

Interpretation of the Cluster Visualization:

1. Overall Structure:

- The plot is a 2D scatter plot where each point represents a customer, and their position is determined by the first two principal components (pca1 and pca2). This is the result of a dimensionality reduction step using PCA.
- Points are colored based on the cluster they belong to, with each cluster identified by a unique color (0, 1, 3, 4, 6, 7, 9).

2. Cluster Distribution and Separation:

- **Cluster 0** (Purple): This cluster is more centrally located around pca1 values of 0 and pca2 values of -1, with some points extending further along pca1 axis into the positive values. It has good separation from other clusters.
- **Cluster 1** (Dark Blue): This cluster is also located centrally, clustered around a smaller area compared to cluster 0, but also extends further along pca1 axis. There is some overlap of this cluster with the points of cluster 0, suggesting that the features used for both these clusters might be relatively similar, when compared with other clusters.
- **Cluster 3** (Green-Blue): This cluster is spread more broadly, showing some overlap with all the different clusters, which suggests less cohesive features. It has some higher pca2 values and is largely between pca1 values of -2 and 1.
- **Cluster 4** (Dark Green): This cluster is located in the top area of the plot, with points located across a wide range of pca1 values, mostly between -2 and 2, and mostly with pca2 values larger than 0. It has some overlap with cluster 6, which means some similarities in the features within each of these clusters.
- **Cluster 6** (Light Green): This cluster shows overlap with cluster 4, but extends much more towards the bottom-left of the plot. It is largely in between pca1 values of -3 and 0, with pca2 values between -1 and 2.
- **Cluster 7** (Yellow-Green): This cluster is mainly located within the top area of the plot, and has a similar location as cluster 4, suggesting similarities in the features of both. It is in between pca1 values of -2 and 1, and pca2 values larger than 0.
- **Cluster 9** (Yellow): This cluster has a more specific location, mainly clustered between pca1 values of -1 and 0, with pca2 values between 0 and 1. It is in the central area and therefore shows some overlap with all clusters.

3. Overlap and Density:

There is a noticeable increase in the overlap between clusters, as expected with an increased number of clusters.

As the number of clusters has increased there are more groups of customers with smaller concentrations, and therefore are less easily separable.

4. Cluster Quality

- The presence of a visible clustering pattern with relatively well-separated groups, supports the quality of clusters, although it is important to remember that we are visualizing the clusters in a reduced 2 dimensional space, which might make them appear closer than they really are in higher dimensions. It is also important to analyse what each of the clusters represent and how they differ from each other, as that is also an important part of understanding if they represent a good segmentation of the data.

1. **Number of Clusters:** 10

2. **DB Index:** 1.22

Limitations:

- While using DB index as a metric is a good method to ensure the clusters have been well formed, it is not the only metric that should be used, and additional human interpretation and analysis is needed.
- PCA is a 2D representation of the dataset, and the distances might be distorted when projected into 2 dimensions.