

# Introduction

Rapid advances in data collection and storage technology have enabled organizations to accumulate vast amounts of data. However, extracting useful information has proven extremely challenging. Often, traditional data analysis tools and techniques cannot be used because of the massive size of a data set. Sometimes, the non-traditional nature of the data means that traditional approaches cannot be applied even if the data set is relatively small. In other situations, the questions that need to be answered cannot be addressed using existing data analysis techniques, and thus, new methods need to be developed.

Data mining is a technology that blends traditional data analysis methods with sophisticated algorithms for processing large volumes of data. It has also opened up exciting opportunities for exploring and analyzing new types of data and for analyzing old types of data in new ways. In this introductory chapter, we present an overview of data mining and outline the key topics to be covered in this book. We start with a description of some well-known applications that require new techniques for data analysis.

**Business** Point-of-sale data collection (bar code scanners, radio frequency identification (RFID), and smart card technology) have allowed retailers to collect up-to-the-minute data about customer purchases at the checkout counters of their stores. Retailers can utilize this information, along with other business-critical data such as Web logs from e-commerce Web sites and customer service records from call centers, to help them better understand the needs of their customers and make more informed business decisions.

Data mining techniques can be used to support a wide range of business intelligence applications such as customer profiling, targeted marketing, workflow management, store layout, and fraud detection. It can also help retailers

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answer important business questions such as “Who are the most profitable customers?” “What products can be cross-sold or up-sold?” and “What is the revenue outlook of the company for next year?” Some of these questions motivated the creation of association analysis (Chapters 6 and 7), a new data analysis technique.

**Medicine, Science, and Engineering** Researchers in medicine, science, and engineering are rapidly accumulating data that is key to important new discoveries. For example, as an important step toward improving our understanding of the Earth’s climate system, NASA has deployed a series of Earth-orbiting satellites that continuously generate global observations of the land surface, oceans, and atmosphere. However, because of the size and spatio-temporal nature of the data, traditional methods are often not suitable for analyzing these data sets. Techniques developed in data mining can aid Earth scientists in answering questions such as “What is the relationship between the frequency and intensity of ecosystem disturbances such as droughts and hurricanes to global warming?” “How is land surface precipitation and temperature affected by ocean surface temperature?” and “How well can we predict the beginning and end of the growing season for a region?”

As another example, researchers in molecular biology hope to use the large amounts of genomic data currently being gathered to better understand the structure and function of genes. In the past, traditional methods in molecular biology allowed scientists to study only a few genes at a time in a given experiment. Recent breakthroughs in microarray technology have enabled scientists to compare the behavior of thousands of genes under various situations. Such comparisons can help determine the function of each gene and perhaps isolate the genes responsible for certain diseases. However, the noisy and high-dimensional nature of data requires new types of data analysis. In addition to analyzing gene array data, data mining can also be used to address other important biological challenges such as protein structure prediction, multiple sequence alignment, the modeling of biochemical pathways, and phylogenetics.

### 1.1 What Is Data Mining?

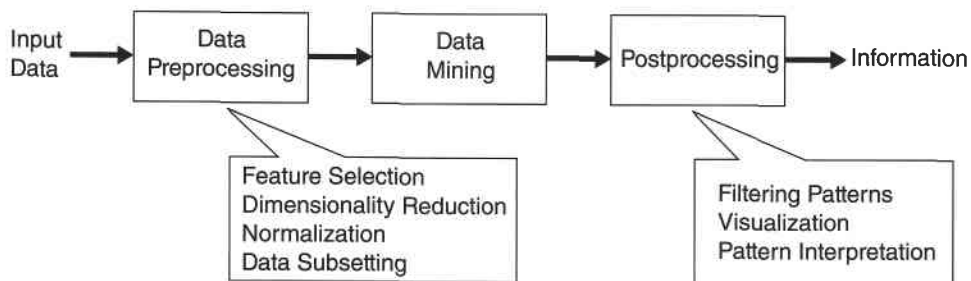
Data mining is the process of automatically discovering useful information in large data repositories. Data mining techniques are deployed to scour large databases in order to find novel and useful patterns that might otherwise remain unknown. They also provide capabilities to predict the outcome of a

future observation, such as predicting whether a newly arrived customer will spend more than \$100 at a department store.

Not all information discovery tasks are considered to be data mining. For example, looking up individual records using a database management system or finding particular Web pages via a query to an Internet search engine are tasks related to the area of **information retrieval**. Although such tasks are important and may involve the use of the sophisticated algorithms and data structures, they rely on traditional computer science techniques and obvious features of the data to create index structures for efficiently organizing and retrieving information. Nonetheless, data mining techniques have been used to enhance information retrieval systems.

### Data Mining and Knowledge Discovery

Data mining is an integral part of **knowledge discovery in databases (KDD)**, which is the overall process of converting raw data into useful information, as shown in Figure 1.1. This process consists of a series of transformation steps, from data preprocessing to postprocessing of data mining results.



**Figure 1.1.** The process of knowledge discovery in databases (KDD).

The input data can be stored in a variety of formats (flat files, spreadsheets, or relational tables) and may reside in a centralized data repository or be distributed across multiple sites. The purpose of **preprocessing** is to transform the raw input data into an appropriate format for subsequent analysis. The steps involved in data preprocessing include fusing data from multiple sources, cleaning data to remove noise and duplicate observations, and selecting records and features that are relevant to the data mining task at hand. Because of the many ways data can be collected and stored, data

preprocessing is perhaps the most laborious and time-consuming step in the overall knowledge discovery process.

“Closing the loop” is the phrase often used to refer to the process of integrating data mining results into decision support systems. For example, in business applications, the insights offered by data mining results can be integrated with campaign management tools so that effective marketing promotions can be conducted and tested. Such integration requires a **postprocessing** step that ensures that only valid and useful results are incorporated into the decision support system. An example of postprocessing is visualization (see Chapter 3), which allows analysts to explore the data and the data mining results from a variety of viewpoints. Statistical measures or hypothesis testing methods can also be applied during postprocessing to eliminate spurious data mining results.

## 1.2 Motivating Challenges

As mentioned earlier, traditional data analysis techniques have often encountered practical difficulties in meeting the challenges posed by new data sets. The following are some of the specific challenges that motivated the development of data mining.

**Scalability** Because of advances in data generation and collection, data sets with sizes of gigabytes, terabytes, or even petabytes are becoming common. If data mining algorithms are to handle these massive data sets, then they must be scalable. Many data mining algorithms employ special search strategies to handle exponential search problems. Scalability may also require the implementation of novel data structures to access individual records in an efficient manner. For instance, out-of-core algorithms may be necessary when processing data sets that cannot fit into main memory. Scalability can also be improved by using sampling or developing parallel and distributed algorithms.

**High Dimensionality** It is now common to encounter data sets with hundreds or thousands of attributes instead of the handful common a few decades ago. In bioinformatics, progress in microarray technology has produced gene expression data involving thousands of features. Data sets with temporal or spatial components also tend to have high dimensionality. For example, consider a data set that contains measurements of temperature at various locations. If the temperature measurements are taken repeatedly for an extended period, the number of dimensions (features) increases in proportion to

the number of measurements taken. Traditional data analysis techniques that were developed for low-dimensional data often do not work well for such high-dimensional data. Also, for some data analysis algorithms, the computational complexity increases rapidly as the dimensionality (the number of features) increases.

**Heterogeneous and Complex Data** Traditional data analysis methods often deal with data sets containing attributes of the same type, either continuous or categorical. As the role of data mining in business, science, medicine, and other fields has grown, so has the need for techniques that can handle heterogeneous attributes. Recent years have also seen the emergence of more complex data objects. Examples of such non-traditional types of data include collections of Web pages containing semi-structured text and hyperlinks; DNA data with sequential and three-dimensional structure; and climate data that consists of time series measurements (temperature, pressure, etc.) at various locations on the Earth's surface. Techniques developed for mining such complex objects should take into consideration relationships in the data, such as temporal and spatial autocorrelation, graph connectivity, and parent-child relationships between the elements in semi-structured text and XML documents.

**Data Ownership and Distribution** Sometimes, the data needed for an analysis is not stored in one location or owned by one organization. Instead, the data is geographically distributed among resources belonging to multiple entities. This requires the development of distributed data mining techniques. Among the key challenges faced by distributed data mining algorithms include (1) how to reduce the amount of communication needed to perform the distributed computation, (2) how to effectively consolidate the data mining results obtained from multiple sources, and (3) how to address data security issues.

**Non-traditional Analysis** The traditional statistical approach is based on a hypothesize-and-test paradigm. In other words, a hypothesis is proposed, an experiment is designed to gather the data, and then the data is analyzed with respect to the hypothesis. Unfortunately, this process is extremely labor-intensive. Current data analysis tasks often require the generation and evaluation of thousands of hypotheses, and consequently, the development of some data mining techniques has been motivated by the desire to automate the process of hypothesis generation and evaluation. Furthermore, the data sets analyzed in data mining are typically not the result of a carefully designed

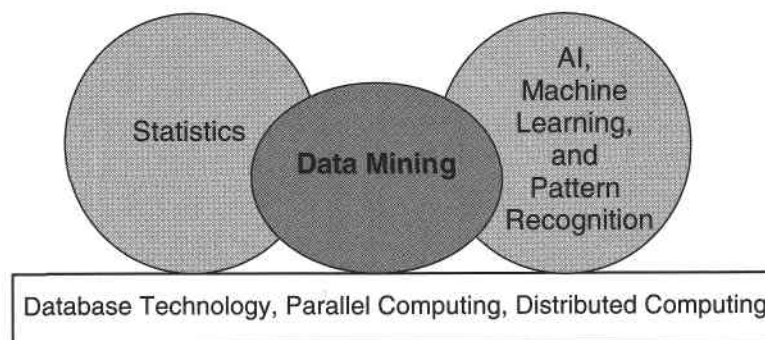
experiment and often represent opportunistic samples of the data, rather than random samples. Also, the data sets frequently involve non-traditional types of data and data distributions.

### 1.3 The Origins of Data Mining

Brought together by the goal of meeting the challenges of the previous section, researchers from different disciplines began to focus on developing more efficient and scalable tools that could handle diverse types of data. This work, which culminated in the field of data mining, built upon the methodology and algorithms that researchers had previously used. In particular, data mining draws upon ideas, such as (1) sampling, estimation, and hypothesis testing from statistics and (2) search algorithms, modeling techniques, and learning theories from artificial intelligence, pattern recognition, and machine learning. Data mining has also been quick to adopt ideas from other areas, including optimization, evolutionary computing, information theory, signal processing, visualization, and information retrieval.

A number of other areas also play key supporting roles. In particular, database systems are needed to provide support for efficient storage, indexing, and query processing. Techniques from high performance (parallel) computing are often important in addressing the massive size of some data sets. Distributed techniques can also help address the issue of size and are essential when the data cannot be gathered in one location.

Figure 1.2 shows the relationship of data mining to other areas.



**Figure 1.2.** Data mining as a confluence of many disciplines.

## 1.4 Data Mining Tasks

Data mining tasks are generally divided into two major categories:

**Predictive tasks.** The objective of these tasks is to predict the value of a particular attribute based on the values of other attributes. The attribute to be predicted is commonly known as the **target** or **dependent variable**, while the attributes used for making the prediction are known as the **explanatory** or **independent variables**.

**Descriptive tasks.** Here, the objective is to derive patterns (correlations, trends, clusters, trajectories, and anomalies) that summarize the underlying relationships in data. Descriptive data mining tasks are often exploratory in nature and frequently require postprocessing techniques to validate and explain the results.

Figure 1.3 illustrates four of the core data mining tasks that are described in the remainder of this book.

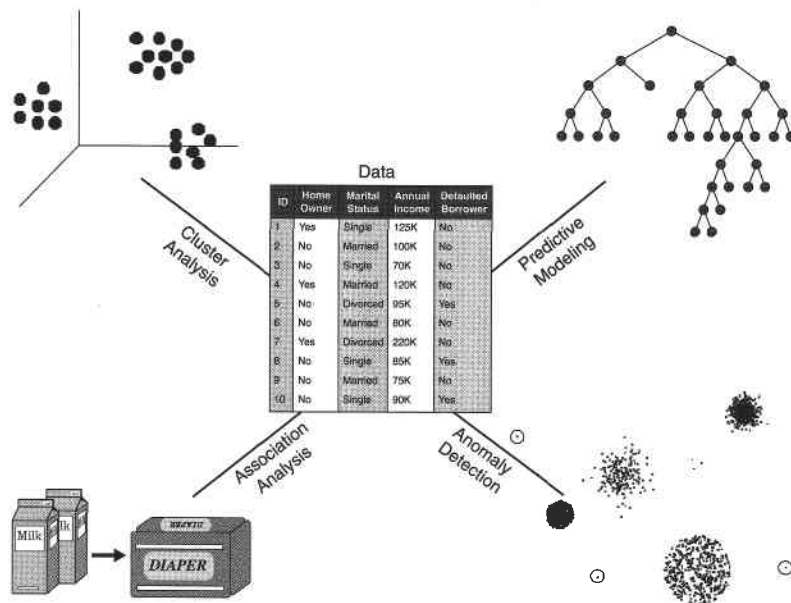


Figure 1.3. Four of the core data mining tasks.

**Predictive modeling** refers to the task of building a model for the target variable as a function of the explanatory variables. There are two types of predictive modeling tasks: **classification**, which is used for discrete target variables, and **regression**, which is used for continuous target variables. For example, predicting whether a Web user will make a purchase at an online bookstore is a classification task because the target variable is binary-valued. On the other hand, forecasting the future price of a stock is a regression task because price is a continuous-valued attribute. The goal of both tasks is to learn a model that minimizes the error between the predicted and true values of the target variable. Predictive modeling can be used to identify customers that will respond to a marketing campaign, predict disturbances in the Earth's ecosystem, or judge whether a patient has a particular disease based on the results of medical tests.

**Example 1.1 (Predicting the Type of a Flower).** Consider the task of predicting a species of flower based on the characteristics of the flower. In particular, consider classifying an Iris flower as to whether it belongs to one of the following three Iris species: Setosa, Versicolour, or Virginica. To perform this task, we need a data set containing the characteristics of various flowers of these three species. A data set with this type of information is the well-known Iris data set from the UCI Machine Learning Repository at <http://www.ics.uci.edu/~mllearn>. In addition to the species of a flower, this data set contains four other attributes: sepal width, sepal length, petal length, and petal width. (The Iris data set and its attributes are described further in Section 3.1.) Figure 1.4 shows a plot of petal width versus petal length for the 150 flowers in the Iris data set. Petal width is broken into the categories *low*, *medium*, and *high*, which correspond to the intervals  $[0, 0.75)$ ,  $[0.75, 1.75)$ ,  $[1.75, \infty)$ , respectively. Also, petal length is broken into categories *low*, *medium*, and *high*, which correspond to the intervals  $[0, 2.5)$ ,  $[2.5, 5)$ ,  $[5, \infty)$ , respectively. Based on these categories of petal width and length, the following rules can be derived:

Petal width low and petal length low implies Setosa.

Petal width medium and petal length medium implies Versicolour.

Petal width high and petal length high implies Virginica.

While these rules do not classify all the flowers, they do a good (but not perfect) job of classifying most of the flowers. Note that flowers from the Setosa species are well separated from the Versicolour and Virginica species with respect to petal width and length, but the latter two species overlap somewhat with respect to these attributes. ■



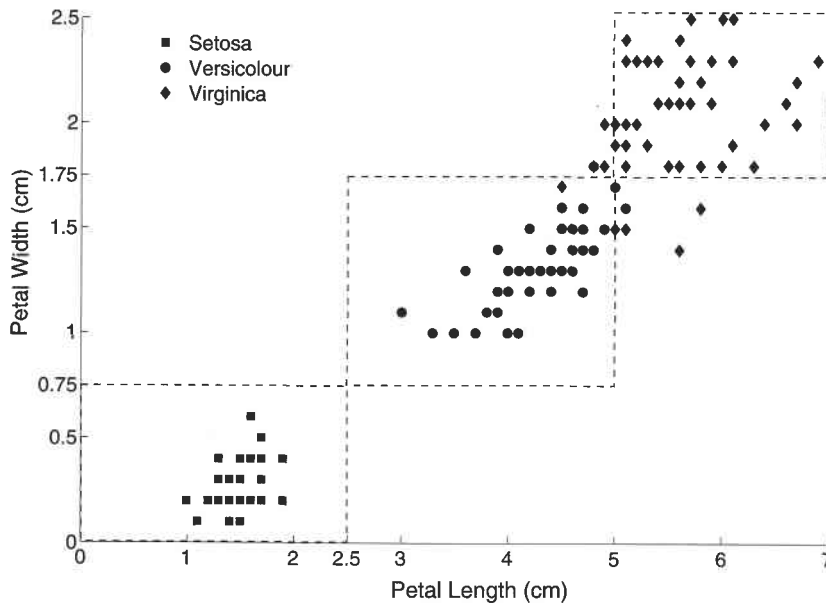


Figure 1.4. Petal width versus petal length for 150 Iris flowers.

**Association analysis** is used to discover patterns that describe strongly associated features in the data. The discovered patterns are typically represented in the form of implication rules or feature subsets. Because of the exponential size of its search space, the goal of association analysis is to extract the most interesting patterns in an efficient manner. Useful applications of association analysis include finding groups of genes that have related functionality, identifying Web pages that are accessed together, or understanding the relationships between different elements of Earth's climate system.

**Example 1.2 (Market Basket Analysis).** The transactions shown in Table 1.1 illustrate point-of-sale data collected at the checkout counters of a grocery store. Association analysis can be applied to find items that are frequently bought together by customers. For example, we may discover the rule  $\{\text{Diapers}\} \rightarrow \{\text{Milk}\}$ , which suggests that customers who buy diapers also tend to buy milk. This type of rule can be used to identify potential cross-selling opportunities among related items. ■

**Cluster analysis** seeks to find groups of closely related observations so that observations that belong to the same cluster are more similar to each other

Table 1.1. Market basket data.

Transaction ID	Items
1	{Bread, Butter, Diapers, Milk}
2	{Coffee, Sugar, Cookies, Salmon}
3	{Bread, Butter, Coffee, Diapers, Milk, Eggs}
4	{Bread, Butter, Salmon, Chicken}
5	{Eggs, Bread, Butter}
6	{Salmon, Diapers, Milk}
7	{Bread, Tea, Sugar, Eggs}
8	{Coffee, Sugar, Chicken, Eggs}
9	{Bread, Diapers, Milk, Salt}
10	{Tea, Eggs, Cookies, Diapers, Milk}

than observations that belong to other clusters. Clustering has been used to group sets of related customers, find areas of the ocean that have a significant impact on the Earth's climate, and compress data.

**Example 1.3 (Document Clustering).** The collection of news articles shown in Table 1.2 can be grouped based on their respective topics. Each article is represented as a set of word-frequency pairs  $(w, c)$ , where  $w$  is a word and  $c$  is the number of times the word appears in the article. There are two natural clusters in the data set. The first cluster consists of the first four articles, which correspond to news about the economy, while the second cluster contains the last four articles, which correspond to news about health care. A good clustering algorithm should be able to identify these two clusters based on the similarity between words that appear in the articles.

Table 1.2. Collection of news articles.

Article	Words
1	dollar: 1, industry: 4, country: 2, loan: 3, deal: 2, government: 2
2	machinery: 2, labor: 3, market: 4, industry: 2, work: 3, country: 1
3	job: 5, inflation: 3, rise: 2, jobless: 2, market: 3, country: 2, index: 3
4	domestic: 3, forecast: 2, gain: 1, market: 2, sale: 3, price: 2
5	patient: 4, symptom: 2, drug: 3, health: 2, clinic: 2, doctor: 2
6	pharmaceutical: 2, company: 3, drug: 2, vaccine: 1, flu: 3
7	death: 2, cancer: 4, drug: 3, public: 4, health: 3, director: 2
8	medical: 2, cost: 3, increase: 2, patient: 2, health: 3, care: 1

**Anomaly detection** is the task of identifying observations whose characteristics are significantly different from the rest of the data. Such observations are known as **anomalies** or **outliers**. The goal of an anomaly detection algorithm is to discover the real anomalies and avoid falsely labeling normal objects as anomalous. In other words, a good anomaly detector must have a high detection rate and a low false alarm rate. Applications of anomaly detection include the detection of fraud, network intrusions, unusual patterns of disease, and ecosystem disturbances.

**Example 1.4 (Credit Card Fraud Detection).** A credit card company records the transactions made by every credit card holder, along with personal information such as credit limit, age, annual income, and address. Since the number of fraudulent cases is relatively small compared to the number of legitimate transactions, anomaly detection techniques can be applied to build a profile of legitimate transactions for the users. When a new transaction arrives, it is compared against the profile of the user. If the characteristics of the transaction are very different from the previously created profile, then the transaction is flagged as potentially fraudulent. ■

## 1.5 Scope and Organization of the Book

This book introduces the major principles and techniques used in data mining from an algorithmic perspective. A study of these principles and techniques is essential for developing a better understanding of how data mining technology can be applied to various kinds of data. This book also serves as a starting point for readers who are interested in doing research in this field.

We begin the technical discussion of this book with a chapter on data (Chapter 2), which discusses the basic types of data, data quality, preprocessing techniques, and measures of similarity and dissimilarity. Although this material can be covered quickly, it provides an essential foundation for data analysis. Chapter 3, on data exploration, discusses summary statistics, visualization techniques, and On-Line Analytical Processing (OLAP). These techniques provide the means for quickly gaining insight into a data set.

Chapters 4 and 5 cover classification. Chapter 4 provides a foundation by discussing decision tree classifiers and several issues that are important to all classification: overfitting, performance evaluation, and the comparison of different classification models. Using this foundation, Chapter 5 describes a number of other important classification techniques: rule-based systems, nearest-neighbor classifiers, Bayesian classifiers, artificial neural networks, support vector machines, and ensemble classifiers, which are collections of classi-

fiers. The multiclass and imbalanced class problems are also discussed. These topics can be covered independently.

Association analysis is explored in Chapters 6 and 7. Chapter 6 describes the basics of association analysis: frequent itemsets, association rules, and some of the algorithms used to generate them. Specific types of frequent itemsets—maximal, closed, and hyperclique—that are important for data mining are also discussed, and the chapter concludes with a discussion of evaluation measures for association analysis. Chapter 7 considers a variety of more advanced topics, including how association analysis can be applied to categorical and continuous data or to data that has a concept hierarchy. (A concept hierarchy is a hierarchical categorization of objects, e.g., store items, clothing, shoes, sneakers.) This chapter also describes how association analysis can be extended to find sequential patterns (patterns involving order), patterns in graphs, and negative relationships (if one item is present, then the other is not).

Cluster analysis is discussed in Chapters 8 and 9. Chapter 8 first describes the different types of clusters and then presents three specific clustering techniques: K-means, agglomerative hierarchical clustering, and DBSCAN. This is followed by a discussion of techniques for validating the results of a clustering algorithm. Additional clustering concepts and techniques are explored in Chapter 9, including fuzzy and probabilistic clustering, Self-Organizing Maps (SOM), graph-based clustering, and density-based clustering. There is also a discussion of scalability issues and factors to consider when selecting a clustering algorithm.

The last chapter, Chapter 10, is on anomaly detection. After some basic definitions, several different types of anomaly detection are considered: statistical, distance-based, density-based, and clustering-based. Appendices A through E give a brief review of important topics that are used in portions of the book: linear algebra, dimensionality reduction, statistics, regression, and optimization.

The subject of data mining, while relatively young compared to statistics or machine learning, is already too large to cover in a single book. Selected references to topics that are only briefly covered, such as data quality, are provided in the bibliographic notes of the appropriate chapter. References to topics not covered in this book, such as data mining for streams and privacy-preserving data mining, are provided in the bibliographic notes of this chapter.

## 1.6 Bibliographic Notes

The topic of data mining has inspired many textbooks. Introductory textbooks include those by Dunham [10], Han and Kamber [21], Hand et al. [23], and Roiger and Geatz [36]. Data mining books with a stronger emphasis on business applications include the works by Berry and Linoff [2], Pyle [34], and Parr Rud [33]. Books with an emphasis on statistical learning include those by Cherkassky and Mulier [6], and Hastie et al. [24]. Some books with an emphasis on machine learning or pattern recognition are those by Duda et al. [9], Kantardzic [25], Mitchell [31], Webb [41], and Witten and Frank [42]. There are also some more specialized books: Chakrabarti [4] (web mining), Fayyad et al. [13] (collection of early articles on data mining), Fayyad et al. [11] (visualization), Grossman et al. [18] (science and engineering), Kargupta and Chan [26] (distributed data mining), Wang et al. [40] (bioinformatics), and Zaki and Ho [44] (parallel data mining).

There are several conferences related to data mining. Some of the main conferences dedicated to this field include the ACM SIGKDD International Conference on Knowledge Discovery and Data Mining (KDD), the IEEE International Conference on Data Mining (ICDM), the SIAM International Conference on Data Mining (SDM), the European Conference on Principles and Practice of Knowledge Discovery in Databases (PKDD), and the Pacific-Asia Conference on Knowledge Discovery and Data Mining (PAKDD). Data mining papers can also be found in other major conferences such as the ACM SIGMOD/PODS conference, the International Conference on Very Large Data Bases (VLDB), the Conference on Information and Knowledge Management (CIKM), the International Conference on Data Engineering (ICDE), the International Conference on Machine Learning (ICML), and the National Conference on Artificial Intelligence (AAAI).

Journal publications on data mining include *IEEE Transactions on Knowledge and Data Engineering*, *Data Mining and Knowledge Discovery*, *Knowledge and Information Systems*, *Intelligent Data Analysis*, *Information Systems*, and the *Journal of Intelligent Information Systems*.

There have been a number of general articles on data mining that define the field or its relationship to other fields, particularly statistics. Fayyad et al. [12] describe data mining and how it fits into the total knowledge discovery process. Chen et al. [5] give a database perspective on data mining. Ramakrishnan and Grama [35] provide a general discussion of data mining and present several viewpoints. Hand [22] describes how data mining differs from statistics, as does Friedman [14]. Lambert [29] explores the use of statistics for large data sets and provides some comments on the respective roles of data mining and statistics.

Glymour et al. [16] consider the lessons that statistics may have for data mining. Smyth et al. [38] describe how the evolution of data mining is being driven by new types of data and applications, such as those involving streams, graphs, and text. Emerging applications in data mining are considered by Han et al. [20] and Smyth [37] describes some research challenges in data mining. A discussion of how developments in data mining research can be turned into practical tools is given by Wu et al. [43]. Data mining standards are the subject of a paper by Grossman et al. [17]. Bradley [3] discusses how data mining algorithms can be scaled to large data sets.

With the emergence of new data mining applications have come new challenges that need to be addressed. For instance, concerns about privacy breaches as a result of data mining have escalated in recent years, particularly in application domains such as Web commerce and health care. As a result, there is growing interest in developing data mining algorithms that maintain user privacy. Developing techniques for mining encrypted or randomized data is known as **privacy-preserving data mining**. Some general references in this area include papers by Agrawal and Srikant [1], Clifton et al. [7] and Kargupta et al. [27]. Vassilios et al. [39] provide a survey.

Recent years have witnessed a growing number of applications that rapidly generate continuous streams of data. Examples of stream data include network traffic, multimedia streams, and stock prices. Several issues must be considered when mining data streams, such as the limited amount of memory available, the need for online analysis, and the change of the data over time. Data mining for stream data has become an important area in data mining. Some selected publications are Domingos and Hulten [8] (classification), Giannella et al. [15] (association analysis), Guha et al. [19] (clustering), Kifer et al. [28] (change detection), Papadimitriou et al. [32] (time series), and Law et al. [30] (dimensionality reduction).

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## 1.7 Exercises

1. Discuss whether or not each of the following activities is a data mining task.



- (a) Dividing the customers of a company according to their gender.
  - (b) Dividing the customers of a company according to their profitability.
  - (c) Computing the total sales of a company.
  - (d) Sorting a student database based on student identification numbers.
  - (e) Predicting the outcomes of tossing a (fair) pair of dice.
  - (f) Predicting the future stock price of a company using historical records.
  - (g) Monitoring the heart rate of a patient for abnormalities.
  - (h) Monitoring seismic waves for earthquake activities.
  - (i) Extracting the frequencies of a sound wave.
2. Suppose that you are employed as a data mining consultant for an Internet search engine company. Describe how data mining can help the company by giving specific examples of how techniques, such as clustering, classification, association rule mining, and anomaly detection can be applied.
3. For each of the following data sets, explain whether or not data privacy is an important issue.
- (a) Census data collected from 1900–1950.
  - (b) IP addresses and visit times of Web users who visit your Website.
  - (c) Images from Earth-orbiting satellites.
  - (d) Names and addresses of people from the telephone book.
  - (e) Names and email addresses collected from the Web.