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INDEX

- 1.1 Read the data, do the necessary initial steps, and exploratory data analysis (Univariate, Bivariate, and multivariate analysis).
- 1.2 Do you think scaling is necessary for clustering in this case? Justify
- 1.3 Apply hierarchical clustering to scaled data. Identify the number of optimum clusters using Dendrogram and briefly describe them
- 1.4 Apply K-Means clustering on scaled data and determine optimum clusters. Apply elbow curve and silhouette score. Explain the results properly. Interpret and write inferences on the finalized clusters.
- 1.5 Describe cluster profiles for the clusters defined. Recommend different promotional strategies for different clusters.

- 2.1 Read the data, do the necessary initial steps, and exploratory data analysis (Univariate, Bivariate, and multivariate analysis).
- 2.2 Data Split: Split the data into test and train, build classification model CART, Random Forest, Artificial Neural Network
- 2.3 Performance Metrics: Comment and Check the performance of Predictions on Train and Test sets using Accuracy, Confusion Matrix, Plot ROC curve and get ROC_AUC score, classification reports for each model.
- 2.4 Final Model: Compare all the models and write an inference which model is best/optimized.
- 2.5 Inference: Based on the whole Analysis, what are the business insights and recommendations

Problem 1: Clustering

A leading bank wants to develop a customer segmentation to give promotional offers to its customers. They collected a sample that summarizes the activities of users during the past few months. You are given the task to identify the segments based on credit card usage.

Data Dictionary for Market Segmentation:

- 1. spending: Amount spent by the customer per month (in 1000s)
- 2. advance_payments: Amount paid by the customer in advance by cash (in 100s)
- 3. probability_of_full_payment: Probability of payment done in full by the customer to the bank
- 4. current_balance: Balance amount left in the account to make purchases (in 1000s)
- 5. credit_limit: Limit of the amount in credit card (10000s)
- 6. min_payment_amt : minimum paid by the customer while making payments for purchases made monthly (in 100s)
- 7. max_spent_in_single_shopping: Maximum amount spent in one purchase (in 1000s)

1.1 Read the data and do exploratory data analysis (3 pts). Describe the data briefly.
Interpret the inferences for each (3 pts). Initial steps like head() .info(), Data Types, etc .
Null value check. Distribution plots(histogram) or similar plots for the continuous columns. Box plots, Correlation plots. Appropriate plots for categorical variables.
Inferences on each plot. Summary stats, Skewness, Outliers proportion should be discussed, and inferences from above used plots should be there. There is no restriction on how the learner wishes to implement this but the code should be able to represent the correct output and inferences should be logical and correct.

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	spen ding	advance_p ayments	probability_of_ full_payment	current_ balance	credit _limit	min_pay ment_amt	max_spent_in_si ngle_shopping
0	19.9 4	16.92	0.8752	6.675	3.763	3.252	6.550
1	15.9 9	14.89	0.9064	5.363	3.582	3.336	5.144
2	18.9 5	16.42	0.8829	6.248	3.755	3.368	6.148
3	10.8 3	12.96	0.8099	5.278	2.641	5.182	5.185
4	17.9 9	15.86	0.8992	5.890	3.694	2.068	5.837

<class 'pandas.core.frame.DataFrame'> RangeIndex: 210 entries, 0 to 209 Data columns (total 7 columns):

Column Non-Null Count Dtype

0 spending 210 non-null float64

1 advance_payments 210 non-null float64

2 probability_of_full_payment 210 non-null float64

3 current_balance 210 non-null float64 4 credit_limit 210 non-null float64

5 min_payment_amt 210 non-null float64

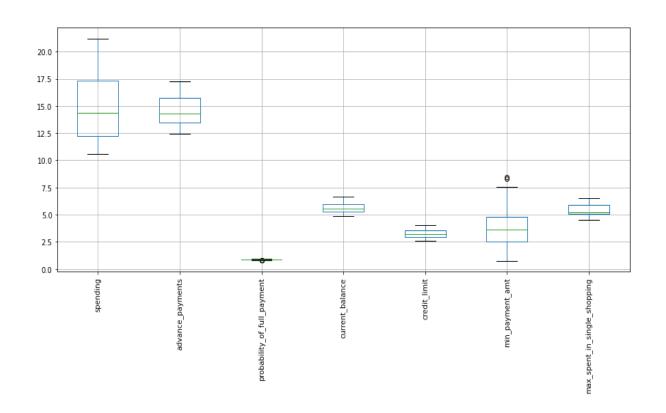
6 max_spent_in_single_shopping 210 non-null float64

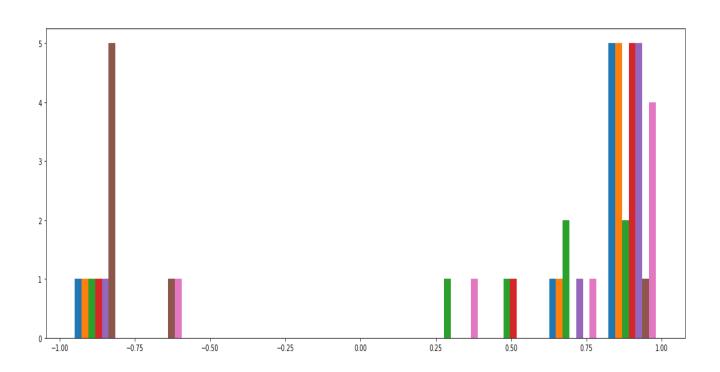
dtypes: float64(7) memory usage: 11.6 KB

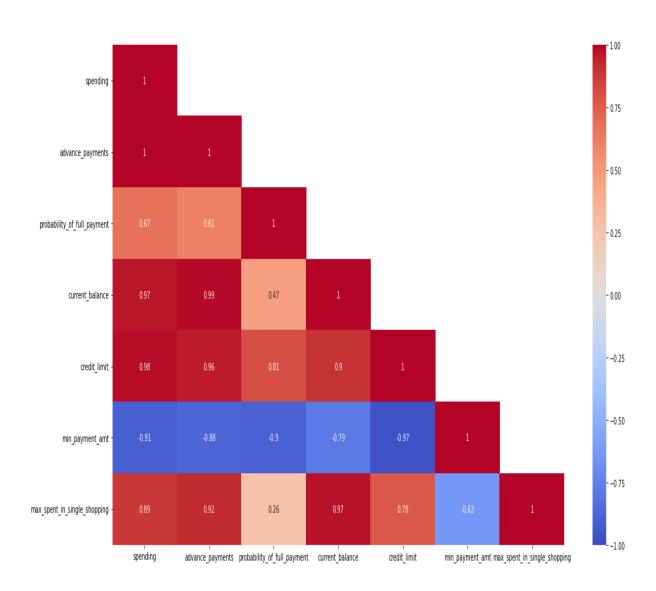
	spend ing	advance_ payments	probability_of _full_payment	current_ balance	credit _limit	min_pay ment_am t	max_spent_in_s ingle_shopping
co un t	210.0 0000 0	210.0000	210.000000	210.000	210.0 0000 0	210.0000	210.000000
m ea n	14.84 7524	14.55928 6	0.870999	5.62853 3	3.258 605	3.700201	5.408071
st d	2.909 699	1.305959	0.023629	0.44306 3	0.377 714	1.503557	0.491480

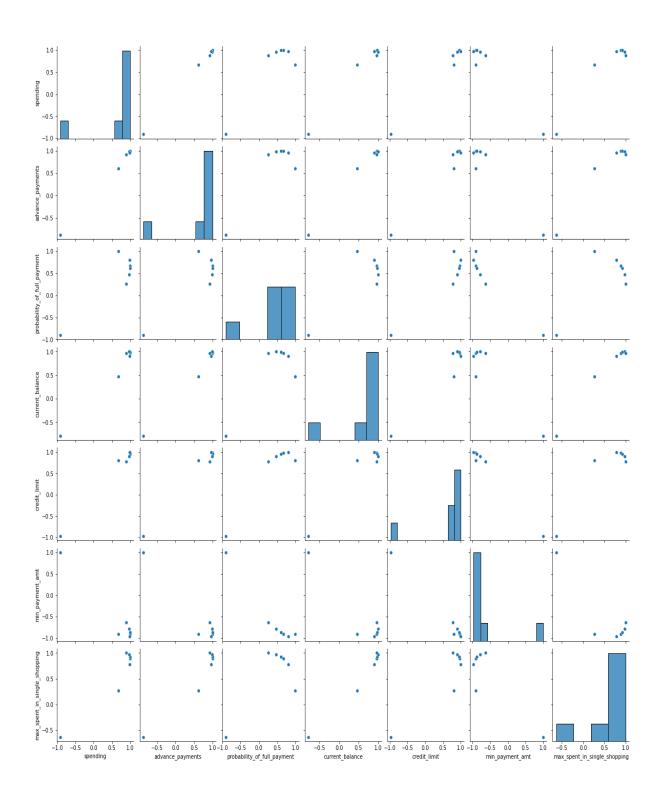
	spend ing	advance_ payments	probability_of _full_payment	current_ balance	credit _limit	min_pay ment_am t	max_spent_in_s ingle_shopping
mi n	10.59 0000	12.41000 0	0.808100	4.89900 0	2.630 000	0.765100	4.519000
25 %	12.27 0000	13.45000 0	0.856900	5.26225 0	2.944 000	2.561500	5.045000
50 %	14.35 5000	14.32000 0	0.873450	5.52350 0	3.237 000	3.599000	5.223000
75 %	17.30 5000	15.71500 0	0.887775	5.97975 0	3.561 750	4.768750	5.877000
m ax	21.18 0000	17.25000 0	0.918300	6.67500 0	4.033 000	8.456000	6.550000

```
spending 0
advance_payments 0
probability_of_full_payment 0
current_balance 0
credit_limit 0
min_payment_amt 0
max_spent_in_single_shopping 0
dtype: int64
```









1.2 Do you think scaling is necessary for clustering in this case? Justify The learner is expected to check and comment about the difference in scale of different features on the bases of appropriate measure for example std dev, variance, etc. Should justify whether there is a necessity for scaling and which method is he/she using to do the scaling. Can also comment on how that method works.

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Scaling the data

	spe ndi ng	advance _payme nts	probability_ of_full_paym ent	curren t_balan ce	credi t_lim it	min_pay ment_a mt	max_spent_in _single_shopp ing
spending	0.52 935 6	0.53165 5	0.441078	0.5322 21	0.51 9821	0.50108 3	0.521327
advance_pa yments	0.52 419 1	0.53690 2	0.333344	0.5601 91	0.49 0386	0.44752 5	0.582262
probability_ of_full_paym ent	0.02 585 8	0.07269 1	1.002730	0.2873 85	0.25 6203	0.49173 4	-0.605056
current_bala nce	0.48 086 9	0.51434	0.089652	0.5838 29	0.39 8605	0.31178 6	0.673809
credit_limit	0.49 879 1	0.47541 9	0.669331	0.4199 83	0.54 9850	0.59010 6	0.327086

	advance_p ayments	probability_of_f ull_payment	current_b alance	credit_ limit	min_paym ent_amt	max_spent_in_sin gle_shopping
0	1.811968	0.178230	2.367533	1.3385 79	-0.298806	2.328998
1	0.253840	1.501773	0.600744	0.8582 36	-0.242805	-0.538582
2	1.428192	0.504874	1.401485	1.3173 48	-0.221471	1.509107
3	-1.227533	-2.591878	0.793049	1.6390 17	0.987884	-0.454961
4	0.998364	1.196340	0.591544	1.1554 64	-1.088154	0.874813
•••				•••		
2 0 5	-0.413929	0.721222	0.428801	- 0.1581 81	0.190536	-1.366631
2 0 6	0.814152	-0.305372	0.675253	0.4760 84	0.813214	0.789153
2 0 7	-0.306472	0.364883	0.431064	0.1528 73	-1.322158	-0.830235
2 0 8	0.338271	1.230277	0.182048	0.6008 14	-0.953484	0.071238
2 0 9	0.453403	-0.776248	0.659416	0.0732 58	-0.706813	0.960473

1.3 Apply hierarchical clustering to scaled data (3 pts). Identify the number of optimum clusters using Dendrogram and briefly describe them (4). Students are expected to apply hierarchical clustering. It can be obtained via Fclusters or Agglomerative Clustering. Report should talk about the used criterion, affinity and linkage. Report must contain a Dendrogram and a logical reason behind choosing the optimum number of clusters and Inferences on the dendrogram. Customer segmentation can be visualized using limited features or whole data but it should be clear, correct and logical. Use appropriate plots to visualize the clusters.

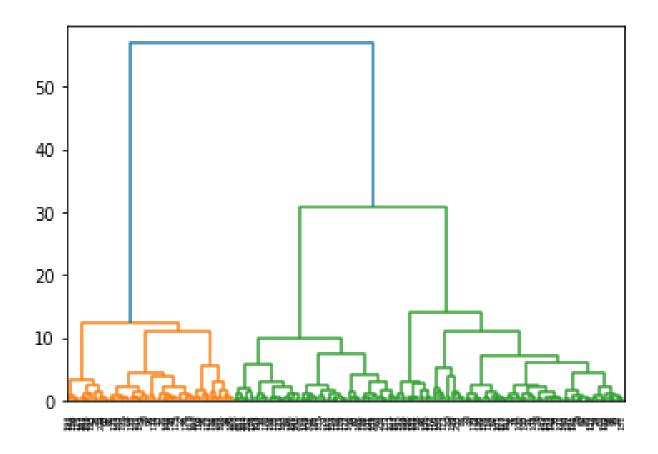
:--

iloc

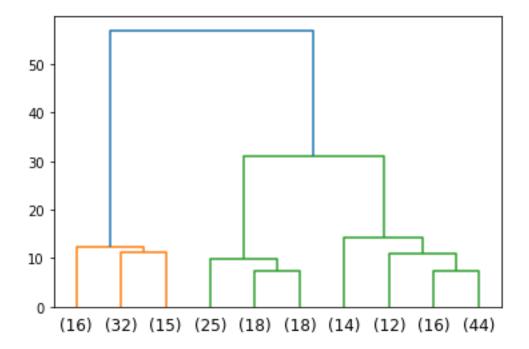
	advance_payments	probability_of_full_payment	current_balance	credit_limit
count	210.000000	210.000000	210.000000	210.000000
mean	14.559286	0.870999	5.628533	3.258605
std	1.305959	0.023629	0.443063	0.377714
min	12.410000	0.808100	4.899000	2.630000
25%	13.450000	0.856900	5.262250	2.944000
50%	14.320000	0.873450	5.523500	3.237000
75%	15.715000	0.887775	5.979750	3.561750
max	17.250000	0.918300	6.675000	4.033000

New table

	advance_payments	probability_of_full_payment	current_balance	credit_limit
0	16.92	0.8752	6.675	3.763
1	14.89	0.9064	5.363	3.582
2	16.42	0.8829	6.248	3.755
3	12.96	0.8099	5.278	2.641
4	15.86	0.8992	5.890	3.694



P10



Fclusters

Method 1

Fcluster (wardlink, 3, criterion='maxclust')

```
array([1, 2, 1, 3, 1, 3, 3, 2, 1, 3, 1, 2, 3, 1, 3, 3, 2, 3, 3, 3, 3, 3, 3, 1, 3, 2, 2, 3, 3, 3, 3, 3, 2, 3, 3, 3, 3, 3, 3, 1, 1, 2, 1, 1, 3, 3, 3, 1, 1, 1, 1, 3, 1, 1, 1, 1, 1, 1, 3, 3, 3, 1, 2, 3, 3, 2, 2, 1, 1, 2, 1, 3, 2, 3, 1, 1, 1, 3, 1, 2, 3, 1, 2, 2, 3, 2, 1, 3, 2, 2, 2, 1, 3, 3, 1, 2, 3, 3, 1, 1, 1, 3, 1, 3, 1, 2, 1, 2, 1, 1, 3, 3, 1, 2, 2, 2, 1, 3, 3, 1, 2, 2, 3, 3, 3, 3, 3, 3, 3, 3, 2, 2, 1, 3, 2, 2, 3, 2, 3, 2, 3, 1, 3, 1, 1, 3, 1, 1, 1, 1, 1, 3, 2, 2, 3, 3, 3, 2, 3, 1, 2, 1, 1, 1, 1, 2, 3, 2, 2, 3, 2, 2, 1, 3, 2, 2, 1, 3, 2, 3, 3, 3, 2, 3, 1, 2, 1, 1, 3, 1, 3, 2, 2, 2, 3, 1, 2, 1, 1, 3, 1, 3, 2, 3, 2, 2, 2, 3, 1, 2, 1, 2, 2, 2],
dtype=int32)
```

method 2

```
fcluster (wardlink, 23, criterion='distance')

array([1, 2, 1, 3, 1, 3, 3, 2, 1, 3, 1, 2, 3, 1, 3, 3, 2, 3, 3, 3, 3, 3, 1, 1, 2, 2, 3, 3, 3, 3, 3, 3, 3, 3, 3, 1, 1, 2, 1, 1, 3, 3, 3, 1, 1, 1, 3, 1, 1, 1, 1, 1, 1, 1, 3, 3, 3, 1, 2, 3, 3, 2, 2, 1, 1, 2, 1, 3, 2, 3, 1, 1, 3, 1, 2, 3, 1, 2, 2, 3, 2, 1, 3, 2, 2, 2, 1, 3, 3, 1, 2, 3, 3, 1, 1, 1, 3, 1, 3, 1, 2, 1, 2, 1, 1, 3, 3, 1, 2, 2, 2, 1, 3, 3, 3, 3, 3, 3, 3, 3, 2, 2, 1, 3, 2, 2, 3, 2, 3, 1, 3, 1, 1, 3, 1, 1, 1, 3, 1, 2, 2, 2, 3, 3, 3, 3, 3, 3, 2, 3, 2, 3, 2, 3, 2, 2, 3, 2, 3, 2, 2, 1, 3, 2, 3, 3, 3, 2, 3, 1, 2, 1, 1, 1, 1, 2, 3, 2, 2, 3, 2, 2, 3, 2, 2, 1, 3, 2, 3, 3, 3, 2, 3, 1, 2, 1, 1, 3, 1, 3, 2, 2, 2, 3, 3, 2, 2, 2, 3, 2, 2, 2, 3, 2, 2, 2, 3, 2, 2, 2, 3, 3, 2, 3, 3, 2, 3, 1, 2, 1, 1, 3, 1, 3, 2, 2, 2, 2, 3, 1, 2, 1, 2, 2, 2],

dtype=int32)
```

1.4 Apply K-Means clustering on scaled data and determine optimum clusters (2 pts). Apply elbow curve and silhouette score (3 pts). Interpret the inferences from the model (2.5 pts). K-means clustering code application with different number of clusters. Calculation of WSS(inertia for each value of k) Elbow Method must be applied and visualized with different values of K. Reasoning behind the selection of the optimal value of K must be explained properly. Silhouette Score must be calculated for the same values of K taken above and commented on. Report must contain logical and correct explanations for choosing the optimum clusters using both elbow method and silhouette scores. Append cluster labels obtained from K-means clustering into the original data frame. Customer Segmentation can be visualized using appropriate graphs.

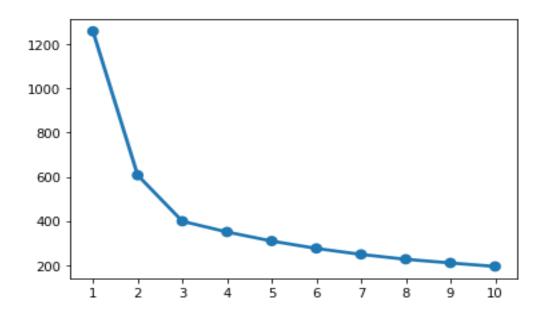
```
:--
```

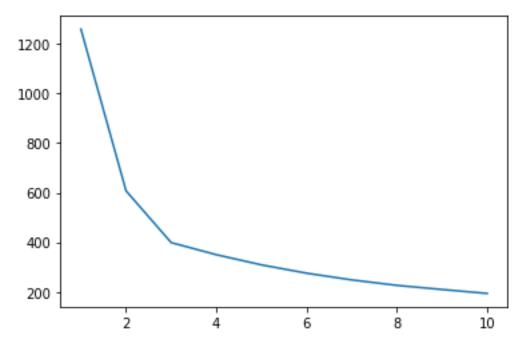
```
# Get the labels
array([0, 1, 0, 1, 0, 1, 1, 1, 0, 1, 0, 1, 1, 0, 1, 1, 0, 1, 1, 1, 1, 1,
1, 1, 0, 0, 0, 1, 0, 0, 0, 0, 1, 1, 1, 0, 1, 1, 1, 1, 1, 0, 0, 1, 0,
1, 1, 1, 0, 0, 1, 0, 1, 1, 0, 1, 1, 1, 1, 0, 1, 1, 0, 0, 0, 1, 1, 0, 1,
1, 1, 0, 0, 0, 1, 0, 1, 0, 1, 0, 1, 0, 0, 1, 1, 0, 0, 1, 1, 0, 1, 1, 0, 1,
1, 0, 1, 1, 1, 0, 1, 1, 0, 0, 0, 1, 1, 0, 1, 1, 1, 1, 1, 1, 0, 0, 1, 1, 1,
1, 1, 1, 1, 0, 1, 0, 0, 1, 0, 1, 1, 0, 1, 1, 0, 1, 0, 1, 0, 0],
dtype=int32)
k means.inertia
1011.712345315119
Cluster for 1, 3, 4, 5, 6
1259.999999999998
398.47257138104794
349.74033704424596
308.6442514797732
275.11057239157833
```

Calculating WSS for other values of K - Elbow Method

WSS

[1259.999999999998, 607.2643170652891, 398.47257138104794, 349.74033704424596, 308.6442514797732, 275.11057239157833, 248.01182685031293, 225.98173591960415, 209.29194926314042, 193.42428405885454]





the silhouette score

for cluster 3 0.4001619756799544

0.3235236917702016

silhouette score is better for 3 clusters than for 4 clusters. So, the final clusters will be 3

1.5 Describe cluster profiles for the clusters defined (2.5 pts). Recommend different promotional strategies for different clusters in context to the business problem in-hand (2.5 pts). After adding the final clusters to the original dataframe, do the cluster profiling. Divide the data in the finalyzed groups and check their means. Explain each of the group briefly. There should be at least 3-4 Recommendations. Recommendations should be easily understandable and business specific, students should not give any technical suggestions. Full marks will only be allotted if the recommendations are correct and business specific. variable means. Students to explain the profiles and suggest a mechanism to approach each cluster. Any logical explanation is acceptable.

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Appending Clusters to the original dataset

	spe ndi ng	advance_ payment s	probability_o f_full_payme nt	current _balanc e	credi t_lim it	min_pay ment_a mt	max_spent_in_ single_shoppi ng	Clus_k means 3
0	19.9 4	16.92	0.8752	6.675	3.763	3.252	6.550	0
1	15.9 9	14.89	0.9064	5.363	3.582	3.336	5.144	2
2	18.9 5	16.42	0.8829	6.248	3.755	3.368	6.148	0
3	10.8	12.96	0.8099	5.278	2.641	5.182	5.185	1
4	17.9 9	15.86	0.8992	5.890	3.694	2.068	5.837	0

0 50 1 64 2 65 3 31 Name: Clus_kmeans3, dtype: int64

Problem 2: CART-RF-ANN

An Insurance firm providing tour insurance is facing higher claim frequency. The management decides to collect data from the past few years. You are assigned the task to make a model which predicts the claim status and provide recommendations to management. Use CART, RF & ANN and compare the models' performances in train and test sets.

Attribute Information:

- 1. Target: Claim Status (Claimed)
- 2. Code of tour firm (Agency_Code)
- 3. Type of tour insurance firms (Type)
- 4. Distribution channel of tour insurance agencies (Channel)
- 5. Name of the tour insurance products (Product)
- 6. Duration of the tour (Duration in days)
- 7. Destination of the tour (Destination)
- 8. Amount worth of sales per customer in procuring tour insurance policies in rupees (in 100's)
- 9. The commission received for tour insurance firm (Commission is in percentage of sales) 10.Age of insured (Age)
- 2.1 Read the data and do exploratory data analysis (4 pts). Describe the data briefly. Interpret the inferences for each (2 pts). Initial steps like head() .info(), Data Types, etc. Null value check. Distribution plots(histogram) or similar plots for the continuous columns. Box plots, Correlation plots. Appropriate plots for categorical variables. Inferences on each plot. Summary stats, Skewness, Outliers proportion should be discussed, and inferences from above used plots should be there. There is no restriction on how the learner wishes to implement this but the code should be able to represent the correct output and inferences should be logical and correct.

:--

	Ag e	Agency_C ode	Type	Claim ed	Commis ion	Chan nel	Durati on	Sal es	Product Name	Destinat ion
0	48	C2B	Airlin es	No	0.70	Onlin e	7	2.5 1	Customi sed Plan	ASIA
1	36	EPX	Trav el Agen cy	No	0.00	Onlin e	34	20. 00	Customi sed Plan	ASIA
2	39	CWT	Trav el Agen cy	No	5.94	Onlin e	3	9.9 0	Customi sed Plan	America s
3	36	EPX	Trav el Agen cy	No	0.00	Onlin e	4	26. 00	Cancella tion Plan	ASIA
4	33	JZI	Airlin es	No	6.30	Onlin e	53	18. 00	Bronze Plan	ASIA

After object to int (Categorical)

<class 'pandas.core.frame.DataFrame'> RangeIndex: 3000 entries, 0 to 2999 Data columns (total 9 columns):

Column Non-Null Count Dtype

-- -----

- 0 Agency_Code 3000 non-null int8
- 1 Type 3000 non-null int8
- 2 Claimed 3000 non-null int8
- 3 Commision 3000 non-null float64
- 4 Channel 3000 non-null int8
- 5 Duration 3000 non-null int64
- 6 Sales 3000 non-null float64
- 7 Product Name 3000 non-null int8
- 8 Destination 3000 non-null int8

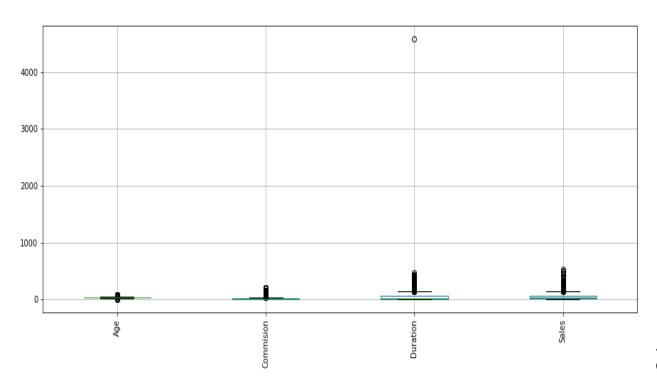
dtypes: float64(2), int64(1), int8(6)

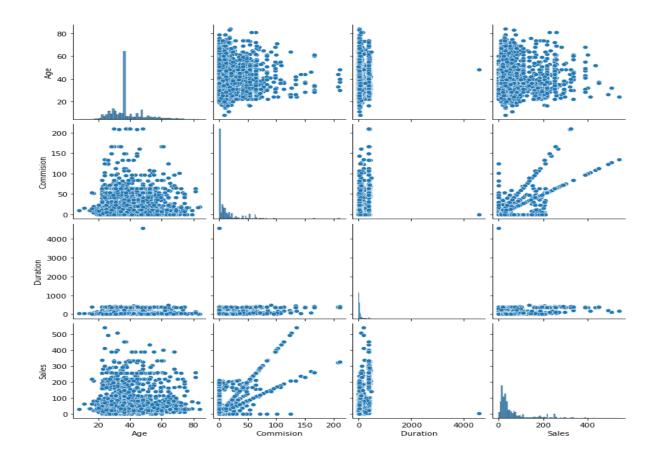
memory usage: 88.0 KB

	Age	Commision	Duration	Sales
count	3000.000000	3000.000000	3000.000000	3000.000000
mean	38.091000	14.529203	70.001333	60.249913
std	10.463518	25.481455	134.053313	70.733954
min	8.000000	0.000000	-1.000000	0.000000
25%	32.000000	0.000000	11.000000	20.000000
50%	36.000000	4.630000	26.500000	33.000000
75%	42.000000	17.235000	63.000000	69.000000
max	84.000000	210.210000	4580.000000	539.000000

Data type

O Airlines 1 Travel Agency 2 Travel Agency 3 Travel Agency 4 Airlines ... 2995 Travel Agency 2996 Airlines 2997 Travel Agency 2998 Airlines 2999 Airlines Name: Type, Length: 3000, dtype: object







2.2 Data Split: Split the data into test and train(1 pts), build classification model CART (1.5 pts), Random Forest (1.5 pts), Artificial Neural Network(1.5 pts). Object data should be converted into categorical/numerical data to fit in the models. (pd.categorical().codes(), pd.get_dummies(drop_first=True)) Data split, ratio defined for the split, train-test split should be discussed. Any reasonable split is acceptable. Use of random state is mandatory. Successful implementation of each model. Logical reason behind the selection of different values for the parameters involved in each model. Apply grid search for each model and make models on best_params. Feature importance for each model.

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Droping the (Product Name) Xhead

	Agency_Cod e	Typ e	Claime d	Commisio n	Channe l	Duratio n	Sales	Destinatio n
0	0	0	0	0.70	1	7	2.51	0
1	2	1	0	0.00	1	34	20.0	0
2	1	1	0	5.94	1	3	9.90	1
3	2	1	0	0.00	1	4	26.0 0	0
4	3	0	0	6.30	1	53	18.0 0	0

Yhead

0 2

1 2

2 2

3 1

4 0

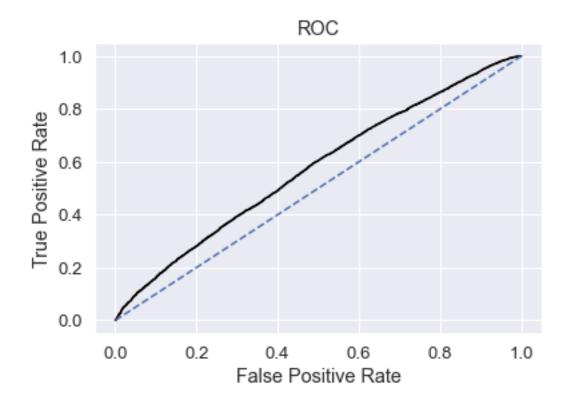
Name: Product Name, dtype: int8

Split

```
X_train (2100, 8)
X_test (900, 8)
train_labels (2100,)
test labels (900,)
```

grid search

2.3 Performance Metrics: Check the performance of Predictions on Train and Test sets using Accuracy (1 pts), Confusion Matrix (2 pts), Plot ROC curve and get ROC_AUC score for each model (2 pts), Make classification reports for each model. Write inferences on each model (2 pts). Calculate Train and Test Accuracies for each model. Comment on the validness of models (overfitting or underfitting) Build confusion matrix for each model. Comment on the positive class in hand. Must clearly show obs/pred in row/col Plot roc_curve for each model. Calculate roc_auc_score for each model. Comment on the above calculated scores and plots. Build classification reports for each model. Comment on f1 score, precision and recall, which one is important here.



#Accuracy on the Training Data: 83% Accuracy on the Test Data: 82%

AUC on the Training Data: 87.9%

AUC on the Test: 88.1%

Accuracy, AUC, Precision and Recall for test data is almost inline with training data.

This proves no overfitting or underfitting has happened, and overall the model is a good model for classification

FICO, term and gender (in same order of preference) are the most import ant variables in determining if a borrower will get into a delinquent s tage

2.4 Final Model - Compare all models on the basis of the performance metrics in a structured tabular manner (2.5 pts). Describe on which model is best/optimized (1.5 pts). A table containing all the values of accuracies, precision, recall, auc_roc_score, f1 score. Comparison between the different models(final) on the basis of above table values. After comparison which model suits the best for the problem in hand on the basis of different measures. Comment on the final model.

:--

Confusion matrix train

```
array([[ 0, 6, 4, 420, 9], [ 0, 452, 17, 0, 1], [ 0, 456, 38, 289, 19], [ 0, 0, 0, 82, 0], [ 0, 3, 1, 300, 3]])
```

Precision, Recall, F1-score (train)

precision	recall f1	-score su	upport	
0 1 2 3 4	0.00 0.49 0.63 0.08	0.96 0.05 1.00	0.00 0.65 0.09 0.14 0.02	439 470 802 82 307
accuracy macro avg weighted avg	0.26 0.37	0.40	0.27 0.18 0.19	2100 2100 2100

nn_train_precision 0.49 nn_train_recall 0.96 nn_train_f1 0.65

Confusion matrix (test)

```
array([[ 0, 5, 3, 200, 3], [ 0, 200, 7, 0, 1], [ 0, 216, 12, 101, 5], [ 0, 0, 0, 27, 0], [ 0, 0, 0, 119, 1]])
```

Precision, Recall, F1-score (test)

precision	recall	f1-score	support		
0 1 2 3 4	0.00.00.00	.49 C .63 C	0.00 0.96 0.05 0.00	0.00 0.65 0.09 0.14 0.02	439 470 802 82 307
accuracy macro avg weighted avg).40).27	0.27 0.18 0.19	2100 2100 2100
nn_test_preci nn_test_recai nn_test_f1 (11 0.96	. 48			

best grid score

 $<\!bound\ method\ Classifier Mixin.score\ of\ MLP Classifier (early_stopping=True, hidden_layer_sizes=32, tol=0.01)\!>$