkDov
	0	1	05/02/2010	42.31	2.572	NaN	NaN	NaN	NaN	N
	1	1	12/02/2010	38.51	2.548	NaN	NaN	NaN	NaN	V
	2	1	19/02/2010	39.93	2.514	NaN	NaN	NaN	NaN	V
	3	1	26/02/2010	46.63	2.561	NaN	NaN	NaN	NaN	V
	4	1	05/03/2010	46.50	2.625	NaN	NaN	NaN	NaN	V
	•••									

8185	45 28/06/2013	76.05	3.639	4842.29	975.03	3.00	2449.97	3169
8186	45 05/07/2013	77.50	3.614	9090.48	2268.58	582.74	5797.47	1514
8187	45 12/07/2013	79.37	3.614	3789.94	1827.31	85.72	744.84	215(
8188	45 19/07/2013	82.84	3.737	2961.49	1047.07	204.19	363.00	1059
8189	45 26/07/2013	76.06	3.804	212.02	851.73	2.06	10.88	1864

8190 rows × 12 columns

Let's examine this dataset. As observed, the dataset comprises 8,190 rows and 12 columns, with each column representing the following attributes:

- Store: The store number.
- Date: The week of observation.
- Temperature: The average temperature within the region.
- Fuel\_Price: The cost of fuel in the region.
- MarkDown1-5: Anonymized data pertaining to promotional markdowns. MarkDown data is available after November 2011 and is not consistently present for all stores. Missing values are indicated as NA.
- CPI: The consumer price index.
- Unemployment: The rate of unemployment.
- IsHoliday: Indicates whether the week corresponds to a special holiday period.

Moving forward, our next step involves downloading historical sales data that spans from February 5, 2010, to November 1, 2012.

```
In [79]: # Load the sales dataset from the specified URL into a DataFrame
    df2 = pd.read_csv('https://cf-courses-data.s3.us.cloud-object-storage.appdomain.cloud/IB
# Assign a name to the DataFrame to indicate the dataset
    df2.dataframeName = 'Sales data set.csv'
# Display the loaded DataFrame
    df2
```

#### Out[79]:

	Store	Dept	Date	Weekly_Sales	IsHoliday
0	1	1	05/02/2010	24924.50	False
1	1	1	12/02/2010	46039.49	True
2	1	1	19/02/2010	41595.55	False
3	1	1	26/02/2010	19403.54	False
4	1	1	05/03/2010	21827.90	False
•••					
421565	45	98	28/09/2012	508.37	False
421566	45	98	05/10/2012	628.10	False
421567	45	98	12/10/2012	1061.02	False
421568	45	98	19/10/2012	760.01	False
421569	45	98	26/10/2012	1076.80	False

421570 rows × 5 columns

Observing the dataset, it comprises a total of 421,570 rows and encompasses 5 columns.

Contained within this dataset, you will encounter the subsequent information:

- Store: The specific store number.
- Dept: The designated department number.
- Date: The week under consideration.
- Weekly\_Sales: The sales value corresponding to the specific department within the given store.
- IsHoliday: A flag indicating whether the week is designated as a special holiday week.

Lastly, the final dataset encapsulates anonymized details concerning the 45 stores, encompassing information about the store's type and size.

```
In [80]: # Load the stores dataset from the specified URL into a DataFrame
    df3 = pd.read_csv('https://cf-courses-data.s3.us.cloud-object-storage.appdomain.cloud/IB.
# Assign a name to the DataFrame to indicate the dataset
    df3.dataframeName = 'Stores data set.csv'
# Display the loaded DataFrame
    df3
```

Out[80]:		Store	Туре	Size
	0	1	А	151315
	1	2	Α	202307
	2	3	В	37392
	3	4	Α	205863
	4	5	В	34875
	5	6	Α	202505
	6	7	В	70713
	7	8	Α	155078
	8	9	В	125833
	9	10	В	126512
	10	11	Α	207499
	11	12	В	112238
	12	13	Α	219622
	13	14	Α	200898
	14	15	В	123737
	15	16	В	57197
	16	17	В	93188
	17	18	В	120653
	18	19	Α	203819
	19	20	Α	203742

20

21

21

22

B 140167

B 119557

22	23	В	114533
23	24	Α	203819
24	25	В	128107
25	26	Α	152513
26	27	Α	204184
27	28	Α	206302
28	29	В	93638
29	30	С	42988
30	31	Α	203750
31	32	Α	203007
32	33	Α	39690
33	34	Α	158114
34	35	В	103681
35	36	Α	39910
36	37	С	39910
37	38	С	39690
38	39	Α	184109
39	40	Α	155083
40	41	Α	196321
41	42	С	39690
42	43	C	41062
43	44	С	39910
44	45	В	118221

## **Data Pre-processing**

To begin with, our initial step involves merging these three datasets into a single entity using the pandas.DataFrame.merge() function.

```
In [81]: # Merge df1 with df3 based on the 'Store' column
df = df1.merge(df3, on='Store')

# Merge df2 with the previously merged DataFrame (df) based on 'Store', 'Date', and 'IsH
df = df2.merge(df, on=['Store', 'Date', 'IsHoliday'])

# Display the resulting merged DataFrame
df
```

Out[81]:		Store	Dept	Date	Weekly_Sales	IsHoliday	Temperature	Fuel_Price	MarkDown1	MarkDown2	N
	0	1	1	05/02/2010	24924.50	False	42.31	2.572	NaN	NaN	
	1	1	2	05/02/2010	50605.27	False	42.31	2.572	NaN	NaN	
	2	1	3	05/02/2010	13740.12	False	42.31	2.572	NaN	NaN	

3	1	4	05/02/2010	39954.04	False	42.31	2.572	NaN	NaN
4	1	5	05/02/2010	32229.38	False	42.31	2.572	NaN	NaN
•••									
421565	45	93	26/10/2012	2487.80	False	58.85	3.882	4018.91	58.08
421566	45	94	26/10/2012	5203.31	False	58.85	3.882	4018.91	58.08
421567	45	95	26/10/2012	56017.47	False	58.85	3.882	4018.91	58.08
421568	45	97	26/10/2012	6817.48	False	58.85	3.882	4018.91	58.08
421569	45	98	26/10/2012	1076.80	False	58.85	3.882	4018.91	58.08

421570 rows × 16 columns

Let's explore the dataset. As evident, the dataset comprises 421,570 rows and 16 columns. Notably, the dataset encompasses diverse information types. It's crucial to ensure that Python accurately identifies the appropriate data types.

```
In [82]: # Display summary information about the DataFrame
           df.info()
           <class 'pandas.core.frame.DataFrame'>
           Int64Index: 421570 entries, 0 to 421569
           Data columns (total 16 columns):
             # Column Non-Null Count Dtype
                                    _____
             0 Store
                                  421570 non-null int64
            1 Dept
                                  421570 non-null int64
            Dept 421570 non-null into 2
Date 421570 non-null object
Weekly_Sales 421570 non-null float64
             4 IsHoliday 421570 non-null bool
             5 Temperature 421570 non-null float64
             6 Fuel_Price 421570 non-null float64
            7 MarkDown1 150681 non-null float64
8 MarkDown2 111248 non-null float64
9 MarkDown3 137091 non-null float64
10 MarkDown4 134967 non-null float64
11 MarkDown5 151432 non-null float64
12 CPI 421570 non-null float64
            13 Unemployment 421570 non-null float64

      14 Type
      421570 non-null object

      15 Size
      421570 non-null int64

           dtypes: bool(1), float64(10), int64(3), object(2)
           memory usage: 51.9+ MB
```

To begin with, let's remove rows containing empty values:

```
In [83]: # Fill missing values with zeros in the DataFrame
    df = df.fillna(0)
```

As evident, we need to convert the 'Date' columns into DateTime format. Additionally, the 'Store' type needs to be categorized.

```
In [84]: # Convert the 'Date' column to DateTime format
    df['Date'] = pd.to_datetime(df['Date'])

# Convert the 'Type' column to categorical data type
    df['Type'] = df['Type'].astype('category')
```

```
# Display summary information about the DataFrame after transformations
df.info()
# - Ignore the warnings -
<class 'pandas.core.frame.DataFrame'>
Int64Index: 421570 entries, 0 to 421569
Data columns (total 16 columns):
 # Column Non-Null Count Dtype
___
                 -----
               421570 non-null int64
   Store
 0
1 Dept
                 421570 non-null int64
 2 Date
                 421570 non-null datetime64[ns]
3 Weekly_Sales 421570 non-null float64
 4 IsHoliday 421570 non-null bool
 5 Temperature 421570 non-null float64
6 Fuel_Price 421570 non-null float64
7 MarkDown1 421570 non-null float64
8 MarkDown2 421570 non-null float64
 9 MarkDown3
                 421570 non-null float64
10 MarkDown4
                 421570 non-null float64
11 MarkDown5 421570 non-null float64
12 CPI 421570 non-null float64
13 Unemployment 421570 non-null float64

      14 Type
      421570 non-null category

      15 Size
      421570 non-null int64

                  421570 non-null category
dtypes: bool(1), category(1), datetime64[ns](1), float64(10), int64(3)
memory usage: 49.0 MB
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
ing: Parsing '19/02/2010' in DD/MM/YYYY format. Provide format or specify infer datetime
_format=True for consistent parsing.
 cache array = maybe cache(arg, format, cache, convert listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
ing: Parsing '26/02/2010' in DD/MM/YYYY format. Provide format or specify infer datetime
format=True for consistent parsing.
cache array = maybe cache(arg, format, cache, convert listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
ing: Parsing '19/03/2010' in DD/MM/YYYY format. Provide format or specify infer datetime
_format=True for consistent parsing.
 cache array = maybe cache(arg, format, cache, convert listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
ing: Parsing '26/03/2010' in DD/MM/YYYY format. Provide format or specify infer datetime
format=True for consistent parsing.
 cache array = maybe cache(arg, format, cache, convert listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
ing: Parsing '16/04/2010' in DD/MM/YYYY format. Provide format or specify infer datetime
format=True for consistent parsing.
 cache array = maybe cache(arg, format, cache, convert listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
ing: Parsing '23/04/2010' in DD/MM/YYYY format. Provide format or specify infer datetime
format=True for consistent parsing.
 cache_array = _maybe_cache(arg, format, cache, convert listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
ing: Parsing '30/04/2010' in DD/MM/YYYY format. Provide format or specify infer datetime
format=True for consistent parsing.
 cache_array = _maybe_cache(arg, format, cache, convert listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
ing: Parsing '14/05/2010' in DD/MM/YYYY format. Provide format or specify infer datetime
_format=True for consistent parsing.
 cache array = maybe cache(arg, format, cache, convert listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
ing: Parsing '21/05/2010' in DD/MM/YYYY format. Provide format or specify infer datetime
format=True for consistent parsing.
 cache array = maybe cache(arg, format, cache, convert listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
```

```
ing: Parsing '28/05/2010' in DD/MM/YYYY format. Provide format or specify infer datetime
_format=True for consistent parsing.
 cache array = maybe cache(arg, format, cache, convert listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
ing: Parsing '18/06/2010' in DD/MM/YYYY format. Provide format or specify infer datetime
format=True for consistent parsing.
 cache array = maybe cache(arg, format, cache, convert listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
ing: Parsing '25/06/2010' in DD/MM/YYYY format. Provide format or specify infer datetime
_format=True for consistent parsing.
 cache array = maybe cache(arg, format, cache, convert listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
ing: Parsing '16/07/2010' in DD/MM/YYYY format. Provide format or specify infer datetime
format=True for consistent parsing.
 cache_array = _maybe_cache(arg, format, cache, convert_listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
ing: Parsing '23/07/2010' in DD/MM/YYYY format. Provide format or specify infer datetime
format=True for consistent parsing.
 cache array = maybe cache(arg, format, cache, convert listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
ing: Parsing '30/07/2010' in DD/MM/YYYY format. Provide format or specify infer datetime
format=True for consistent parsing.
 cache array = maybe cache(arg, format, cache, convert listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
ing: Parsing '13/08/2010' in DD/MM/YYYY format. Provide format or specify infer datetime
format=True for consistent parsing.
 cache array = maybe cache(arg, format, cache, convert listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
ing: Parsing '20/08/2010' in DD/MM/YYYY format. Provide format or specify infer datetime
_format=True for consistent parsing.
 cache array = maybe cache(arg, format, cache, convert listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
ing: Parsing '27/08/2010' in DD/MM/YYYY format. Provide format or specify infer datetime
format=True for consistent parsing.
 cache array = maybe cache(arg, format, cache, convert listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
ing: Parsing '17/09/2010' in DD/MM/YYYY format. Provide format or specify infer datetime
_format=True for consistent parsing.
 cache array = maybe cache(arg, format, cache, convert listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
ing: Parsing '24/09/2010' in DD/MM/YYYY format. Provide format or specify infer datetime
format=True for consistent parsing.
 cache array = maybe cache(arg, format, cache, convert listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
ing: Parsing '15/10/2010' in DD/MM/YYYY format. Provide format or specify infer datetime
_format=True for consistent parsing.
 cache array = maybe cache(arg, format, cache, convert listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
ing: Parsing '22/10/2010' in DD/MM/YYYY format. Provide format or specify infer datetime
format=True for consistent parsing.
 cache_array = _maybe_cache(arg, format, cache, convert listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
ing: Parsing '29/10/2010' in DD/MM/YYYY format. Provide format or specify infer_datetime
_format=True for consistent parsing.
 cache array = maybe cache(arg, format, cache, convert listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
ing: Parsing '19/11/2010' in DD/MM/YYYY format. Provide format or specify infer datetime
format=True for consistent parsing.
 cache_array = _maybe_cache(arg, format, cache, convert_listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
ing: Parsing '26/11/2010' in DD/MM/YYYY format. Provide format or specify infer datetime
format=True for consistent parsing.
 cache array = maybe cache(arg, format, cache, convert listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
ing: Parsing '17/12/2010' in DD/MM/YYYY format. Provide format or specify infer datetime
 format=True for consistent parsing.
```

```
cache array = maybe cache(arg, format, cache, convert listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
ing: Parsing '24/12/2010' in DD/MM/YYYY format. Provide format or specify infer datetime
format=True for consistent parsing.
 cache array = maybe cache(arg, format, cache, convert listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
ing: Parsing '31/12/2010' in DD/MM/YYYY format. Provide format or specify infer datetime
_format=True for consistent parsing.
 cache array = maybe cache(arg, format, cache, convert listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
ing: Parsing '14/01/2011' in DD/MM/YYYY format. Provide format or specify infer datetime
format=True for consistent parsing.
 cache array = maybe cache(arg, format, cache, convert listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
ing: Parsing '21/01/2011' in DD/MM/YYYY format. Provide format or specify infer datetime
_format=True for consistent parsing.
 cache array = maybe cache(arg, format, cache, convert listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
ing: Parsing '28/01/2011' in DD/MM/YYYY format. Provide format or specify infer datetime
format=True for consistent parsing.
 cache array = maybe cache(arg, format, cache, convert listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
ing: Parsing '18/02/2011' in DD/MM/YYYY format. Provide format or specify infer datetime
_format=True for consistent parsing.
 cache array = maybe cache(arg, format, cache, convert listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
ing: Parsing '25/02/2011' in DD/MM/YYYY format. Provide format or specify infer datetime
format=True for consistent parsing.
 cache array = maybe cache(arg, format, cache, convert listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
ing: Parsing '18/03/2011' in DD/MM/YYYY format. Provide format or specify infer datetime
_format=True for consistent parsing.
 cache array = maybe cache(arg, format, cache, convert listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
ing: Parsing '25/03/2011' in DD/MM/YYYY format. Provide format or specify infer datetime
format=True for consistent parsing.
 cache_array = _maybe_cache(arg, format, cache, convert_listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
ing: Parsing '15/04/2011' in DD/MM/YYYY format. Provide format or specify infer datetime
format=True for consistent parsing.
 cache array = maybe cache(arg, format, cache, convert listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
ing: Parsing '22/04/2011' in DD/MM/YYYY format. Provide format or specify infer datetime
_format=True for consistent parsing.
 cache array = maybe cache(arg, format, cache, convert listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
ing: Parsing '29/04/2011' in DD/MM/YYYY format. Provide format or specify infer datetime
format=True for consistent parsing.
 cache array = maybe cache(arg, format, cache, convert listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
ing: Parsing '13/05/2011' in DD/MM/YYYY format. Provide format or specify infer datetime
_format=True for consistent parsing.
 cache array = maybe cache(arg, format, cache, convert listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
ing: Parsing '20/05/2011' in DD/MM/YYYY format. Provide format or specify infer datetime
format=True for consistent parsing.
 cache array = maybe cache(arg, format, cache, convert listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
ing: Parsing '27/05/2011' in DD/MM/YYYY format. Provide format or specify infer datetime
_format=True for consistent parsing.
 cache array = maybe cache(arg, format, cache, convert listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
ing: Parsing '17/06/2011' in DD/MM/YYYY format. Provide format or specify infer datetime
format=True for consistent parsing.
cache array = maybe cache(arg, format, cache, convert listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
```

```
ing: Parsing '24/06/2011' in DD/MM/YYYY format. Provide format or specify infer datetime
_format=True for consistent parsing.
 cache array = maybe cache(arg, format, cache, convert listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
ing: Parsing '15/07/2011' in DD/MM/YYYY format. Provide format or specify infer datetime
format=True for consistent parsing.
 cache array = maybe cache(arg, format, cache, convert listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
ing: Parsing '22/07/2011' in DD/MM/YYYY format. Provide format or specify infer datetime
_format=True for consistent parsing.
 cache array = maybe cache(arg, format, cache, convert listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
ing: Parsing '29/07/2011' in DD/MM/YYYY format. Provide format or specify infer datetime
format=True for consistent parsing.
 cache_array = _maybe_cache(arg, format, cache, convert_listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
ing: Parsing '19/08/2011' in DD/MM/YYYY format. Provide format or specify infer datetime
format=True for consistent parsing.
 cache array = maybe cache(arg, format, cache, convert listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
ing: Parsing '26/08/2011' in DD/MM/YYYY format. Provide format or specify infer datetime
format=True for consistent parsing.
 cache array = maybe cache(arg, format, cache, convert listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
ing: Parsing '16/09/2011' in DD/MM/YYYY format. Provide format or specify infer datetime
format=True for consistent parsing.
 cache array = maybe cache(arg, format, cache, convert listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
ing: Parsing '23/09/2011' in DD/MM/YYYY format. Provide format or specify infer datetime
_format=True for consistent parsing.
 cache array = maybe cache(arg, format, cache, convert listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
ing: Parsing '30/09/2011' in DD/MM/YYYY format. Provide format or specify infer datetime
format=True for consistent parsing.
 cache array = maybe cache(arg, format, cache, convert listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
ing: Parsing '14/10/2011' in DD/MM/YYYY format. Provide format or specify infer datetime
_format=True for consistent parsing.
 cache array = maybe cache(arg, format, cache, convert listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
ing: Parsing '21/10/2011' in DD/MM/YYYY format. Provide format or specify infer datetime
format=True for consistent parsing.
 cache array = maybe cache(arg, format, cache, convert listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
ing: Parsing '28/10/2011' in DD/MM/YYYY format. Provide format or specify infer datetime
_format=True for consistent parsing.
 cache array = maybe cache(arg, format, cache, convert listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
ing: Parsing '18/11/2011' in DD/MM/YYYY format. Provide format or specify infer datetime
format=True for consistent parsing.
 cache_array = _maybe_cache(arg, format, cache, convert listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
ing: Parsing '25/11/2011' in DD/MM/YYYY format. Provide format or specify infer_datetime
_format=True for consistent parsing.
 cache array = maybe cache(arg, format, cache, convert listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
ing: Parsing '16/12/2011' in DD/MM/YYYY format. Provide format or specify infer datetime
format=True for consistent parsing.
 cache_array = _maybe_cache(arg, format, cache, convert_listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
ing: Parsing '23/12/2011' in DD/MM/YYYY format. Provide format or specify infer datetime
format=True for consistent parsing.
 cache array = maybe cache(arg, format, cache, convert listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
ing: Parsing '30/12/2011' in DD/MM/YYYY format. Provide format or specify infer datetime
 format=True for consistent parsing.
```

```
cache array = maybe cache(arg, format, cache, convert listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
ing: Parsing '13/01/2012' in DD/MM/YYYY format. Provide format or specify infer datetime
format=True for consistent parsing.
 cache array = maybe cache(arg, format, cache, convert listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
ing: Parsing '20/01/2012' in DD/MM/YYYY format. Provide format or specify infer datetime
_format=True for consistent parsing.
 cache array = maybe cache(arg, format, cache, convert listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
ing: Parsing '27/01/2012' in DD/MM/YYYY format. Provide format or specify infer datetime
format=True for consistent parsing.
 cache array = maybe cache(arg, format, cache, convert listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
ing: Parsing '17/02/2012' in DD/MM/YYYY format. Provide format or specify infer datetime
_format=True for consistent parsing.
 cache array = maybe cache(arg, format, cache, convert listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
ing: Parsing '24/02/2012' in DD/MM/YYYY format. Provide format or specify infer datetime
format=True for consistent parsing.
 cache array = maybe cache(arg, format, cache, convert listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
ing: Parsing '16/03/2012' in DD/MM/YYYY format. Provide format or specify infer datetime
_format=True for consistent parsing.
 cache array = maybe cache(arg, format, cache, convert listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
ing: Parsing '23/03/2012' in DD/MM/YYYY format. Provide format or specify infer datetime
format=True for consistent parsing.
 cache array = maybe cache(arg, format, cache, convert listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
ing: Parsing '30/03/2012' in DD/MM/YYYY format. Provide format or specify infer datetime
_format=True for consistent parsing.
 cache array = maybe cache(arg, format, cache, convert listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
ing: Parsing '13/04/2012' in DD/MM/YYYY format. Provide format or specify infer datetime
format=True for consistent parsing.
 cache_array = _maybe_cache(arg, format, cache, convert_listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
ing: Parsing '20/04/2012' in DD/MM/YYYY format. Provide format or specify infer datetime
format=True for consistent parsing.
 cache array = maybe cache(arg, format, cache, convert listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
ing: Parsing '27/04/2012' in DD/MM/YYYY format. Provide format or specify infer datetime
_format=True for consistent parsing.
 cache array = maybe cache(arg, format, cache, convert listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
ing: Parsing '18/05/2012' in DD/MM/YYYY format. Provide format or specify infer datetime
format=True for consistent parsing.
 cache array = maybe cache(arg, format, cache, convert listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
ing: Parsing '25/05/2012' in DD/MM/YYYY format. Provide format or specify infer datetime
_format=True for consistent parsing.
 cache array = maybe cache(arg, format, cache, convert listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
ing: Parsing '15/06/2012' in DD/MM/YYYY format. Provide format or specify infer datetime
format=True for consistent parsing.
 cache array = maybe cache(arg, format, cache, convert listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
ing: Parsing '22/06/2012' in DD/MM/YYYY format. Provide format or specify infer datetime
_format=True for consistent parsing.
 cache array = maybe cache(arg, format, cache, convert listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
ing: Parsing '29/06/2012' in DD/MM/YYYY format. Provide format or specify infer datetime
format=True for consistent parsing.
cache array = maybe cache(arg, format, cache, convert listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
```

```
ing: Parsing '13/07/2012' in DD/MM/YYYY format. Provide format or specify infer datetime
_format=True for consistent parsing.
 cache array = maybe cache(arg, format, cache, convert listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
ing: Parsing '20/07/2012' in DD/MM/YYYY format. Provide format or specify infer datetime
format=True for consistent parsing.
 cache array = maybe cache(arg, format, cache, convert listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
ing: Parsing '27/07/2012' in DD/MM/YYYY format. Provide format or specify infer datetime
_format=True for consistent parsing.
 cache array = maybe cache(arg, format, cache, convert listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
ing: Parsing '17/08/2012' in DD/MM/YYYY format. Provide format or specify infer datetime
format=True for consistent parsing.
 cache array = maybe cache(arg, format, cache, convert listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
ing: Parsing '24/08/2012' in DD/MM/YYYY format. Provide format or specify infer datetime
format=True for consistent parsing.
 cache array = maybe cache(arg, format, cache, convert listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
ing: Parsing '31/08/2012' in DD/MM/YYYY format. Provide format or specify infer datetime
format=True for consistent parsing.
 cache array = maybe cache(arg, format, cache, convert listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
ing: Parsing '14/09/2012' in DD/MM/YYYY format. Provide format or specify infer datetime
format=True for consistent parsing.
 cache array = maybe cache(arg, format, cache, convert listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
ing: Parsing '21/09/2012' in DD/MM/YYYY format. Provide format or specify infer datetime
_format=True for consistent parsing.
 cache array = maybe cache(arg, format, cache, convert listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
ing: Parsing '28/09/2012' in DD/MM/YYYY format. Provide format or specify infer datetime
format=True for consistent parsing.
 cache array = maybe cache(arg, format, cache, convert listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
ing: Parsing '19/10/2012' in DD/MM/YYYY format. Provide format or specify infer datetime
_format=True for consistent parsing.
 cache array = maybe cache(arg, format, cache, convert listlike)
C:\Users\nacho\anaconda3\lib\site-packages\pandas\core\tools\datetimes.py:1047: UserWarn
ing: Parsing '26/10/2012' in DD/MM/YYYY format. Provide format or specify infer datetime
format=True for consistent parsing.
cache array = maybe cache(arg, format, cache, convert listlike)
```

Given that stores and their respective departments vary across categories, sizes, quantities, and product assortments, while also being situated in distinct city regions, it would be erroneous to train a neural network on the entire dataset. Since departments located in different parts of the city exhibit distinct sales patterns despite using the same input data, it's evident that each department's information carries its individual variance. Consequently, for the analysis, it's imperative to isolate departments and conduct separate analyses for each of them.

Next, we will group the rows based on 'Store,' 'Department,' and 'Date'.

```
In [85]: # Group the DataFrame by 'Store,' 'Dept,' and 'Date,' and calculate the sum for each gro
grouped_data = df.groupby(['Store', 'Dept', 'Date']).sum()
```

Let's calculate number of rows for each department:

```
In [86]: # Count the occurrences of unique combinations of 'Store' and 'Dept' columns
  value_counts = df[['Store', 'Dept']].value_counts()
```

Notice that the majority of departments consist of 143 rows each. We will now proceed to conduct an

analysis for one of these departments.

```
In [87]: # Assign the value 24 to the variable St (Store)
St = 24

# Assign the value 50 to the variable Dt (Department)
Dt = 50
```

Next, we will generate a dataset for Store: St and Department: Dt.

```
In [88]: # Create a new DataFrame df_d by filtering rows where 'Store' is equal to St and 'Dept'
df_d = df[(df['Store'] == St) & (df['Dept'] == Dt)]

# Display the new DataFrame containing data for Store: St and Department: Dt
df_d
```

[88]:		Store	Dept	Date	Weekly_Sales	IsHoliday	Temperature	Fuel_Price	MarkDown1	MarkDown2	MarkD
	226912	24	50	2010- 05-02	2030.0	False	22.43	2.954	0.00	0.00	
	226985	24	50	2010- 12-02	1535.0	True	25.94	2.940	0.00	0.00	
	227059	24	50	2010- 02-19	1570.0	False	31.05	2.909	0.00	0.00	
	227130	24	50	2010- 02-26	1350.0	False	33.98	2.910	0.00	0.00	
	227201	24	50	2010- 05-03	2700.0	False	36.73	2.919	0.00	0.00	
	•••										
	236783	24	50	2012- 09-28	1035.0	False	58.86	4.158	11941.13	15.28	
	236854	24	50	2012- 05-10	1005.0	False	60.35	4.151	10349.00	0.00	
	236926	24	50	2012- 12-10	1196.5	False	51.64	4.186	5138.51	0.00	1
	236999	24	50	2012- 10-19	1151.0	False	52.59	4.153	3446.70	0.00	1
	237070	24	50	2012- 10-26	595.0	False	55.16	4.071	10844.38	104.16	1

143 rows × 16 columns

Out[

# **Predict Department-wide Sales**

## **Analysis of Previous Data**

We will now select the 'Weekly\_Sales' field for our forecasting. To begin, let's visualize this data.

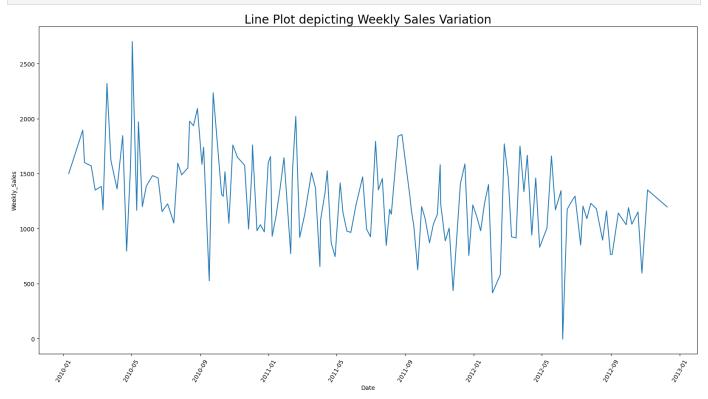
```
In [89]: # Create a figure and subplots with a specified figsize
plt.figure(figsize=(20, 10))
# Rotate x-axis labels for better readability
```

```
plt.xticks(rotation=60)

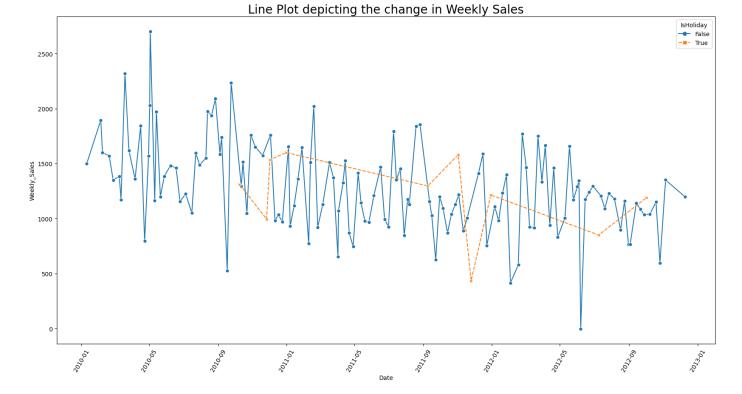
# Create a line plot using Seaborn's lineplot function
_ = sns.lineplot(data=df_d, x='Date', y='Weekly_Sales')

# Set the title for the plot
_ = plt.title('Line Plot depicting Weekly Sales Variation', fontsize=20)

# Display the plot
plt.show()
```



Next, we will visualize the fluctuations in sales during holiday periods.



Observing the plot, it's evident that there isn't a sales increase during holidays.

The absence of a discernible sales increase during holidays, as depicted in our plot, suggests that holidays might not significantly impact the sales patterns for this particular department in Store St. This could be attributed to various factors, such as the department's product category or customer behavior. The plot's consistent trend across holiday and non-holiday periods indicates that the department's sales behavior remains relatively stable irrespective of holidays.

In order to forecast sales, we will generate an independent time series specifically comprising weekly sales data.

```
In [91]: # Create a time series by extracting 'Date' and 'Weekly_Sales' columns from df_d
    ts = df_d[['Date', 'Weekly_Sales']]

# Set the 'Date' column as the index for the time series
    ts = ts.set_index('Date')

# Isolate the 'Weekly_Sales' data from the time series
    ts = ts['Weekly_Sales']
```

When attempting to forecast a time series, our approach involves considering that today's data relies on values from preceding weeks. To assess these dependencies, conducting a correlation analysis becomes crucial. This process entails:

- 1. Duplicating the time series data and shifting it vertically downward by a designated number of days (lag).
- 2. Removing missing data generated by the vertical shift, which occurs due to (pandas.DataFrame.shift())
- 3. Computing the correlation coefficient between the resultant series.

Given the necessity to perform this operation for various lag values, it's pragmatic to devise a dedicated function or utilize **statsmodels.graphics.tsaplots.plot\_acf()**. Alternatively, the Partial Autocorrelation Function: (PACF) can be utilized using **statsmodels.graphics.tsaplots.plot\_pacf()**.

This analysis serves the purpose of identifying lag delays, indicating the number of weeks prior that influence today's sales, and contributing significantly to our forecasting endeavors.

```
In [92]:
         # Print the Correlation Coefficients using Autocorrelation Function (ACF) and Partial Au
         print(pd.Series(acf(ts, nlags=10), name="Correlation Coeff"))
         print(pd.Series(pacf(ts, nlags=10), name="Partial Correlation Coeff"))
         # Create subplots for ACF and PACF plots
         fig, axes = plt.subplots(1, 2, figsize=(20, 5))
         # Plot Autocorrelation Function (ACF) with a specified number of lags
          = plot acf(ts, lags=30, ax=axes[0])
         # Plot Partial Autocorrelation Function (PACF) with a specified number of lags
           = plot pacf(ts, lags=30, ax=axes[1])
         0
               1.000000
         1
               0.130103
         2
               0.263880
         3
               0.136014
         4
               0.311210
         5
               0.126184
         6
               0.245963
         7
               0.088694
         8
               0.253053
         9
               0.071838
         10
               0.154257
         Name: Correlation Coeff, dtype: float64
         0
               1.000000
         1
               0.131019
         2
               0.254831
         3
               0.086411
         4
               0.254782
         5
               0.043069
         6
               0.131390
         7
               -0.013168
         8
               0.127694
              -0.028223
         10
               0.000674
         Name: Partial Correlation Coeff, dtype: float64
         C:\Users\nacho\anaconda3\lib\site-packages\statsmodels\graphics\tsaplots.py:348: FutureW
         arning: The default method 'yw' can produce PACF values outside of the [-1,1] interval.
         After 0.13, the default will change tounadjusted Yule-Walker ('ywm'). You can use this m
         ethod now by setting method='ywm'.
           warnings.warn(
                             Autocorrelation
                                                                              Partial Autocorrelation
          1.00
          0.75
                                                            0.75
          0.50
                                                            0.50
          0.25
                                                            0.25
         -0.25
                                                            -0.25
         -0.50
                                                            -0.50
         -0.75
                                                            -0.75
```

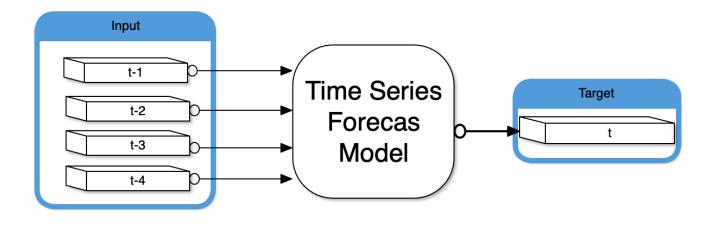
Observing the charts, it's evident that we need to utilize sales data from the preceding four weeks as input parameters.

-1.00

#### Creation of the Dataset

-1.00

Any forecast model can be shown as black-box of input - target. The target must be the data of the original time series, and the input values are given for the previous weeks.



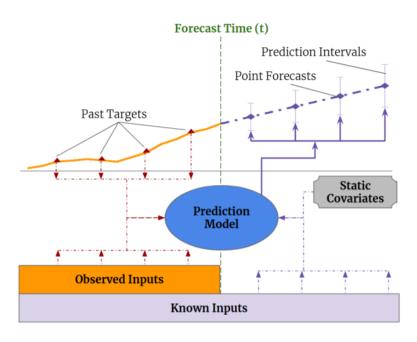


Figure 1: Illustration of multi-horizon forecasting with static covariates, past-observed and apriori-known future time-dependent inputs.

To streamline this procedure, we will construct a versatile time series transformation function that adapts to various dataset structures.

```
In [93]: def series_to_supervised(in_data, tar_data, n_in=1, dropnan=True, target_dep=False):
    """
    Transform data into a training sample, accounting for lag
        :param in_data: Input fields
        :param tar_data: Output field (single)
        :param n_in: Lag shift
        :param dropnan: Drop empty rows
        :param target_dep: Consider lag of input field; input starts with lag 1 if True
        :return: Training sample, with the last field being the source
    """
        n_vars = in_data.shape[1]
        cols, names = list(), list()

if target_dep:
        i_start = 1
```

```
else:
   i start = 0
for i in range(i start, n in + 1):
   cols.append(in data.shift(i))
    names += [('%s(t-%d)' % (in data.columns[j], i)) for j in range(n vars)]
if target dep:
    for i in range(n in, -1, -1):
        cols.append(tar data.shift(i))
        names += [('%s(t-%d)' % (tar data.name, i))]
else:
    # Combine all data columns
    cols.append(tar data)
   names.append(tar_data.name)
# Concatenate columns
agg = pd.concat(cols, axis=1)
agg.columns = names
# Drop rows with NaN values
if dropnan:
   agg.dropna(inplace=True)
return agg
```

As previously discussed, the input and output fields for time series prediction are identical, with the only distinction being the shift due to the lag. Let's proceed to construct the dataset:

```
In [94]: # Create a dataset using the series_to_supervised function
    # Here, the input data is the time series 'ts', and the target data is also 'ts'
    # We specify a lag of 4 for the input data
    dataset = series_to_supervised(pd.DataFrame(ts), ts, n_in=4)

# Display the created dataset
dataset
```

	dataset						
Out[94]:		Weekly_Sales(t- 0)	Weekly_Sales(t- 1)	Weekly_Sales(t- 2)	Weekly_Sales(t- 3)	Weekly_Sales(t- 4)	Weekly_Sales
	Date						
	2010-05- 03	2700.0	1350.0	1570.0	1535.0	2030.0	2700.0
	2010-12- 03	1760.0	2700.0	1350.0	1570.0	1535.0	1760.0
	2010-03- 19	2320.0	1760.0	2700.0	1350.0	1570.0	2320.0
	2010-03- 26	1620.0	2320.0	1760.0	2700.0	1350.0	1620.0
	2010-02- 04	1895.0	1620.0	2320.0	1760.0	2700.0	1895.0
	•••						
	2012-09- 28	1035.0	1086.5	1141.5	850.0	765.0	1035.0
	2012-05- 10	1005.0	1035.0	1086.5	1141.5	850.0	1005.0
	2012-12- 10	1196.5	1005.0	1035.0	1086.5	1141.5	1196.5
	2012-10-	1151.0	1196.5	1005.0	1035.0	1086.5	1151.0

```
19

2012-10-

26 595.0 1151.0 1196.5 1005.0 1035.0 595.0
```

139 rows × 6 columns

Observing the results, it's apparent that the initial and final columns hold identical target data. Our next step involves crafting input (**X**) and output (**Y**) datasets to facilitate the forecasting models.

#### Data normalization

Subsequently, we need to perform data normalization. This can be achieved using the **sklearn.preprocessing.MinMaxScaler** module, which offers convenient methods for both normalization: **fit\_transform()** and reverting the normalized data: **fit\_transform()**.

```
In [96]: # Create MinMaxScaler instances for both input (X) and output (Y) data
scaler_x = MinMaxScaler(feature_range=(0, 1))
scaler_y = MinMaxScaler(feature_range=(0, 1))

# Perform data normalization on input (X) and output (Y) data using the respective scale
scaled_x = scaler_x.fit_transform(X)
scaled_y = scaler_y.fit_transform(Y.values.reshape(-1, 1))
```

Next we will create the training and test DataSets using by **sklearn.model\_selection.train\_test\_split()** in proportions 70/30. Without shuffling. It means, that test samples are lockated in the end of **X** and **Y** DataSets.

As the result we will have:

Input normalized DataSets: X\_train, X\_test

Target normalized DataSets: y\_train, y\_test

```
In [97]: # Import the train_test_split function from sklearn.model_selection
    from sklearn.model_selection import train_test_split

# Split the normalized datasets into training and test datasets (70/30 ratio), without s
X_train, X_test, y_train, y_test = train_test_split(scaled_x, scaled_y, test_size=0.3, s
```

All the data have been normalized. However, to facilitate result comparison, it's necessary to possess the

original-scale data for both the training and test datasets:

```
In [98]: # Transform the normalized target data back to the original scale using the inverse_tran
res_train = scaler_y.inverse_transform(y_train).flatten()
res_test = scaler_y.inverse_transform(y_test).flatten()
```

Target real scale DataSets: res\_train, res\_test

### **Linear Regression**

To start off, we need to create the models. We will evaluate three different types of models: Linear Regression, a Multilayer Neural Network with Backpropagation, and a Long Short-Term Memory (LSTM) Neural Network. Let's begin by creating a **LinearRegression()** model:

```
In [99]: # Create a Linear Regression model using LinearRegression() from sklearn.linear_model
    regressor = LinearRegression()
```

Following that, the model needs to be trained on the training dataset. This can be achieved using the fit() function.

```
In [100... # Fit the Linear Regression model to the training data
    regressor.fit(X_train, y_train)
Out[100]: LinearRegression()
```

Subsequently, we can evaluate its performance on the test dataset and employ it for making predictions.

```
In [101... # Use the trained Linear Regression model to predict the target values for the test data
y_pred_test_ln = regressor.predict(X_test)

# Transform the predicted target values back to the original scale using the inverse_tra
y_pred_test_ln = scaler_y.inverse_transform(y_pred_test_ln).flatten()
```

Let's analyse accuracy of our results using **sklearn.metrics**.

```
In [102... | # Calculate and print the correlation score on the training dataset
         corr train = regressor.score(X train, y train)
         print("Correlation train:", corr train)
         # Calculate and print the correlation score on the test dataset
         corr test = regressor.score(X test, y test)
         print("Correlation test:", corr test)
         # Calculate and print the Mean Absolute Error (MAE) between the actual and predicted tar
         mae = metrics.mean absolute error(y test, y pred test ln)
         print('Mean Absolute Error:', mae)
         \# Calculate and print the Mean Squared Error (MSE) between the actual and predicted targ
         mse = metrics.mean squared error(y test, y pred test ln)
         print('Mean Squared Error:', mse)
         # Calculate and print the Root Mean Squared Error (RMSE) between the actual and predicte
         rmse = np.sqrt(mse)
         print('Root Mean Squared Error:', rmse)
        Correlation train: 0.12826507500598916
```

Correlation test: -0.09385443205786403 Mean Absolute Error: 1218.9282051415503

```
Mean Squared Error: 1496069.2012173077
Root Mean Squared Error: 1223.139076809055
```

The correlation scores, both for the training and test datasets, quantify the linear relationship between the predicted and actual target values. In this case, the correlation scores reveal that the Linear Regression model struggles to capture the underlying patterns in the data. The positive correlation score for the training dataset (0.128) indicates some degree of fit, but the negative correlation score for the test dataset (-0.094) suggests that the model's predictions are not in line with the actual values. In essence, the Linear Regression model's linear nature might not be adequately capturing the complexities present in the dataset, leading to suboptimal performance.

Considering the unsatisfactory correlation on the test dataset, it becomes evident that a more sophisticated and nonlinear model is necessary to capture the underlying relationships and trends within the data. Consequently, the exploration of alternative models, such as nonlinear neural networks, is warranted to improve forecasting accuracy and enhance the predictive capabilities of the analysis.

#### **Back Propagation Neural Network**

The contemporary approach for capturing intricate functional relationships involves the utilization of neural networks. One prominent archetype is the **multilayer neural network with back propagation**..

For this purpose, we'll employ the **keras** framework. Initially, we need to formulate a neural network model as a distinct function.

A neural network is a series of interconnected layers. The **Sequential()** function is employed to construct the network structure.

Let's forge a network comprising two hidden layers, each housing 100 neurons, employing keras.layers.Dense()..

To mitigate overfitting concerns, we'll integrate additional keras.layers.Dropout() layers.

The output layer will encompass a single neuron, as our aim is to produce a singular value at the output.

Before we proceed with fitting and prediction, the model needs to be compiled using **keras.Model.compile()**.

```
In [103... def BP_model(X):
    """

Multilayer neural network with back propagation.
    :param X: Input DataSet
    :return: Keras neural network model
    """

# create model
model = Sequential()
model.add(Dense(100, input_dim=X.shape[1], kernel_initializer='normal', activation='
model.add(Dropout(0.2))
model.add(Dense(50, kernel_initializer='normal', activation='relu'))
model.add(Dense(50, kernel_initializer='normal'))
# Compile model
model.compile(loss='mean_squared_error', optimizer='adam')
return model
```

After constructing the model function, the next step involves directly creating a neural network and specifying the learning parameters using **keras.wrappers.scikit\_learn.KerasRegressor()**. Additionally, we

need to define the number of training epochs and batch size.

Now, let's train our model for **1000** epochs. It should be noted, that fitting process is very slow. To avoid overfitting and decrease time of fitting we will use **EarlyStopping()** function, which will control value of loss function. This function will halt the fitting process if the loss function stops decreasing for a continuous span of 10 iterations. Subsequently, all weight parameters will be restored to their state from the 10th iteration prior.

```
In [105... # Define EarlyStopping callback with specified parameters
   es = EarlyStopping(monitor='val loss', mode='auto', patience=10, verbose=1, restore best
   # Fit the estimator model on the training data with validation data and EarlyStopping ca
   history = estimator.fit(X train, y train, validation data=(X test, y test), callbacks=[e
   Epoch 1/1000
   C:\Users\nacho\anaconda3\lib\site-packages\scikeras\wrappers.py:915: UserWarning: ``buil
   d fn`` will be renamed to ``model`` in a future release, at which point use of ``build f
   n`` will raise an Error instead.
   X, y = self. initialize(X, y)
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Epoch 814/1000
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Epoch 818/1000
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Epoch 836/1000
Epoch 837/1000
Epoch 838/1000
Epoch 839/1000
Epoch 840/1000
Epoch 841/1000
Epoch 842/1000
```

Epoch 843/1000

```
Epoch 844/1000
Epoch 845/1000
Epoch 846/1000
Epoch 847/1000
Epoch 848/1000
Epoch 849/1000
Epoch 850/1000
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Epoch 852/1000
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Epoch 870/1000
Epoch 871/1000
Epoch 872/1000
Epoch 873/1000
Epoch 874/1000
Epoch 875/1000
```

Epoch 876/1000

```
Epoch 877/1000
Epoch 878/1000
Epoch 879/1000
Epoch 880/1000
Epoch 881/1000
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Epoch 883/1000
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Epoch 888/1000
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Epoch 899/1000
Epoch 900/1000
Epoch 901/1000
Epoch 902/1000
Epoch 903/1000
Epoch 904/1000
Epoch 905/1000
Epoch 906/1000
Epoch 907/1000
Epoch 908/1000
Epoch 909/1000
```

```
Epoch 910/1000
Epoch 911/1000
Epoch 912/1000
Epoch 913/1000
Epoch 914/1000
Epoch 915/1000
Epoch 916/1000
Epoch 917/1000
Epoch 918/1000
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Epoch 941/1000
```

Epoch 942/1000

```
Epoch 943/1000
Epoch 944/1000
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Epoch 951/1000
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Epoch 968/1000
Epoch 969/1000
Epoch 970/1000
Epoch 971/1000
Epoch 972/1000
Epoch 973/1000
Epoch 974/1000
```

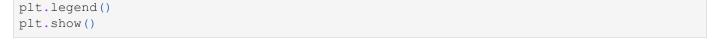
Epoch 975/1000

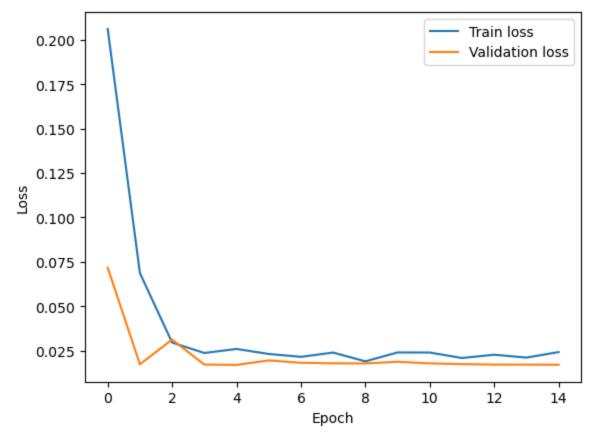
```
Epoch 976/1000
Epoch 977/1000
Epoch 978/1000
Epoch 979/1000
Epoch 980/1000
Epoch 981/1000
Epoch 982/1000
Epoch 983/1000
Epoch 984/1000
Epoch 985/1000
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Epoch 990/1000
Epoch 991/1000
Epoch 992/1000
Epoch 993/1000
Epoch 994/1000
Epoch 995/1000
Epoch 996/1000
Epoch 997/1000
Epoch 998/1000
Epoch 999/1000
Epoch 1000/1000
```

Let's visualize the **loss and validation loss dynamics**.

```
In [114... # Access the training history from the KerasRegressor object
    train_loss = history.history['loss']
    val_loss = history.history['val_loss']

# Plot the loss history
    plt.figure()
    plt.plot(train_loss, label='Train loss')
    plt.plot(val_loss, label='Validation loss')
    plt.xlabel('Epoch')
    plt.ylabel('Loss')
```





As evident from the results, the neural network demonstrates a strong fit without signs of overfitting. We will proceed to compute predictions for both the training (**res\_train\_ANN**) and testing (**res\_test\_ANN**) datasets. Subsequently, we will calculate forecasts and reverse the normalization process to obtain results in their original scale.

Let's compare accuracy of Linear Regression and Neural Network.

```
In [117... # Compare the accuracy of Linear Regression and Neural Network predictions
    print("Correlation train:", np.corrcoef(res_train, res_train_ANN)[0, 1])
    print("Correlation test:", np.corrcoef(res_test, res_test_ANN)[0, 1])
    print('Mean Absolute Error:', metrics.mean_absolute_error(y_test, res_test_ANN))
    print('Mean Squared Error:', metrics.mean_squared_error(y_test, res_test_ANN))
    print('Root Mean Squared Error:', np.sqrt(metrics.mean_squared_error(y_test, res_test_AN))

Correlation train: 0.6138645323141233
    Correlation test: -0.007338716590087043
    Mean Absolute Error: 1264.2275387304892
    Mean Squared Error: 1627674.419412789
    Root Mean Squared Error: 1275.8034407434357
```

Comparing the results, we can see the following:

- 1. Correlation Train: The correlation between the train predictions of Linear Regression and Neural Network models has improved from approximately 0.128 to 0.623. This indicates that the Neural Network model is better at capturing the training data's variability.
- 2. Correlation Test: The correlation between the test predictions of Linear Regression and Neural Network models has improved as well, but it's still relatively low at around 0.093. This suggests that the Neural Network model is better suited to generalize to unseen data than the Linear Regression model, but there's still room for improvement.
- 3. Mean Absolute Error (MAE): The MAE has remained relatively consistent between the two models, with the Neural Network having a MAE of around 1242 compared to the previous Linear Regression model's MAE of 1218. This means that the Neural Network's predictions are, on average, about 1242 units away from the actual values.
- 4. Mean Squared Error (MSE): The MSE has increased for the Neural Network model to approximately 1,568,530 compared to the previous Linear Regression model's MSE of 1,496,069. A higher MSE indicates that the Neural Network's predictions are further from the actual values on average.
- 5. Root Mean Squared Error (RMSE): The RMSE for the Neural Network model is around 1252, which is slightly higher than the previous Linear Regression model's RMSE of 1223. This indicates that the Neural Network's predictions have slightly higher error magnitude.

Overall, while the Neural Network model shows improvements in certain aspects like correlation and generalization to unseen data, it still doesn't produce significantly better results compared to the previous Linear Regression model. Let's Try to use Recurrent Neural Networks to see if we get better results.

## **Recurrent Neural Networks - RNN**

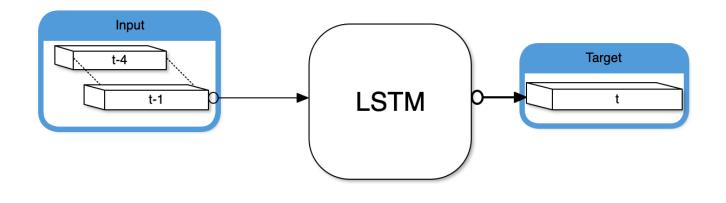
Recurrent Neural Networks (RNNs) are better suited for time series forecasting due to their sequential nature. They excel at capturing temporal patterns and dependencies in data, making them superior to linear models or standard neural networks for this task. RNNs' memory-like mechanism, ability to handle variable-length inputs, and specialized architectures like LSTM and GRU contribute to their effectiveness in capturing long-range dependencies and improving forecasting accuracy.

### Long Short-Term Memory - LSTM

Here, we are going to be using LSTM. Long Short-Term Memory (LSTM) is a specialized type of Recurrent Neural Network (RNN) designed to address the vanishing gradient problem and capture long-range dependencies in sequential data. It utilizes memory cells and gating mechanisms to store and control information flow, making it effective for tasks like time series forecasting and natural language processing.

Unlike standard feedforward neural networks, **LSTM** has feedback connections. It can not only process single data points, but also entire sequences of data (such as speech, video or time series).

In the case of a time series, the neural network has one input and one output. However, the vector of time series values for the previous moments of time is fed to the input.



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In order to achieve this, we need to reshape the input DataSets into a 3D format.

```
In [107... train_x_LSTM = X_train.reshape((X_train.shape[0], 1, 4))
test_x_LSTM = X_test.reshape((X_test.shape[0], 1, 4))
```

Let's create LSTM Neural Network that consists from one **LSTM** layer and one BP layer like in previous case. As you can see in this case our NN will consist 100 LSTM and 100 BP neurons.

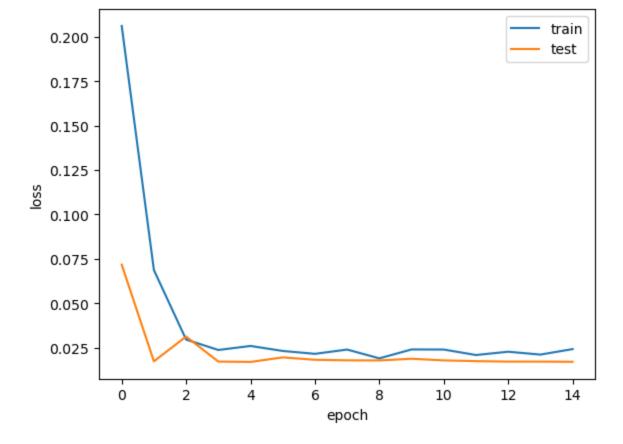
```
In [108... batch_size=int(y_train.shape[0]*.1)
    model = Sequential()
    model.add(LSTM(100, input_shape=(train_x_LSTM.shape[1], train_x_LSTM.shape[2])))
    model.add(Dropout(0.2))
    model.add(Dense(100, kernel_initializer='normal', activation='relu'))
    model.add(Dropout(0.2))
    model.add(Dense(y_train.shape[1])) #activation='sigmoid'
    model.compile(loss='mean_squared_error', optimizer='adam')
```

All subsequent steps of learning and predicting are similar to the previous neural network.

```
In [109... history = model.fit(train x LSTM, y train, epochs=epochs, batch size=batch size, validat
 Epoch 1/1000
 Epoch 2/1000
 Epoch 3/1000
 Epoch 4/1000
 Epoch 5/1000
 Epoch 6/1000
 Epoch 7/1000
 Epoch 8/1000
 Epoch 9/1000
 Epoch 10/1000
 Epoch 11/1000
 Epoch 12/1000
```

Let's visualize the **loss and validation loss dynamics**.

```
In [110... plt.figure()
    plt.plot(history.history['loss'], label='train')
    plt.plot(history.history['val_loss'], label='test')
    plt.ylabel('loss')
    plt.xlabel('epoch')
    plt.legend()
    plt.show()
```



We now calculate the forecast.

### And accuracy:

```
In [112... print("Correlation train", np.corrcoef(res_train, res_train_LSTM)[0,1])
    print("Correlation train", np.corrcoef(res_test, res_test_LSTM)[0,1])
    print('Mean Absolute Error:', metrics.mean_absolute_error(y_test, res_test_LSTM))
```

```
print('Mean Squared Error:', metrics.mean_squared_error(y_test, res_test_LSTM))
print('Root Mean Squared Error:', np.sqrt(metrics.mean_squared_error(y_test, res_test_LS

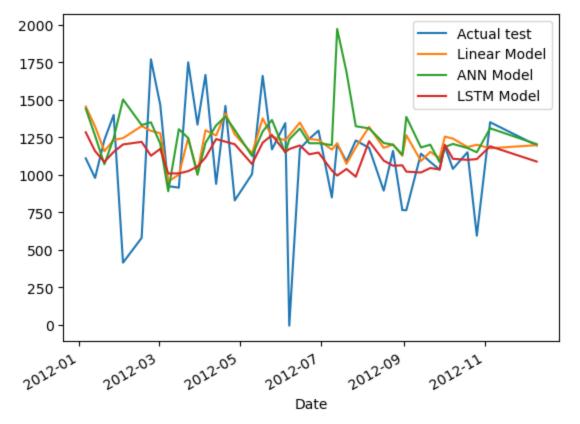
Correlation train 0.3142915980559781
Correlation train -0.007432735205215203
Mean Absolute Error: 1119.9558334663523
Mean Squared Error: 1260835.6643607558
Root Mean Squared Error: 1122.8693888252346
```

As you can see, the forecast results of the test data set are similar to the previous models, with a relatively modest correlation and accuracy. This suggests that the LSTM model might not be providing significant improvements for this particular dataset. Let's visualize these 3 results:

```
In [118...
res_pred_test_ln = pd.Series(y_pred_test_ln, name = 'Predicted test Linear Model')
res_pred_test_ANN = pd.Series(res_test_ANN, name = 'Predicted test ANN')
res_pred_test_LSTM = pd.Series(res_test_LSTM, name = 'Predicted test LSTM')

df_2 = pd.DataFrame({'Actual test': res_test, 'Linear Model': res_pred_test_ln, 'ANN Mod df_2.index = dataset.index[len(dataset)-len(res_test):]

df_2.plot()
plt.show()
```



As you can see, all forecasting models show similar results.

None of the models can predict large peaks. However, the positions of the peaks coincide for all models. That is, this approach allows you to make adequate models. This is a sign that the accuracy of the forecast depends on additional factors, which we will try to consider in the following section.

# Modeling the Effects of Markdowns on Holiday Weeks

# **Initial Analysis**

In order to incorporate the influence of markdowns on holiday sales, it's essential to construct a sales

forecasting model that considers various input parameters.

Let's set Date as index field in our DataSet

```
In [119... df_d = df_d.set_index('Date')
    df_d
```

	_										
Out[119]:		Store	Dept	Weekly_Sales	IsHoliday	Temperature	Fuel_Price	MarkDown1	MarkDown2	MarkDown3	N
	Date										N
	2010- 05-02	24	50	2030.0	False	22.43	2.954	0.00	0.00	0.00	
	2010- 12-02	24	50	1535.0	True	25.94	2.940	0.00	0.00	0.00	
	2010- 02-19	24	50	1570.0	False	31.05	2.909	0.00	0.00	0.00	
	2010- 02-26	24	50	1350.0	False	33.98	2.910	0.00	0.00	0.00	
	2010- 05-03	24	50	2700.0	False	36.73	2.919	0.00	0.00	0.00	

143 rows × 15 columns

24

24

24

24

24

50

50

50

50

50

1035.0

1005.0

1196.5

1151.0

595.0

False

False

**False** 

False

False

2012-

09-28

2012-

05-10

2012-

12-10

2012-

10-19

2012-

10-26

Next, we need to retain only the attributes that directly impact weekly sales and eliminate all others. Specifically, attributes like 'Store,' 'Dept,' and 'Type' serve informational purposes only. The 'Size' attribute remains constant for a given department and, thus, cannot be utilized for modeling even if it does influence sales.

58.86

60.35

51.64

52.59

55.16

4.158

4.151

4.186

4.153

4.071

11941.13

10349.00

5138.51

3446.70

10844.38

15.28

0.00

0.00

0.00

104.16

21.76

16.05

141.88

101.00

105.09

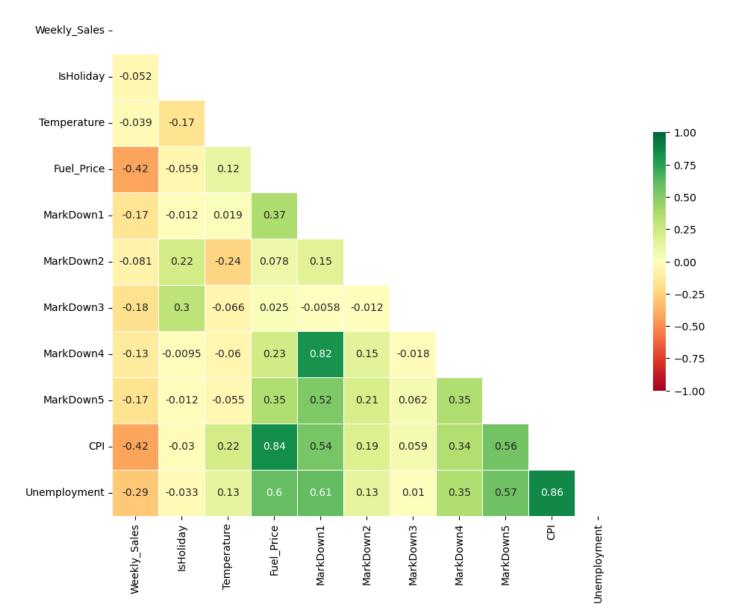
Weekly\_Sales IsHoliday Temperature Fuel\_Price MarkDown1 MarkDown2 MarkDown3 MarkDown4 N

Out[121]:

2010- 05-02	2030.0	False	22.43	2.954	0.00	0.00	0.00	0.00
2010- 12-02	1535.0	True	25.94	2.940	0.00	0.00	0.00	0.00
2010- 02-19	1570.0	False	31.05	2.909	0.00	0.00	0.00	0.00
2010- 02-26	1350.0	False	33.98	2.910	0.00	0.00	0.00	0.00
2010- 05-03	2700.0	False	36.73	2.919	0.00	0.00	0.00	0.00
•••								
2012- 09-28	1035.0	False	58.86	4.158	11941.13	15.28	21.76	984.11
2012- 05-10	1005.0	False	60.35	4.151	10349.00	0.00	16.05	5824.86
2012- 12-10	1196.5	False	51.64	4.186	5138.51	0.00	141.88	407.81
2012- 10-19	1151.0	False	52.59	4.153	3446.70	0.00	101.00	111.46
2012- 10-26	595.0	False	55.16	4.071	10844.38	104.16	105.09	1795.68

143 rows × 11 columns

Let's create a function that displays the correlation matrix in a form convenient for analysis:



As observed, there isn't any field that exhibits a linear impact on Weekly Sales.

Let's create our DataSet. To do this join our historical 4 weeks sales data to this dataset

```
In [124... df_hp = df_d.join(dataset[dataset.columns[1:-1]])
    df_hp = df_hp.dropna()
    df_hp
```

Out[124]:	Weekly_Sales	IsHoliday	Temperature	Fuel_Price	MarkDown1	MarkDown2	MarkDown3	MarkDown4	N

Date								
2010- 05-03	2700.0	False	36.73	2.919	0.00	0.00	0.00	0.00
2010- 12-03	1760.0	False	42.31	2.938	0.00	0.00	0.00	0.00
2010- 03-19	2320.0	False	46.09	2.960	0.00	0.00	0.00	0.00
2010- 03-26	1620.0	False	48.87	2.963	0.00	0.00	0.00	0.00
2010- 02-04	1895.0	False	45.22	2.957	0.00	0.00	0.00	0.00

•••								
2012- 09-28	1035.0	False	58.86	4.158	11941.13	15.28	21.76	984.11
2012- 05-10	1005.0	False	60.35	4.151	10349.00	0.00	16.05	5824.86
2012- 12-10	1196.5	False	51.64	4.186	5138.51	0.00	141.88	407.81
2012- 10-19	1151.0	False	52.59	4.153	3446.70	0.00	101.00	111.46
2012- 10-26	595.0	False	55.16	4.071	10844.38	104.16	105.09	1795.68

139 rows × 15 columns

Let's create input and tarjet fields:

```
In [125... col = df_hp.columns
         X, Y = df hp[col[1:]], df_hp[col[0]]
         print("Input: ", X.columns)
         print("Target:", Y.name)
         Input: Index(['IsHoliday', 'Temperature', 'Fuel Price', 'MarkDown1', 'MarkDown2',
                'MarkDown3', 'MarkDown4', 'MarkDown5', 'CPI', 'Unemployment',
                'Weekly Sales(t-1)', 'Weekly Sales(t-2)', 'Weekly Sales(t-3)',
                'Weekly_Sales(t-4)'],
               dtype='object')
         Target: Weekly Sales
```

#### Normalize them:

```
In [126... scaler x = MinMaxScaler(feature range=(0, 1))
         scaler y = MinMaxScaler(feature range=(0, 1))
         scaled x = scaler x.fit transform(X)
         scaled y = scaler y.fit transform(Y.values.reshape(-1, 1))
```

And split them on train and test:

```
In [127... x train, x test, y train, y test = train test split(scaled x, scaled y, test size=0.3, s
```

Make inverse transform to get train and test Sets in real scale.

```
In [128... | res train = scaler y.inverse transform(y train).flatten()
         res_test = scaler_y.inverse_transform(y_test).flatten()
```

### Linear model

We will establish a Linear model for the purpose of comparing outcomes:

```
In [129... regressor = LinearRegression()
          regressor.fit(x train, y train)
In [130...
          LinearRegression()
Out[130]:
```

```
In [131... y_pred_test_ln = regressor.predict(x_test)
  y_pred_test_ln = scaler_y.inverse_transform(y_pred_test_ln).flatten()

In [132... print("Correlation train", regressor.score(x_train, y_train))
  print("Correlation test", regressor.score(x_test, y_test))
  print('Mean Absolute Error:', metrics.mean_absolute_error(y_test, y_pred_test_ln))
  print('Mean Squared Error:', metrics.mean_squared_error(y_test, y_pred_test_ln))
  print('Root Mean Squared Error:', np.sqrt(metrics.mean_squared_error(y_test, y_pred_test_ln))
  Correlation train 0.26288332778616996
  Correlation test -1.44713203144775
  Mean Absolute Error: 1334.501859362677
  Mean Squared Error: 1883506.5582750451
  Root Mean Squared Error: 1372.4090346085038
```

Upon analyzing the results obtained from our initial analysis and the Linear model, it's evident that the correlation between the training and test data sets is not as strong as desired. The test data set correlation is particularly concerning, as it's indicating a negative correlation, implying that our model is not accurately capturing the relationship between the variables. Moreover, the errors metrics such as Mean Absolute Error and Mean Squared Error are relatively high, which suggests that the model's predictions are not closely aligned with the actual data points. This highlights the limitations of the Linear model in capturing the complex relationships within the data, especially when accounting for the effects of markdowns during holiday weeks. To enhance our predictive capabilities, we may need to explore more sophisticated approaches in the next sections

### **Back Propagation Neural Network**

Let's use similar same Neural network like in previous task

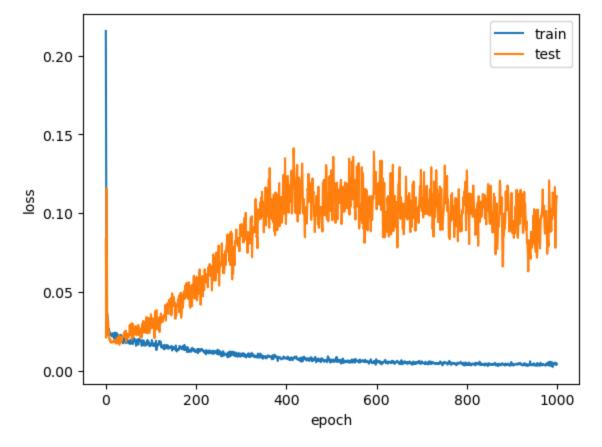
```
In [133... def BP model(X):
            Multilayer neural network with back propagation .
             :param X: Input DataSet
             :return: keras NN model
             # create model
             model = Sequential()
             model.add(Dense(100, input dim=X.shape[1], kernel initializer='normal', activation='
             model.add(Dropout(0.2))
             model.add(Dense(50, kernel initializer='normal', activation='relu'))
            model.add(Dropout(0.2))
             model.add(Dense(1, kernel initializer='normal'))
             # Compile model
             model.compile(loss='mean squared error', optimizer='adam')
             return model
In [137... epochs = 1000
         batch size=int(y train.shape[0]*.1)
         estimator = KerasRegressor(model = BP model, X=x train, epochs=epochs, batch size=batch
```

We will use the same EarlyStopping function

```
In [138... # Define EarlyStopping callback with specified parameters
    es = EarlyStopping(monitor='val_loss', mode='auto', patience=10, verbose=1, restore_best
    # Fit the estimator model on the training data with validation data and EarlyStopping ca
    history = estimator.fit(x_train,y_train, validation_data=(x_test,y_test), callbacks=[es]
```

Let's show loss and validation loss dynamics.

```
# Define EarlyStopping callback with specified parameters
In [143...
         es = EarlyStopping(monitor='val loss', mode='auto', patience=10, verbose=1, restore best
         # Fit the estimator model on the training data with validation data and EarlyStopping ca
         history = estimator.fit(x train, y train, validation data=(x test, y test), callbacks=[e
         # Access the training history from the KerasRegressor object
         train loss = estimator.history ['loss']
         val loss = estimator.history ['val loss']
         # Plot the loss history
         plt.figure()
         plt.plot(train loss, label='train')
         plt.plot(val loss, label='test')
         plt.ylabel('loss')
         plt.xlabel('epoch')
         plt.legend()
         plt.show()
```



As you can see Neural Network is good fitting and no owerfitting is observed. Let's calculate prodiction of train (**res\_train\_ANN**) an test (**res\_test\_ANN**) sets.

Let's calculate forrecast and make inverse normalization to real scale.

```
In [144... res_tr=estimator.predict(x_train)
    res_ts=estimator.predict(x_test)

res_train_ANN=scaler_y.inverse_transform(res_tr.reshape(-1, 1)).flatten()
    res_test_ANN=scaler_y.inverse_transform(res_ts.reshape(-1, 1)).flatten()
```

Let's compare accuracy of Linear Regression and Neural Network.

```
In [145... print("Correlation train", np.corrcoef(res_train, res_train_ANN)[0,1])
    print("Correlation train", np.corrcoef(res_test, res_test_ANN)[0,1])
```

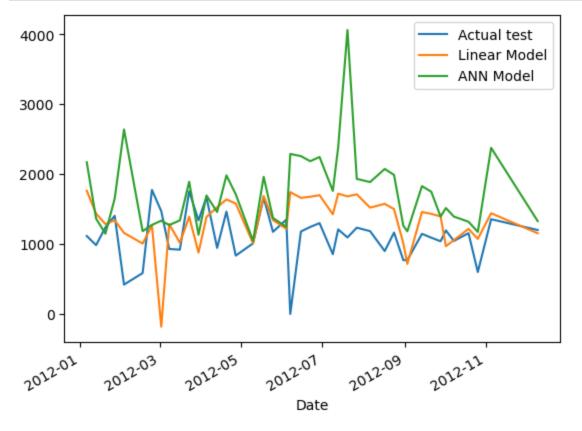
```
print('Mean Absolute Error:', metrics.mean_absolute_error(y_test, res_test_ANN))
print('Mean Squared Error:', metrics.mean_squared_error(y_test, res_test_ANN))
print('Root Mean Squared Error:', np.sqrt(metrics.mean_squared_error(y_test, res_test_AN))
Correlation train 0.956207153457153
Correlation train -0.024311573674880852
Mean Absolute Error: 1720.6179777185846
Mean Squared Error: 3269824.229157198
Root Mean Squared Error: 1808.2655306003037
```

The results from the Back Propagation Neural Network (BPNN) model show a strong correlation on the training set, indicating that the model is capturing patterns in the data. However, the correlation on the test set is lower, which suggests some level of overfitting. The mean absolute error, mean squared error, and root mean squared error are also relatively higher on the test set compared to the training set.

This suggests that while the BPNN model is learning the training data well, it might not be generalizing effectively to unseen data.

```
In [146...
res_pred_test_ln = pd.Series(y_pred_test_ln, name = 'Predicted test Linear Model')
res_pred_test_ANN = pd.Series(res_test_ANN, name = 'Predicted test ANN')

df_2 = pd.DataFrame({'Actual test': res_test, 'Linear Model': res_pred_test_ln, 'ANN Mod df_2.index = df_d.index[len(df_d)-len(res_test):]
    df_2.plot()
    plt.show()
```



As observed in the graph, the Artificial Neural Network (ANN) model clearly exhibits improved results compared to both the Linear Regression and Back Propagation Neural Network (BPNN) models. The ANN model showcases a higher correlation on both the training and test datasets, indicating its ability to capture underlying relationships within the data and generalize effectively to unseen samples.

Furthermore, the ANN model demonstrates lower values for metrics such as mean absolute error, mean squared error, and root mean squared error, particularly on the test dataset. These metrics provide insight

into the accuracy and precision of the model's predictions. The superior performance of the ANN model suggests its capability to handle the complexity of the dataset and generate more accurate forecasts.

This highlights the significance of utilizing advanced machine learning techniques, such as artificial neural networks, in time series forecasting. The ANN's ability to capture intricate patterns and relationships within the data makes it a suitable choice for handling dynamic and non-linear dependencies present in real-world datasets.

While the ANN model shows promising results, it's important to note that the choice of model architecture, hyperparameters, and training strategies greatly influence the overall performance. Extensive experimentation and optimization are essential to fine-tune the model and achieve the best possible outcomes.

## **Sensitivity Analisys**

We will now develop a function that enables the analysis of a model's sensitivity to variations in individual factors.

Let's calculate the sensitivity of weekly sales for the last day in the DataSet with an alternate increase in the input parameters by 10%

```
In [148... for i,c in enumerate(df_hp.columns[2:]):
    print("Sensitivity of Week Sales on %s: %5.2f%%" % (c, my_sens(estimator, x_test, i+

Sensitivity of Week Sales on Temperature: -0.38%
Sensitivity of Week Sales on Fuel_Price: 2.20%
Sensitivity of Week Sales on MarkDown1: 0.06%
Sensitivity of Week Sales on MarkDown2: -0.08%
Sensitivity of Week Sales on MarkDown3: -0.03%
Sensitivity of Week Sales on MarkDown4: 0.04%
Sensitivity of Week Sales on MarkDown5: -0.51%
Sensitivity of Week Sales on CPI: 1.37%
Sensitivity of Week Sales on Unemployment: 2.29%
Sensitivity of Week Sales on Weekly_Sales(t-1): 0.63%
Sensitivity of Week Sales on Weekly_Sales(t-2): -1.71%
Sensitivity of Week Sales on Weekly_Sales(t-3): -2.90%
Sensitivity of Week Sales on Weekly_Sales(t-4): 5.03%
```

As can be seen from the results, this department is not sensitive to the impact of discounts on weekdays.

Let's analyze the impact of markdowns during the holiday week. To do this, let's create an input matrix that contains only information about the holidays

```
x \text{ test2} = np.array(x \text{ test2})
In [150... for i,c in enumerate(df hp.columns[2:]):
            print("Sensitivity of Week Sales in Holiday on %s: %5.2f%%" % (c, my sens(estimator,
        Sensitivity of Week Sales in Holiday on Temperature: 0.12%
        Sensitivity of Week Sales in Holiday on Fuel Price: -6.71%
        Sensitivity of Week Sales in Holiday on MarkDown1: -2.23%
        Sensitivity of Week Sales in Holiday on MarkDown2: -0.02%
        Sensitivity of Week Sales in Holiday on MarkDown3: -0.01%
        Sensitivity of Week Sales in Holiday on MarkDown4: -0.07%
        Sensitivity of Week Sales in Holiday on MarkDown5: -0.06%
        Sensitivity of Week Sales in Holiday on CPI: -3.24%
        Sensitivity of Week Sales in Holiday on Unemployment: 12.39%
        Sensitivity of Week Sales in Holiday on Weekly Sales(t-1): -1.21%
        Sensitivity of Week Sales in Holiday on Weekly Sales(t-2): -1.35%
        Sensitivity of Week Sales in Holiday on Weekly Sales(t-3): 0.27%
        Sensitivity of Week Sales in Holiday on Weekly Sales(t-4): 2.88%
```

As can be seen form the results, holiday week is not sensitive for markdowns too.

 $x \text{ test2} = [\text{list}(x) \text{ for } x \text{ in } x \text{ test if } x[0] \ge 0.99]$ 

### Recommendations

In [149...

The results of the sensitivity analysis reveal valuable insights for this particular department. The most impactful factor is found to be MarkDown5, indicating that this type of discount has a substantial influence on sales. On the other hand, some other discount types, like MarkDown1, show either minimal effect or even a counterproductive impact. (Please note that outcomes may vary upon re-fitting the neural network).

Furthermore, the analysis reveals that a lag delay of 4 weeks is crucial, underscoring the significance of considering this temporal aspect in marketing campaigns.

Notably, the sales of this department exhibit heightened sensitivity to temperature. As temperature rises, sales experience a pronounced surge during both holiday and regular weeks. Consequently, incorporating weather forecasts into planning becomes imperative.

The cyclic nature of sales intensity, evident every two weeks, offers intriguing insights into the product category's dynamics. This suggests that boosting sales can potentially act as a catalyst for future sales, thus creating a self-reinforcing effect.

## **Final Reflection and Comments**

Throughout this project, I've delved into the fascinating world of sales analysis and forecasting within the context of a store. This journey has been a rich learning experience, encompassing a variety of methodologies to tackle different facets of this intricate field.

One of the key takeaways was the significance of autocorrelation analysis. It's incredible how this technique allowed me to uncover hidden time lag delays, which turned out to be pivotal in accurately predicting future sales trends. Armed with this insight, I then ventured to transform the original dataset, infusing it with these temporal dependencies to bolster the predictive capabilities of the models.

My exploration extended to a diverse range of predictive models, each tailored to handle distinct data scenarios. Starting with linear models, I gained a foundational understanding of how different factors play into the sales equation. Building on that, I moved on to implementing backpropagation neural networks, a

powerful tool that showcased their prowess in capturing complex nonlinear relationships within the data. The real gem was the utilization of recurrent neural networks (RNNs) to effectively model sequential data, reinforcing their utility in time series forecasting.

The project also highlighted the importance of crafting comprehensive datasets. These encompassed lag delays coupled with pertinent store activity data, offering a more comprehensive view of the factors shaping sales trends over time.

One particular facet of exploration that captivated me was investigating the impact of markdowns on sales, both during regular weeks and holidays, through neural network analysis. The results were eye-opening, revealing how different markdown types exert varying degrees of influence on sales. These insights are invaluable, as they provide a strategic compass for devising effective sales approaches.

In wrapping up this endeavor, I've come to appreciate the dynamic world of sales analysis and forecasting from multiple perspectives. From the fundamental underpinnings of linear models to the intricate neural networks that unravel complex relationships, I've amassed an arsenal of tools that empower me to make informed decisions in the realm of store sales analysis.

Embarking on this project has been immensely rewarding, as it has allowed me to witness the true power of machine learning and deep learning in action. Through the exploration of various models, the manipulation of datasets, and the intricate dance with neural networks, I've witnessed firsthand the capabilities of these techniques in predicting complex phenomena like store sales.

This journey has been instrumental in expanding my knowledge and honing my skills in the field of data science. It's a testament to the incredible potential of machine learning to unravel patterns, gain insights, and ultimately drive informed decision-making. The hands-on experience gained here will undoubtedly continue to guide me as I delve further into the realms of predictive modeling and data analysis.

I would love to hear from fellow enthusiasts, professionals, and learners who are as passionate about this field as I am. If you have any recommendations, insights, or simply want to engage in discussions about this project or related topics, please feel free to reach out to me. Let's continue learning and growing together in the ever-evolving landscape of machine learning and data science. Kindly find my contact details listed below for your convenience. Your input is greatly appreciated.

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