Sample Report

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This report investigates the ideal dense feed-forward neural network to identify hotel bookings with a high risk of cancellation. ABC Hotels provided a dataset containing information on over 35,000 bookings, where it is known whether each reservation was canceled or completed. The results of this report have implications for hotel revenue management, targeted promotional efforts, and occupancy forecasting.

In the Analytic Plan phase of the investigation, "booking_status" (0 = Not Canceled, 1 = Canceled) was named as the target variable. A plan was made for each feature in the dataset to delete, modify, or leave it as is. In the Preliminary phase, data cleaning and initial model training and evaluation took place. During data cleaning, missing values were handled appropriately, and categorical variables such as type_of_meal_plan and market_segment_type were one-hot encoded. Numerical features such as lead time and average price per room were standardized to ensure equal contribution to model learning. An initial dense feedforward neural network (Model #1) was trained and evaluated. Using the ROC Curve Comparison and AUC, it was determined that Model #1 performed well but required improvements to prevent underfitting and increase predictive power. This finding suggested the need for a more flexible and complex model architecture.

For the Final Report, two dense feedforward neural networks were trained and evaluated. Model #1 (a simple network with fewer hidden layers) and Model #2 (a deeper network with added batch normalization, dropout, and L2 regularization) were each assessed individually using ROC Curves, AUC, and Calibration Plots to determine if adjustments were needed. After these individual evaluations, a side-by-side comparison of ROC/AUC and Calibration Plots was conducted to identify the better-performing model. Model #2 was chosen as the recommended model because it had an AUC of 0.9352, the strongest ROC Curve, and effectively balanced complexity with generalization. The addition of regularization techniques in Model #2 helped reduce overfitting, making it a more reliable choice for predicting cancellations. Further analysis of the calibration plots confirmed that Model #2 was well-calibrated, meaning its predicted probabilities closely matched actual cancellation outcomes. This is particularly useful for ABC Hotels, as it allows them to confidently use probability scores to target high-risk bookings with strategic promotions and interventions.

The next step for ABC Hotels will be to use the predictive model to implement strategies that reduce cancellations. For example, hotel management can offer discounts on non-refundable rates to customers with a high predicted probability of cancellation, encouraging them to keep their reservations. Personalized reminders or exclusive upgrade offers can be sent to customers identified as high-risk to incentivize them to show up for their booking. If the model predicts a low cancellation probability, ABC Hotels can divert the funds they would have spent on targeted advertising elsewhere.

It is recommended that further investigations be conducted to better understand why certain bookings are more likely to be canceled. Are customers canceling due to price, other options, or flexible cancellation policies? Do specific market segments (e.g., families, people traveling for work) exhibit higher cancellation rates? Are factors such as special requests or type of meal plan influencing cancellations? Since booking cancellations have a direct impact on

revenue forecasting and operational planning, gaining deeper insights into cancellation reasons is important for optimizing hotel performance. By incorporating Model #2 into their decision-making process, ABC Hotels can reduce cancellations, increase revenue, and improve customer retention strategies.

CODE AND VISUALIZATIONS

Perform the data processing steps proposed in the Analytic Plan

Data Processing ------

According to the Analytic Plan, all variables can be put into four categories: Exclude, Alter, Standardize, and Leave as is. See below for breakdown.

Exclude: Booking_ID

Alter: type_of_meal_plan, room_type_reserved, arrival_date, market_segment_type, booking_status

Standardize: no_of_adults, no_of_children, no_of_weekend_nights, no_of_week_nights, lead_time, no_of_previous_cancellations, no_of_previous_bookings_not_canceled, avg_price_per_room, no_of_special_requests

Leave: required_car_parking_space, repeated_guest

The Analytics Plan also handles missing, unknown, and NA values.

Below is the executed plan:

Load Libraries -----

```
# Load libraries
import pandas as pd
import numpy as np
from sklearn.preprocessing import StandardScaler, OneHotEncoder
```

```
Load Data -----
```

```
# Load data
project_data = pd.read_csv('/content/project_data.csv')
```

```
Check for Missing Values ------
```

```
# Check for missing values
missing_values = project_data.isnull().sum()
```

```
print("Missing Values:\n", missing values)
```

See below for output. No missing values, so no further action needed.

```
Missing Values:
Booking_ID
                                        0
no_of_adults
no_of_children
no_of_weekend_nights
no_of_week_nights
type_of_meal_plan
required_car_parking_space
room_type_reserved
lead time
arrival_date
market_segment_type
repeated guest
no_of_previous_cancellations
no_of_previous_bookings_not_canceled
avg price per room
no of special requests
                                       0
booking status
dtype: int64
```

Exclude Columns -----

Below, I will exclude the Booking_ID column because it is a unique identifier and not useful to the

analysis.

```
# Exclude Booking_ID
project_data.drop(columns=['Booking_ID'], inplace=True)
```

Alter Columns ------

Below, I will one-hot encode for categorical variables so the category types can be used in analysis.

```
# One-hot Encode categorical variables
categorical_cols = ["type_of_meal_plan", "room_type_reserved",
"market_segment_type"]
project_data = pd.get_dummies(project_data,
columns=categorical cols, drop first=True)
```

Below, I will transform arrival_date into day, month, and year since each of those, individually, can influence cancellations. I will then one-hot encode day and month since they are categorical. I will not one-hot encode year, as that would create unnecessary columns. Instead, I will standardize arrival_year.

```
# Transform arrival_date into day of week, month, and year
project_data["arrival_date"] =
pd.to_datetime(project_data["arrival_date"])
project_data["arrival_day_of_week"] =
project_data["arrival_date"].dt.dayofweek
project_data["arrival_month"] =
project_data["arrival_date"].dt.month
```

```
project_data["arrival_year"] =
project_data["arrival_date"].dt.year
project_data.drop(columns=["arrival_date"], inplace=True)

# One-hot encode day of week and month
project_data = pd.get_dummies(project_data,
columns=["arrival_day_of_week", "arrival_month"],
drop_first=True)
```

Standardize Columns -----

Below, I will standardize numerical variables so they have a mean of 0 and standard deviation of 1 and contribute to the model proportionally.

```
# Standardize numerical variables
num_cols = [
        "no_of_adults", "no_of_children", "no_of_weekend_nights",
"no_of_week_nights",
        "lead_time", "no_of_previous_cancellations",
"no_of_previous_bookings_not_canceled",
        "avg_price_per_room", "no_of_special_requests",
"arrival_year"
]
scaler = StandardScaler()
project_data[num_cols] =
scaler.fit_transform(project_data[num_cols])
```

Transform Target Variable -----

```
# Transform target variable into binary
project_data["booking_status"] =
project_data["booking_status"].map({"not_canceled": 0,
"canceled": 1})
```

Convert True/False to 0s and 1s ------

```
# Convert True/False to 0s and 1s
bool_cols = project_data.select_dtypes(include=['bool']).columns
project_data[bool_cols] = project_data[bool_cols].astype(int)
```

After this, I saved the processed data as a new file to be used in the following steps.

MODEL #1

Prepare Features -------

```
# Import libraries
import pandas as pd
import torch
import torch.nn as nn
import torch.optim as optim
from sklearn.model selection import train test split
from torch.utils.data import DataLoader, TensorDataset
# Load processed data
df = pd.read csv("/content/processed data.csv")
# Separate features (X) and target variable (y)
X = df.drop(columns=["booking status"]).values
y = df["booking status"].values
# Convert to PyTorch tensors
X tensor = torch.tensor(X, dtype=torch.float32)
y tensor = torch.tensor(y, dtype=torch.float32).view(-1, 1)
# Split into training and test sets
X train, X test, y train, y test = train test split(X tensor,
y tensor, test size=0.2, random state=42)
# Create PyTorch DataLoader objects for batch training
train dataset = TensorDataset(X train, y train)
test dataset = TensorDataset(X test, y test)
train loader = DataLoader(train dataset, batch size=64,
shuffle=True)
test loader = DataLoader(test dataset, batch size=64,
shuffle=False)
```

Define the Dense Neural Network -----

```
# Define a feedforward neural network
class DenseNN(nn.Module):
    def __init__(self, input_size):
        super(DenseNN, self).__init__()
        self.model = nn.Sequential(
            nn.Linear(input_size, 64),
            nn.ReLU(),
            nn.Linear(64, 32),
```

Define Loss Function & Optimizer -----

```
# Binary Cross-Entropy Loss
criterion = nn.BCELoss()

# Adam Optimizer
optimizer = optim.Adam(model.parameters(), lr=0.001)
```

Train the Model -------

The output below shows a decreasing training loss.

```
# Training loop
epochs = 20
for epoch in range(epochs):
    model.train()
    total_loss = 0

for X_batch, y_batch in train_loader:
        optimizer.zero_grad()
        y_pred = model(X_batch)
        loss = criterion(y_pred, y_batch)
        loss.backward()
        optimizer.step()

        total_loss += loss.item()

    print(f"Epoch {epoch+1}/{epochs}, Loss:
{total_loss/len(train_loader):.4f}")
```

```
→ Epoch 1/20, Loss: 0.4375
    Epoch 2/20, Loss: 0.3759
    Epoch 3/20, Loss: 0.3612
    Epoch 4/20, Loss: 0.3482
    Epoch 5/20, Loss: 0.3377
    Epoch 6/20, Loss: 0.3290
    Epoch 7/20, Loss: 0.3215
    Epoch 8/20, Loss: 0.3159
    Epoch 9/20, Loss: 0.3101
    Epoch 10/20, Loss: 0.3060
    Epoch 11/20, Loss: 0.3011
    Epoch 12/20, Loss: 0.2989
    Epoch 13/20, Loss: 0.2944
    Epoch 14/20, Loss: 0.2922
    Epoch 15/20, Loss: 0.2892
    Epoch 16/20, Loss: 0.2854
    Epoch 17/20, Loss: 0.2827
    Epoch 18/20, Loss: 0.2810
    Epoch 19/20, Loss: 0.2793
    Epoch 20/20, Loss: 0.2779
```

Evaluate Model Performance -----

The output below shows the model achieved 86.16%.

```
# Evaluate on test set
model.eval()
correct, total = 0, 0

with torch.no_grad():
    for X_batch, y_batch in test_loader:
        y_pred = model(X_batch)
        predicted = (y_pred > 0.5).float()
        correct += (predicted == y_batch).sum().item()
        total += y_batch.size(0)

accuracy = correct / total
print(f"Test Accuracy: {accuracy:.4f}")

Test Accuracy: 0.8616
```

Track Losses -----

```
import matplotlib.pyplot as plt

# Lists to store loss values
train_losses = []
val_losses = []

epochs = 20
for epoch in range(epochs):
    model.train()
    train_loss = 0

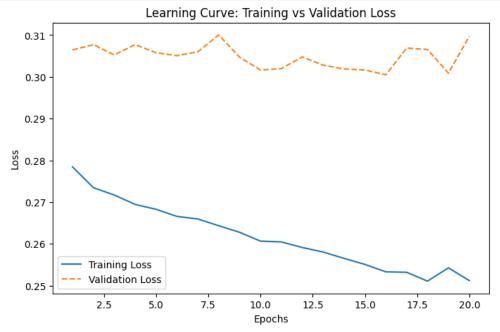
for X batch, y batch in train loader:
```

```
optimizer.zero grad()
           y pred = model(X batch)
           loss = criterion(y pred, y batch)
           loss.backward()
           optimizer.step()
           train loss += loss.item()
     # Calculate average training loss
     avg train loss = train loss / len(train loader)
     train losses.append(avg train loss)
     # Validation phase (no gradient updates)
     model.eval()
     val loss = 0
     with torch.no grad():
           for X val, y val in test loader:
                 y pred = model(X val)
                 loss = criterion(y pred, y val)
                 val loss += loss.item()
     # Calculate average validation loss
     avg val loss = val loss / len(test loader)
     val losses.append(avg val loss)
     print(f"Epoch {epoch+1}/{epochs}, Training Loss:
{avg train loss:.4f}, Validation Loss: {avg val loss:.4f}")
₹ Epoch 1/20, Training Loss: 0.2784, Validation Loss: 0.3065
   Epoch 2/20, Training Loss: 0.2735, Validation Loss: 0.3077
   Epoch 3/20, Training Loss: 0.2717, Validation Loss: 0.3052
   Epoch 4/20, Training Loss: 0.2694, Validation Loss: 0.3077
   Epoch 5/20, Training Loss: 0.2683, Validation Loss: 0.3058
   Epoch 6/20, Training Loss: 0.2666, Validation Loss: 0.3051
   Epoch 7/20, Training Loss: 0.2660, Validation Loss: 0.3060
   Epoch 8/20, Training Loss: 0.2643, Validation Loss: 0.3100
   Epoch 9/20, Training Loss: 0.2628, Validation Loss: 0.3047
   Epoch 10/20, Training Loss: 0.2606, Validation Loss: 0.3016
   Epoch 11/20, Training Loss: 0.2605, Validation Loss: 0.3020
   Epoch 12/20, Training Loss: 0.2591, Validation Loss: 0.3048
   Epoch 13/20, Training Loss: 0.2580, Validation Loss: 0.3028
   Epoch 14/20, Training Loss: 0.2565, Validation Loss: 0.3019
   Epoch 15/20, Training Loss: 0.2551, Validation Loss: 0.3016
   Epoch 16/20, Training Loss: 0.2533, Validation Loss: 0.3005
   Epoch 17/20, Training Loss: 0.2532, Validation Loss: 0.3069
   Epoch 18/20, Training Loss: 0.2511, Validation Loss: 0.3066
   Epoch 19/20, Training Loss: 0.2543, Validation Loss: 0.3009
   Epoch 20/20, Training Loss: 0.2512, Validation Loss: 0.3097
```

Plot Learning Curves ------

```
plt.figure(figsize=(8, 5))
plt.plot(range(1, epochs + 1), train_losses, label="Training
Loss")
```

```
plt.plot(range(1, epochs + 1), val_losses, label="Validation
Loss", linestyle="dashed")
plt.xlabel("Epochs")
plt.ylabel("Loss")
plt.legend()
plt.title("Learning Curve: Training vs Validation Loss")
plt.show()
```



ROC/AUC

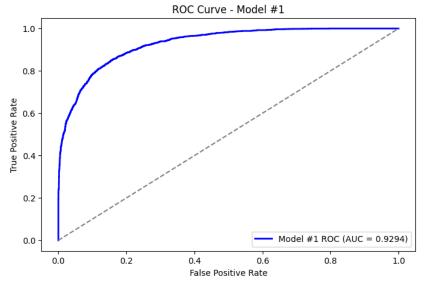
```
# Set Model #1 to evaluation mode
model.eval()
y_scores_model1 = []

# Get predictions on the test set
with torch.no_grad():
    for X_batch, _ in test_loader:
        y_pred = model(X_batch)
        y_scores_model1.extend(y_pred.cpu().numpy())

# Convert true labels to NumPy
y_true = y_test.cpu().numpy().flatten()
y_scores_model1 = np.array(y_scores_model1).flatten()

# Compute ROC curve and AUC score
fpr1, tpr1, _ = roc_curve(y_true, y_scores_model1)
roc_auc1 = auc(fpr1, tpr1)
```

```
# Plot ROC Curve
plt.figure(figsize=(8, 5))
plt.plot(fpr1, tpr1, color='blue', lw=2, label=f'Model #1 ROC
(AUC = {roc_auc1:.4f})')
plt.plot([0, 1], [0, 1], color='gray', linestyle="dashed")
plt.xlabel("False Positive Rate")
plt.ylabel("True Positive Rate")
plt.title("ROC Curve - Model #1")
plt.legend(loc="lower right")
plt.show()
```



Calibration Plot -----

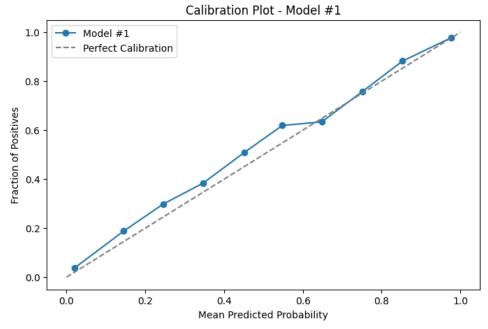
```
# Set Model #1 to evaluation mode
model.eval()
y_scores_model1 = []

# Get predicted probabilities on the test set
with torch.no_grad():
    for X_batch, _ in test_loader:
        y_pred = model(X_batch)
        y_scores_model1.extend(y_pred.cpu().numpy())

# Convert true labels to NumPy
y_true = y_test.cpu().numpy().flatten()
y_scores_model1 = np.array(y_scores_model1).flatten()

# Compute calibration curve
fraction_of_positives, mean_predicted_value =
calibration_curve(y_true, y_scores_model1, n_bins=10)
```

```
# Plot Calibration Curve for Model #1
plt.figure(figsize=(8, 5))
plt.plot(mean_predicted_value, fraction_of_positives,
marker="o", label="Model #1")
plt.plot([0, 1], [0, 1], linestyle="--", color="gray",
label="Perfect Calibration")
plt.xlabel("Mean Predicted Probability")
plt.ylabel("Fraction of Positives")
plt.title("Calibration Plot - Model #1")
plt.legend()
plt.show()
```



MODEL#2

Define the Dense Neural Network -----

```
nn.LeakyReLU(),
            nn.Dropout(0.3),
            nn.Linear(64, 32),
            nn.BatchNorm1d(32),
            nn.LeakyReLU(),
            nn.Dropout(0.3),
            nn.Linear(32, 16),
            nn.LeakyReLU(),
            nn.Linear(16, 1),
            nn.Sigmoid()
        )
    def forward(self, x):
        return self.model(x)
# Initialize Model #2
input size = X train.shape[1]
model2 = DenseNN2(input size)
```

Define Loss Function & Optimizer -----

```
# Define Loss Function & Optimizer with L2 Regularization
criterion = nn.BCELoss()
optimizer = optim.Adam(model2.parameters(), lr=0.001,
weight decay=1e-4)
```

Train the Model -----

```
# Early Stopping Setup
early_stopping_patience = 10
best_val_loss = float("inf")
patience_counter = 0
```

```
# Training Loop with Early Stopping
epochs = 2000
train_losses = []
val_losses = []

for epoch in range(epochs):
    model2.train()
```

```
train loss = 0
   for X batch, y batch in train loader:
        optimizer.zero grad()
       y pred = model2(X batch)
       loss = criterion(y pred, y batch)
       loss.backward()
       optimizer.step()
        train loss += loss.item()
   avg train loss = train loss / len(train loader)
   train losses.append(avg train loss)
   # Validation Phase
   model2.eval()
   val loss = 0
   with torch.no grad():
        for X val, y val in test loader:
            y pred = model2(X val)
            loss = criterion(y pred, y val)
           val loss += loss.item()
   avg val loss = val loss / len(test loader)
   val losses.append(avg val loss)
   # Print loss every 100 epochs
   if (epoch + 1) % 100 == 0:
       print(f"Epoch {epoch+1}/{epochs}, Training Loss:
{avg train loss:.4f}, Validation Loss: {avg val loss:.4f}")
   # Early Stopping Check
   if avg val loss < best val loss:
       best val loss = avg val loss
       patience counter = 0
   else:
       patience counter += 1
   if patience counter >= early stopping patience:
       print(f"Early stopping triggered at epoch {epoch+1}")
       break
```

₹ Early stopping triggered at epoch 66

```
# Plot Training and Validation Loss
plt.figure(figsize=(8, 5))
plt.plot(range(1, len(train_losses) + 1), train_losses,
label="Training Loss", color='blue')
plt.plot(range(1, len(val_losses) + 1), val_losses,
label="Validation Loss", color='red', linestyle="dashed")

# Add labels and title
plt.xlabel("Epochs")
plt
```

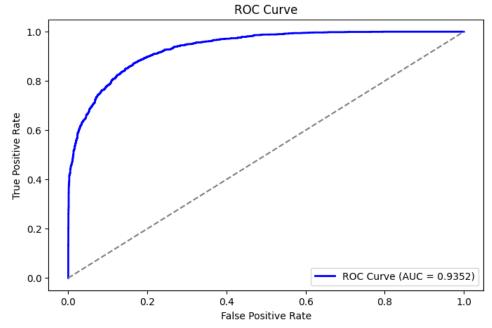
ROC/AUC -----

```
# Get model predictions on the test set
model2.eval()
y_scores = []
with torch.no_grad():
    for X_batch, _ in test_loader:
        y_pred = model2(X_batch)
        y_scores.extend(y_pred.cpu().numpy())

# Convert true labels to NumPy
y_true = y_test.cpu().numpy().flatten()
y_scores = np.array(y_scores).flatten()

# Compute ROC curve and AUC score
fpr, tpr, _ = roc_curve(y_true, y_scores)
roc_auc = auc(fpr, tpr)
```

```
# Plot ROC Curve
plt.figure(figsize=(8, 5))
plt.plot(fpr, tpr, color='blue', lw=2, label=f'ROC Curve (AUC =
{roc_auc:.4f})')
plt.plot([0, 1], [0, 1], color='gray', linestyle="dashed")
plt.xlabel("False Positive Rate")
plt.ylabel("True Positive Rate")
plt.title("ROC Curve")
plt.legend(loc="lower right")
plt.show()
```



Calibration Plot ------

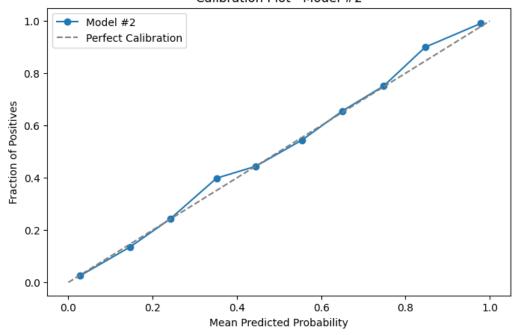
```
# Get model predictions on the test set
model2.eval()
y_scores = []
with torch.no_grad():
    for X_batch, _ in test_loader:
        y_pred = model2(X_batch)
        y_scores.extend(y_pred.cpu().numpy())

# Convert true labels to NumPy
y_true = y_test.cpu().numpy().flatten()
y_scores = np.array(y_scores).flatten()
# Compute calibration curve
```

```
fraction_of_positives, mean_predicted_value =
calibration_curve(y_true, y_scores, n_bins=10)

# Plot Calibration Curve
plt.figure(figsize=(8, 5))
plt.plot(mean_predicted_value, fraction_of_positives,
marker="o", label="Model #2")
plt.plot([0, 1], [0, 1], linestyle="--", color="gray",
label="Perfect Calibration")
plt.xlabel("Mean Predicted Probability")
plt.ylabel("Fraction of Positives")
plt.title("Calibration Plot - Model #2")
plt.legend()
plt.show()
```

Calibration Plot - Model #2



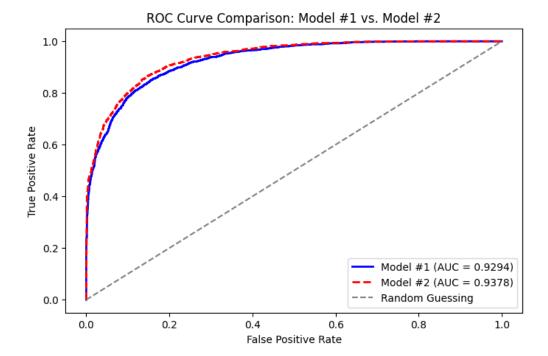
Side by Side Comparisons - Models 1 & 2

Combined ROC/AUC Plots ---

```
# Make sure both models are in evaluation mode
model.eval()
model2.eval()

# Get predictions for Model #1
y_scores_model1 = []
with torch.no_grad():
```

```
for X batch, in test loader:
        y pred = model(X batch)
        y scores model1.extend(y pred.cpu().numpy())
# Get predictions for Model #2
y \text{ scores model2} = []
with torch.no grad():
    for X batch, in test loader:
        y pred = model2(X batch)
        y scores model2.extend(y pred.cpu().numpy())
# Convert true labels to NumPy
y true = y test.cpu().numpy().flatten()
y scores model1 = np.array(y scores model1).flatten()
y scores model2 = np.array(y scores model2).flatten()
# Compute ROC curve and AUC for Model #1
fpr1, tpr1, = roc curve(y true, y scores model1)
roc auc1 = auc(fpr1, tpr1)
\# Compute ROC curve and AUC for Model \#2
fpr2, tpr2, = roc curve(y true, y scores model2)
roc auc2 = auc(fpr2, tpr2)
# Plot Combined ROC Curve
plt.figure(figsize=(8, 5))
plt.plot(fpr1, tpr1, color='blue', lw=2, label=f'Model #1 (AUC =
{roc auc1:.4f})')
plt.plot(fpr2, tpr2, color='red', lw=2, linestyle="dashed",
label=f'Model #2 (AUC = {roc auc2:.4f})')
plt.plot([0, 1], [0, 1], color='gray', linestyle="dashed",
label="Random Guessing")
plt.xlabel("False Positive Rate")
plt.ylabel("True Positive Rate")
plt.title("ROC Curve Comparison: Model #1 vs. Model #2")
plt.legend(loc="lower right")
plt.show()
```



Combined Calibration Plot ---

```
# Ensure both models are in evaluation mode
model.eval()
model2.eval()
# Get predictions for Model #1
y scores model1 = []
with torch.no grad():
    for X_batch, _ in test_loader:
        y_pred = model(X batch)
        y scores model1.extend(y pred.cpu().numpy())
# Get predictions for Model #2
y scores model2 = []
with torch.no grad():
    for X_batch, in test loader:
        y pred = model2(X batch)
        y scores model2.extend(y pred.cpu().numpy())
# Convert true labels to NumPy
y true = y test.cpu().numpy().flatten()
y scores model1 = np.array(y scores model1).flatten()
y_scores_model2 = np.array(y_scores_model2).flatten()
# Compute Calibration Curves
```

```
fraction of positives1, mean predicted value1 =
calibration curve(y true, y scores model1, n bins=10)
fraction of positives2, mean predicted value2 =
calibration curve(y true, y scores model2, n bins=10)
# Plot Combined Calibration Curve
plt.figure(figsize=(8, 5))
plt.plot(mean predicted value1, fraction of positives1,
marker="o", color='blue', label="Model #1")
plt.plot(mean predicted value2, fraction of positives2,
marker="s", color='red', linestyle="dashed", label="Model #2")
plt.plot([0, 1], [0, 1], linestyle="--", color="gray",
label="Perfect Calibration")
plt.xlabel("Mean Predicted Probability")
plt.ylabel("Fraction of Positives")
plt.title("Calibration Plot - Model #1 vs. Model #2")
plt.legend()
plt.show()
```

Calibration Plot - Model #1 vs. Model #2

