

DATA ANALYTICS USING R - LEARNING



GETING FAMILIAR WITH R

USING R STUDIO

In our new task we set up the environment to use R which made a little challenge at the beginning, Additionally without any basic knowledge using different functions was also made my work slower but by time people gets more confident.

Interesting to replicate all those models from RapidMiner to another level. At the same time I also got familiar with Python.

I have seen the benefits of using R and Python too. My work is now to get more confident in those tools to future application and be more creative to apply more function and investigate more coherence in one dataset.

In this paper I am going to show what did I find during my analysis and analytics of a fictive company - called Balckewell - during an acquisition.

PETER HOANG



SURVEY

PROJECT FOR BRAND PREFERENCES

15.000 people were asked about the following details. From 5000 people w missed the brand preferences.

Brand preferences in the predicted data set
82%
■Sany ■Ager

Salary -	Age ▼	Elevel 💌	Car ▼	Zipcode	Credit 💌	Brand -
150000	47	2	10	7	500000	1
150000	20	2	2	6	500000	1
150000	32	0	11	7	483588,333	1
150000	53	0	16	4	482767,172	1
150000	43	3	8	2	482639,434	1
150000	61	0	5	2	478439,546	1
150000	54	0	2	5	476338,559	1
150000	49	4	9	6	474209,016	1
150000	62	2	3	1	472646,344	1
150000	21	4	20	2	472334,367	1
150000	75	0	4	7	467972,999	1
150000	52	4	7	6	467411,941	1
150000	68	4	12	5	451780,589	1
150000	75	0	19	2	431136,596	1
150000	40	0	12	1	425259,048	1
150000	27	4	6	5	424679,79	1
150000	20	3	1	6	423556,374	1
150000	71	0	4	6	418460,881	1
150000	20	3	11	0	401154,051	1
150000	49	3	14	4	399752,2	1
150000	28	4	17	4	398952,964	1
150000	54	2	14	0	393083,132	1
150000	68	4	13	7	390150,751	1
150000	56	3	19	1	374845,355	1
150000	51	4	6	4	373972,076	1
150000	56	1	7	4	373050,148	1

Brand	Description
0	Acer
	Sony

Elevel	Description
	Less than High School Degree
	High School Degree
2	Some College
	4-Year College Degree
4	Master's, Doctoral or Professional Do

Car	Description
	BMW
2	Bulck
	Cadillac
	Chevrolet
	Chrysler
	Dodge
	Ford
8	Honda
	Hyundal
10	Jeep
11	Kia
12	Lincoln
13	Mazda
14	Mercedes Benz
15	Mitsubishi
16	Nissan
17	Ram
18	Subaru
19	Toyota
20	None of the above

Zipcode	Description
	New England
	Mid-Atlantic
2	East North Central
	West North Central
	South Atlantic
	East South Central
	West South Central
7	Mountain
8	Pacific



It is clear that there were more customer purhasing Sony than Acer laptops.

Only one variable, Salary is a significant indicator - comparing to the other variables - to the Brand prefences

As high as the Salary people more tend to buy Sony laptops.

If salary is higher than a certain level - in this case aproximetly 110.000, our customer only buy Sony laptops. Interestingly customers with the lowest salary also buying Sony laptops!

For confirmation: Elevel really does not affect the Brand preference, same patterns with lower and higher education.

Only Salary has impact on our business: with the highest and lowest salary customers buying Sony laptops, in the middle is Acer.

1. Correlation bewteen Brand Preferences and other variables in the completed survey

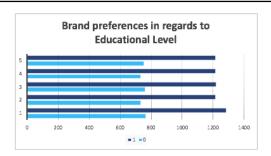
	Salary	Age	Elevel	Car	Zipcode	Credit	Brand
Salary	1						
Age	0,00797857						
Elevel	-0,0066202	-0,0058303	1				
Car	-0,0060906	0,01024607	-4,677E-05	1			
Zipcode	-0,0054711	0,00368138	0,0180954	0,00152653	1		
Credit	-0,0251268	-0,0044007	0,00272064	-0,0103291	0,00496201	1	
Brand	0,20648988	0,01371329	-0,0048289	0,00592315	0,00466509	0,00568844	

Only salary is affecting our customer's brand prefences with 20 %.

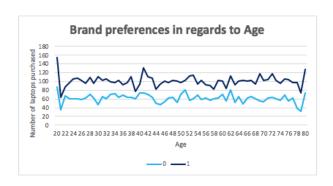
There are minimal correlations betweek credit and salary, age and brand, car, elevel and zipcode, car and credit. Which we investigated in deeper but we did not find anything particular.

2. Cheking the correlations between 2 variables in the completed survey





We also investigated the rest of the correlations and there was no signicant differences between brand prefences.





3. Correlation between Age and Brand Preferences

	Bran	Brand			
Salary	0,20648988	21%			
Age	0,01371329	1%			
Elevel	-0,0048289	0%			
Car	0,00592315	1%			
Zipcode	0,00466509	0%			
Credit	0,00568844	1%			

Summary of Age					
Min.	1st Qu.	Median	Mean	3rd Qu.	Max
20000	52082	84950	84871	117162	150000

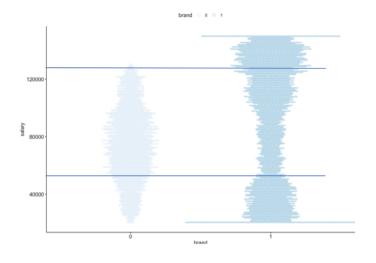
I will use Median to measure what is happening below it and upward it.

Also looking below on the chart we can see 3 phenomenals where data groups according to the different range of data. $\frac{1}{2} \int_{-\infty}^{\infty} \frac{1}{2} \left(\frac{1}{2} \int_{-\infty}^{\infty} \frac{1}{2} \left(\frac{1}{2$



Median of Salary					
	Salary >= 84950	Salary <84950			
Acer	27,41968	48,23197			
Sony	72,58032	51,76803			
Total	100	100			

Customers who has higher salary chose Sony instead of Acer in 70% of cases. Below this proportion is almost 50-50%



Salary					
	Salary >= 50000	Salary < 50000			
Acer	28.46121	40.71381			
Sony	71.53879	59.28619			
Total	100	100			

Interestingly customers with the lowest salary are also tend to buy Sony computers!

Basod on the charst with in the middle people tend to purchase Acer laptops



BRAND PREFERENCES

Predict missing brand prefences for 5000 rows based on a 10,000 fully-answered surveys

C5.0. Decision Tree and Random Forest

Result for the Training set Resampling: Summary of sample sizes:

Cross-Validated (10 fold, repeated 1 times)

6681 6683 Resampling results across tuning parameters: 6682

mtry Accuracy Kappa 2 0.6217673 0.0000000 34 0.9166268 0.8230398

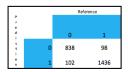
Accuracy was used to select the optimal model using the largest value. The final value used for the model was mtry = 34.

Result for the postResample

Accuracy Kappa 0.9191593 0.8282865

Our Accuray and Kappa did not change which indicate our model is good

Confusion Matrix



Accuracy: 0.9192

95% CI : (0.9077, 0.9296) No Information Rate : 0.62 P-Value [Acc > NIR] : <2e-16

Mcnemar's Test P-Value : 0.832

Sensitivity: 0.9361 Specificity: 0.8915 Pos Pred Value : 0.9337

Neg Pred Value : 0.8953 Prevalence : 0.6200

Detection Rate : 0.5804 Detection Prevalence: 0.6217

Balanced Accuracy: 0.9138

Positive : 1

Measures the proportion of actual positives that are correctly identified Other name is Precision: Measures the proportion of actual negatives that are correctly identified

Comment: In all cases we have good percentages which shows that our model predicted well

1. Random Forest with manual tuning

Folders	1	0
Length	1	
Mtrv	5	

Result for training

Resampling: Cross-Validated (10 fold, repeated 1 times)

Summary of sample sizes:

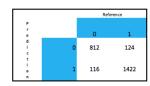
Resampling results across tuning parameters: 6682 6681 6683 6681 6683

mtry Accuracy Kappa

- 1 0.6217673 0.00000000000
- 2 0.6217673 0.0001730857 0.7528334 0.4123882115
- 0.8665131 0.7105680204
- 0.9008628 0.7894383790

Accuracy was used to select the optimal model using the largest value. The final value used for the model was mtry = 5. But our Accuracy and Kappa was better with our previous model.

Confusion Matrix



Further Statistics	Commen

Accuracy: 0.903

In general our model is not bad, comparing to other model it slightly preform under.

95% CI : (0.8906, 0.9144) No Information Rate : 0.6249 P-Value [Acc > NIR] : <2e-16

Kappa: 0.7934 Mcnemar's Test P-Value: 0.6514

Sensitivity: 0.9198 Specificity: 0.8750 Pos Pred Value: 0.9246 Neg Pred Value : 0.8675 Prevalence : 0.6249 Detection Rate : 0.5748 Detection Prevalence: 0.6217

Positive :

UBIQUM



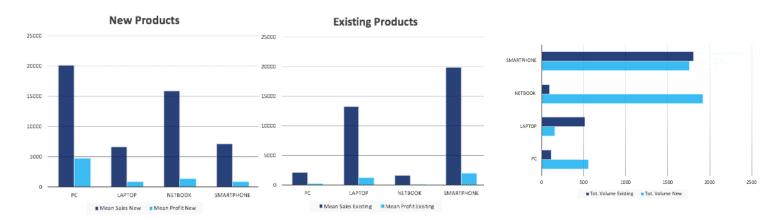
- There are some specific products which we would not reccomend to launch. Such as Product #181.
- Except Product type laptop all new products will be on the top seller product in its category.
- From all 4 product type smartphones are the most popular ones.
- Volume and profit are not neccearly directly proportional.
- Smartphones and Laptops have the leading profit with the existing product, we are predicting PCs can have a significant profit.

1. Correlation bewteen Product Volume and other variables in the completed survey

Variables	Volume
x5StarReviews	1
Volume	1
x4StarReviews	0,87900639
x3StarReviews	0,76337319
PositiveServiceReview	0,62226022
x2StarReviews	0,48727933
ProductTypeGameConsole	0,38829824
NegativeServiceReview	0,30941899
x1StarReviews	0,2550239
Recommendproduct	0,16954126
ProductNum	0,16612076

Based on our correlation matrix we removed 5 Star Review as it is a perfect predictor to the Volume. Also from the whole matrix there was a correlation between 4 and 3 Star Review hence we decided to keep one and remove the rest. It is also the same case with 1 and 2 Star Review. The remaining variable will serve our predictors in our different models.

2. Analysing the results



In our prediction, profit of PC is a lot more higher than the current one. In the last figure, we can see Smartphones are the most popular item among our customers, - the profit is not directly proportional with that.

In overall new products have a better profitability comparing to the existing ones.

PREDICTED VOLUMES

TOP 10 Products									
Rank	Product Type	Current Status	Product No.	Volume	Profit				
	Netbook	New	180	1790	53 002				
	Smartphone	Existing	197	1472	73 453				
	Smartphone	New	194	574	3 375				
	Smartphone	New	193	525	11 492				
	PC	New	171	456	79 686				
	Smartphone	New	196	363	11 979				
	Smartphone	New	195	295	6 593				
	Smartphone	Existing	191	248	6 944				
	Laptop	Existing	105	232	22 550				
10	Laptop	Existing	104	196	6 429				

TOP 10 Products by Sales									
Rank	Product Type	Current Status	Product No.	Sales					
	Smartphone	Existing	197	734 528					
2	Netbook	New	180	588 910					
	PC	New	171	318 744					
	Laptop	Existing	105	2505 558					
	Laptop	New	173	134 288					
	Smartphone	New	196	108 900					
	Smartphone	New	193	104 475					
	PC	New	172	84280					
	Laptop	Existing	104	80 358					
10	Laptop	Existing	143	67 812					

TOP 10 Products by Profit									
Rank	Product Type	Current Status	Product No.	Profit					
1	PC	New	171	79 686					
2	Smartphone	Existing	197	73 452					
3	Netbook	New	180	53 001					
4	Laptop	Existing	105	22 550					
5	PC	New	172	16 856					
6	Laptop	New	173	13 428					
7	Smartphone	New	196	11 979					
8	Smartphone	New	193	11 492					
9	Laptop	Existing	143	10 171					
10	Smartphone	Existing	191	6944					

RESULT

USING DIFFERENT MODEL TO PREDICT

Find the predicted volumes for each products which are also highlighted in blue. We used different model which will be introduce in the next pages.

Based on our result most of the new products could make a successful contribution for the growth of the sales numbers.

Product Type	Product Number	Price	**** Review	** Review	* Review	Positive Review	Negative Review	Profit Margin	Sales	Profit	Volume	Current Status
PC	171	699	26	14	25	12	3	0,25	318744	79686	456	New
PC	172	860	11	10	21	7	5	0,2	84280	16856	98	New
PC	142	609,99	7	0	12	5	3	0,09	51239,2	4611,52	84	Existing
PC	101	949	3	0	0	2	0	0,15	11388	1708,2	12	Existing
PC	103	399	0	0	0	1	0	0,08	4788	383,04	12	Existing
PC	102	2249,99	1	0	0	1	0	0,25	17999,9	4499,98	8	Existing
Laptop	105	1079,99	31	7	36	7	20	0,09	250558	22550,2	232	Existing
Laptop	104	409,99	19	3	9	7	8	0,08	80358	6428,64	196	Existing
Laptop	173	1199	10	3	11	11	5	0,1	134288	13428,8	112	New
Laptop	143	770,6	14	5	6	6	2	0,15	67812,8	10171,9	88	Existing
Laptop	175	1199	2	1	1	2	1	0,15	41965	6294,75	35	New
Laptop	176	1999	1	3	0	0	1	0,23	23988	5517,24	12	New
Netbook	180	329	112	31	47	28	16	0,09	588910	53001,9	1790	New
Netbook	182	349,99	10	2	10	3	3	0,12	30799,1	3695,89	88	Existing
Netbook	183	330	4	1	0	1	0	0,09	26070	2346,3	79	New
Netbook	178	399,99	8	1	10	2	4	0,08	19199,5	1535,96	48	New
Netbook	177	379,99	0	1	0	0	1	0,1	1519,96	151,996	4	Existing
Netbook	181	439	18	22	18	5	16	0,11	0	0	0	New
Smartphone	197	499	28	10	23	22	3	0,1	734528	73452,8	1472	Existing
Smartphone	194	49	26	33	48	14	6	0,12	28126	3375,12	574	New
Smartphone	193	199	26	16	35	8	6	0,11	104475	11492,3	525	New
Smartphone	196	300	19	20	22	5	7	0,11	108900	11979	363	New
Smartphone	195	149	8	4	9	4	1	0,15	43955	6593,25	295	New
Smartphone	191	200	25	11	12	9	3	0,14	49600	6944	248	Existing
Smartphone	192	99	17	2	12	5	4	0,17	7128	1211,76	72	Existing
Smartphone	190	199	1	2	2	1	1	0,1	3184	318,4	16	Existing

TECHNICAL BACKGROUND

Predicting volumes of the potential new products, namely PCs, Laptops, Netbooks, Sr

Language used

Multiple Linear Regression, Support Vector Machine, Random Forest, KNN model

Multiple Linear Regression

1. Multiple Linear Regression

Based on our correlation matrix the following variables were choosen:

Volume = Y, rest is 4 star review, positive service review, negative service review, 2 star review, 4 products type

Residual standard error: 594 on 71 degrees of freedom

0.8622 Multiple R-squared: 0.8466 Adjusted R-squared:

F-statistic: 55.51 on 8 and 71 DF

p-value: < 2.2e-16

Testing 0.9277352 118.9504383 On the traingset our model predicts our volume by 86% while the same model predicted 92 % of the correct value in the testing set. We have chosen this model to predict the potential launched product's volume. Comparing to other model our RMSE is also significantly low.

2. Support Vector Machine

10 5

Training mtry RMSE Rsquared MAE

- 2 913.7429 0.8309531 449.4152
- 895.9713 0.8530333 421.0039
- 832.8653 0.8819390 382.2444
- 829.7356 0.8878660 378.9446
- 8 835.3974 0.8870445 380.0772

On the traingset our model predicts our volume at best by 88 % while there is a slight drop down in the Testing set.

RMSE was used to select the optimal model using the smallest value.

The final value used for the model was mtry = 6.

Testing Rsquared MAE 404.3225784 0.8748244 123.6021995

3. Random Forest

10 5

984.4409 0.7697070 591.0527

- 904.4612 0.8308607 442.0396
- 896.4878 0.8490864 425.0479
- 861.4881 0.8676215 402.1849
- 858.4198 0.8740715 395.0265

RMSE was used to select the optimal model using the smallest value.

0.8409458 145.7647930

On the traingset our model predicts our volume at best by 87 % while there is a slight drop down in the Testing set.

The final value used for the model was mtry = 5.

On the traingset our model predicts our volume at best by 82 % while there is a slight drop down in

the Testing set. Comparing to other model our

test modell is the worst.

RMSE is significantly high. And our resutlt of the

500.1434551

Testing

4. KNN model 10

5 823.7338 0.8227430 419.4834

7 840.7855 0.8276559 426.7895

9 863.4880 0.8253793 435.1744

11 866.0994 0.8199253 431.0853

13 867.8583 0.8209967 433.7682

15 879.3850 0.8225673 440.8708

17 895.3904 0.8175466 454.5450

19 915.9541 0.8145098 468.8191

21 940.1454 0.8131477 486.8847

23 964.4459 0.8019713 504.8200

RMSE was used to select the optimal model using the smallest value.

The final value used for the model was mtry = 5.

Testing 580.8686055 0.7875485 190.9052632



PORTFOLIO ANALYSIS IN ORDER TO DEFINE A BUSINESS STRATEGY.

INVESTIGATION OF POTENTIAL COMPANIES FOR DEEPER INSIGHT.

BUYING A NEW COMPANY

Beside calculating the cost of the acquisition, legal issues and bagegges, company cultural fits etc, we made a deep analysis of our products and the potential compnay's portfolio in order to see if they are match.



ACQUISITION OF ELECTROINDEX

MARKET BASKET ANALYSIS

OBJECTIVE

Blackewell is considering of an acquisition of Electroindex. In order to decide, Data Science team support with an analysis to help the management decision making.

ELECTROINDEX

The new e-commerce company has a similar portfolio as ours which could indicate us to buy their customers:

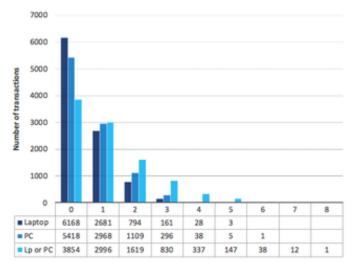
- PCs and Laptops are the most popular products. Its sells are outnumbering our volume of PCs and Laptops.
- Sold Displays have also better figures.

	Existing product - Avarage No. Item	Predicted product - Avarage No. Item	Avarage No. Item	New Company - Avarage No. Item	
PC	29	934	481	736	_
Laptop	172	442	307	733	
Display	485	139	312	552	_
Accessories	982	0	982	526	

- Number of purchased Accessories are falling behind comparing to us but still can be a potential market.
- As PCs, Laptops and Displays usually have higher prices our profit could be higher.
 Accessories have lower margin and profit hence potentially it will not be a significant loss.



DEEPER INSIGHT OF THE PRODUCTS' RELATION

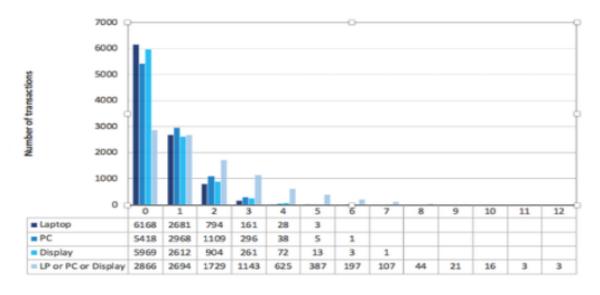


X label shows us how many PCs or Laptops were in one transaction.

Even the number of 1 PC/Laptop in a basket is extremely high, meaning with an acquisition we could buy a big market.

Note: transactions are not equal to customers. It can be one costumer who purchased 1 and 6 PCs and/or Laptops but in. different time.

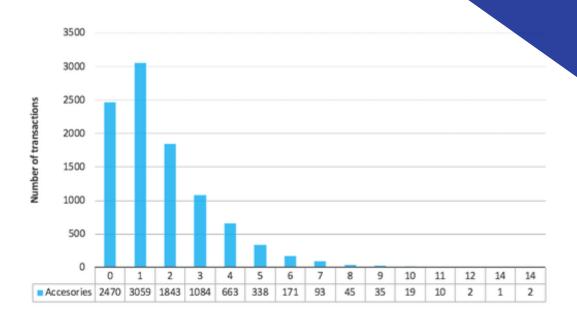
But that we can still say purchasing power for those items are high.



Add Displays to the formula, purchasing all three-product type are high.

Transactions where there are more than 3 items of PCs, Laptops or Display, we assume that behind there is a distributor or company behind. It means 2645 out of 10.000 transaction was made by those customers!

ACQUISTION OF ELECTROINDEX



Elcetroindex has a very diverse product palette regarding to their Accessories. As our company do not have subset labels to this category, we merged all external devices such as headphones, disks, keyboards etc. to category Accessories.

Although Balckwell should consider specifying its categories more precisely for better recommendation systems in the future.

DEEPER INSIGHT OF THE PRODUCTS' RELATION

In order to investigate the relation between products we used Market Basket Analysis. We plotted more than 1300 rules to visualize those we are most likely interested in.

We break down the rules to have discovered into three categories:

The Insightful Rules Category Contains rules that are most useful.

- The Irrelevant Rules Category
 The second category is for the rules that either aren't helpful or are obvious.
- The Unclear Rules Category
 The third category is for rules that are indecipherable and, thus, from which we cannot draw insightful conclusions.

*Setting our support to 0.0055 and confidence@p 0.55. Resulting a lift between 2 and 3.



No.	Left Hand Side of the Basket	Right Hand Side	Support	Confidence	Lift	Count
[13]	{Acer Aspire, ViewSonic Monitor}	{HP Laptop}	0.011	0.602	3.103	106.000
[10]	{ASUS Monitor, Lenovo Desktop Computer}	{iMac}	0.010	0.632	2.466	96.000
[11]	{Dell Desktop,Microsoft Office Home and Student 2016}	{iMac}	0.009	0.600	2.343	93.000
[4]	{ASUS 2 Monitor, Dell Desktop}	{iMac}	0.009	0.631	2.464	89.000
[20]	{HP Laptop,Lenovo Desktop Computer,ViewSonic Monitor}	{iMac}	0.008	0.601	2.348	83.000
[8]	{ASUS Monitor, ViewSonic Monitor}	{iMac}	0.008	0.638	2.490	81.000
[9]	{ASUS Monitor,Dell Desktop}	{iMac}	0.008	0.634	2.476	78.000
[1]	{Computer Game, ViewSonic Monitor}	{HP Laptop}	0.007	0.619	3.187	73.000
[19]	{Dell Desktop,Lenovo Desktop Computer,ViewSonic Monitor}	{iMac}	0.007	0.694	2.709	68.000
[6]	{Apple Magic Keyboard, ASUS Monitor}	{iMac}	0.007	0.670	2.616	67.000
[12]	{Acer Desktop,Apple Magic Keyboard}	{iMac}	0.007	0.623	2.431	66.000
[3]	{Acer Desktop, ASUS 2 Monitor}	{iMac}	0.006	0.643	2.510	63.000
[15]	{Acer Desktop,HP Laptop,ViewSonic Monitor}	{iMac}	0.006	0.656	2.562	63.000
[16]	{Acer Desktop,iMac,ViewSonic Monitor}	{HP Laptop}	0.006	0.636	3.278	63.000
[17]	{Acer Desktop,HP Laptop,Lenovo Desktop Computer}	{iMac}	0.006	0.633	2.470	62.000
[14]	{Acer Aspire,iMac,ViewSonic Monitor}	{HP Laptop}	0.006	0.663	3.416	61.000
[18]	{Dell Desktop,Lenovo Desktop Computer,ViewSonic Monitor}	{HP Laptop}	0.006	0.622	3.207	61.000
[5]	{ASUS Monitor, Microsoft Office Home and Student 2016}	{iMac}	0.006	0.615	2.400	59.000
[7]	{Acer Desktop,ASUS Monitor}	{iMac}	0.006	0.600	2.343	57.000
[2]	{Computer Game,Dell Desktop}	{HP Laptop}	0.006	0.609	3.136	56.000
<u> </u>						

The most popular products are HP Laptop and iMac Desktop, also the rules are confirming that there is connection between other products to those items. Support means of the

Our rules show for instance if customer buys Aces Aspire and ViewSonic Monitor there is 60 % of likelihood that customer would buy an HP laptop too. For future marketing campaign those products together can boost the sales numbers.

How iMac or HP Laptop explain other products?

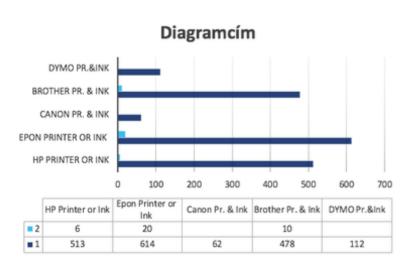
There is also a connection between HP Laptop and iMac, if customer buy an HP laptop it is 38 % of likelihood that buy an iMac too. Opposite way iMac only explain 29%.

The rest of the rules are relatively low on Confidence to be useful.

No.	Left Hand Side of the basket	Righ Hand Side of the basket	Support	Confidence	Lift	Count
[1]	iMac	HP Laptop	0,07554652	0,2949583	1,519599	743
[2]	iMac	Lenovo Destkop Computer	0,0587697	0,2294561	1,549932	578
[3]	iMac	CYBERPOWER Gamer Destkop	0,05673615	0,2215165	1,20432	558
[4]	iMac	Dell Destkop	0,05460092	0,2131798	1,590762	537
[1]	HP Laptop	iMac	0.07554652	0.389209	1.519599	743

So, if a customer buys a printer how much percentage is that they buy the associated ink: Seems to be an obvious statement but is it?

Customer are not buying printers and inks together – should be investigate what is behind the phenomenon.



CONCLUSION

Based on the volume of high price products, major company's customers might be high spender as distributors or companies. Which can be good asset for Blackwell strategy where we already prognosed the popularity of PCs, Laptops.

The new company product portfolio is diverse and well-labeled which can be also a contribution.

Further investigation such as profit margin and profitability, and obviously other aspect shall be considered during the acquisition.

PETER HOANG THANK YOU!

