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Common Terms

Now that you understand the domain, we will quickly go through a few terms which are used in the industry along with a few examples:

- **Data Mining** - Create models by uncovering previously unknown trends and patterns in vast amounts of data e.g. detect insurance claims frauds, Retail Market basket analysis. There are various statistical techniques through which data mining is achieved.
  - Classification (when we know on which variables to classify the data e.g. age, demographics)
  - Regression
  - Clustering (when we don't know on which factors to classify data)
  - Associations & Sequencing Models
- **Text Mining** - Discover and extract meaningful patterns and relationships from text collections e.g. understand sentiments of Customers on social media sites like Twitter, Facebook, Blogs, Call center scripts etc. which are used to improve the Product or Customer service or understand how competitors are doing.
- **Forecasting** - Analyse & forecast processes that take place over the period of time e.g. predict seasonal energy demand using historical trends, predict how many ice cream cones are required considering demand
- **Predictive Analytics** - Create, manage and deploy predictive scoring models e.g. Customer churn & retention, Credit Scoring, predicting failure in shop floor machinery
- **Optimization** - Use of simulation techniques to identify scenarios which will produce best results e.g. Sale price optimization, identifying optimal Inventory for maximum fulfillment & avoid stock outs
- **Visualization** - Enhanced exploratory data analysis & output of modeling results with highly interactive statistical graphics

Test Yourself

Q1. Which kind of analysis will help you understand sentiments of your twitter customers?

- Option 1: Text Mining
- Option 2: Forecasting
- Option 3: Optimization
- Option 4: Predictive modeling

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