#### 1.0 Data Understanding

#### 1.1 Dataset and Source of Dataset

### Source: Kaggle

Kaggle is one of the platforms for data scientists to host and share the data projects, to learn from others to see how others work with the dataset and improve their skills and knowledge. Kaggle can also allow access to a large collection of publicly available datasets.

#### **Dataset: Car Kick**

When purchasing a used car at an auto auction, auto dealerships face a challenge. The auto dealership must determine whether the vehicle has serious issues and prevent it from being sold to customers. These unfortunate purchases are referred to as "kicks" in the auto industry.

The features of a kicked car may include tampered odometers, mechanical issues that the dealer is unable to address, problems to obtain the vehicle title from the seller, or some other unforeseen problem. The reason dealers tend to prevent "kicked cars" from being sold to customers is that they are very costly. Since "kick cars" are vehicles with serious problems, dealers must fix them at a high cost, including such transportation costs, throw-away repair work, and market losses when reselling the vehicle.

Researchers have to figure out which cars have a higher risk of being "kicked" so that dealerships can provide the best choices to their customers and prevent financial loss of auto dealership. The main purpose of this dataset is to predict if the car purchased at an auto auction is a "kick" (cars that are bad buys).

# 1.2 Summary of Variables in Dataset

There are a total 31 of columns and 67,212 of rows in the dataset. There are 19 columns in the dataset for numerical data and 12 for categorical data.

Variable Name	Description of the Variable Name
PurchDate	Purchase Date
VehYear	Year the car was produced
VehicleAge	Age of the car
VehOdo	How far the car has driven in km
MMRAcquisitionAuctionAveragePrice	Price of the car when is was bought at auction, average
MMRAcquisitionAuctionCleanPrice	Price of the car when it was bought at auction, before fees
MMRAcquisitionRetailAveragePrice	Price of the car when is was bought in a retail store, average
MMRAcquisitionRetailCleanPrice	Price of the car when is was bought in a retail store, before fees
MMRCurrentAuctionAveragePrice	Current price of the car at auction, average
MMRCurrentAuctionCleanPrice	Current price of the car at auction, before fees
VehBCost	Base price of the car

WarrantyCost	Cost of car warranty
Auction	Location of auction
Make	Producer of the car (automobile manufacturer)
Model	Model of the car
Trim	Trim level of the car (a version of a particular model with a particular configuration)  The different trim levels offer varieties to the exterior and interior elements of a particular model, in addition to performance options, technologies, and even safety options. While many manufacturers today offer customers a wide array of trims, some models are still offered in a single configuration. Knowing how to differentiate trim levels will help to make a better choice.  Some common trims:  • CE: Classic/Custom edition  • D/DL/DX: Deluxe  • EX/X: Extra

	<ul><li>GL: Grade level</li><li>GLE: Grade Level Extra</li></ul>	
	• GT: Grand Touring	
	• LE/LX: Luxury	
	• LTD: Limited	
	• S: Sport/Special/Standard	
	• SE: Sport edition/Special edition/Special equipment	
	• SL: Standard level	
	• T: Touring edition	
SubModel	Submodel of the car	
Color	Color of the car	
Transmission	Type of transmission in the car (Manual / Auto)	
WheelTypeID	ID of the wheelID (1 = Alloy, 2 = Covers, 3= Special)	
WheelType	Type of wheel (Alloys, Covers, Special)	

Nationality	Nationality of the car (American, Other, Other ASIAN, Top Line ASIAN)
Size	Size of the car (Compat, Crossover, Large, Large SUV, Large Truck, Medium, Medium SUV, Small SUV, Small Truck, Specialty, Sports, Van)
TopThreeAmericanName	Whether the car is from one of the three largest manufacturers in America (CHRYSLER, FORD, GM, Other)
BYRNO	Car registration number
VNZIP1	Car ZIP number  (A garaging ZIP code or address refers to where you park your car the majority of the time, whether it's in a driveway, garage or along the street. Typically, that's where you live, at your primary residence, and so the ZIP code in your address would be the garaging ZIP.)  Car navigation system
IsOnlineSale	Whether the sale was online or not $(0 =$
Class	not sale, 1 = sale)  Class of the car (0 = car in good condition,  1 = car purchased is a "kick"

Table 1.1: Variable name and its description.

#### 1.3. Explanation on Dataset

Since the dataset is about to predict if the car purchased is "kick", the target variable here is the "CLASS" column in the dataset where 0 represents a non-"kick" car and 1 represents a "kick" car.

"PurchDate" is representing the purchase date from the auction. The data object in this attribute is difficult to understand and lack prior documentation on its interpretability. Hence, "PurchDate" is recommended to be dropped from the dataset.

From the dataset, the column "VehYear" and "VehicleAge" represent the same attribute. Knowing that "VehYear" refers to Year the car was produced and "VehicleAge" refers to the Age of the car from Table 1.1. The "VehYear" was recorded between 2001 and 2010. While "VehicleAge" was recorded as a number ranging from 0 to 9. For example, if the "VehicleAge" is zero, the "VehYear" ranges from 2009 to 2010, indicating that the vehicle is brand new. If the "VehicleAge" is 1, the "VehYear" is from 2008 to 2009, indicating that the car is the second newest. Then, if the "VehicleAge" is 8, the "VehYear" is 2001-2002. If "VehicleAge" equals 9, "VehYear" equals 2001. As a result, it is clear that the "VehYear" and "VehicleAge" represent the year of the car. Since the "VehYear" is easier understood, suggest that "VehYear" remain in the dataset and "VehicleAge" be removed from the dataset. This suggestion will be confirmed after the correlation shown below.

According to Table 1.1, "WheelTypeID" and "WheelType"represent the same thing. "WheelTypeID" is just a more simple way to identify the "WheelType", where 1 represents Alloy, 2 represents the Covers, and 3 represents Special. The "WheelType" will be used in the dataset since it is a more direct way to observe the data.

The "VNST" attribute contains uninformative values due to lack of documentation. It is known to refer to a car's navigation system. But while the abbreviation of values are provided, their full names of the data object are not. However, there might be some relationship between other variables. It is necessary to visualize this variable in order to determine whether or not it has a relationship.

Other variables look independent and cannot see the hidden relationship. Data Mining

has to be used here to exact the useful information from the dataset to know the relationship and the pattern.

# 2.0 Data Exploration

This section provides a thorough explanation of the findings from exploring the dataset, complemented by a set of visual and written descriptive statistics and summaries of the dataset, and points out any key features, patterns and/or trends found.

Our dataset consists of 67,211 rows and 31 columns, with initial data types as follows

PurchDate VehYear VehicleAge VehOdo MMRAcquisitionAuctionAveragePrice MMRAcquisitionAuctionCleanPrice MMRAcquisitionRetailAveragePrice MMRAcquisitionRetailCleanPrice MMRCurrentAuctionAveragePrice MMRCurrentAuctionCleanPrice MMRCurrentRetailAveragePrice MMRCurrentRetailAveragePrice MMRCurrentRetailCleanPrice VehBCost WarrantyCost Auction	float64 float64 float64 float64 float64 float64 float64 float64 float64 float64 float64 float64 object	Make Model Trim SubModel Color Transmission WheelTypeID WheelType Nationality Size TopThreeAmericanName BYRNO VNZIP1 VNST ISOnlineSale Class dtype: object	object object object object object float64 object object object int64 int64 int64
--	--	--	---

Figure: Datatypes of columns

A simple plot on the target variable, Class, was made and it is shown that 90% of the dataset is classified under value '0', that is, non-kick. This demonstrates that the dataset is highly imbalanced.

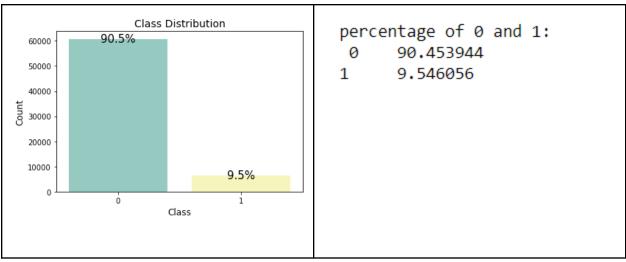


Figure: Percentage distribution of class values

# 2.1 Data Exploration on Categorical Data

Under categorical variables, the relevant columns of this subset include 'Auction', 'Model', 'Trim', 'Submodel', 'Colour', 'Transmission', 'WheelType' and 'WheelTypeID', 'Nationality', 'Size', 'Make', 'TopThreeAmericanName', 'VNST', 'IsOnlineSale' and 'VNZIP1'. The distribution of data in terms of these categorical variables were investigated, and interesting outputs were generated. Firstly, 58% of cars purchased were from MANEIM, while only 19% of cars were purchased from ADESA.

MANHEIM OTHER	0.576766 0.234590
ADESA	0.188645

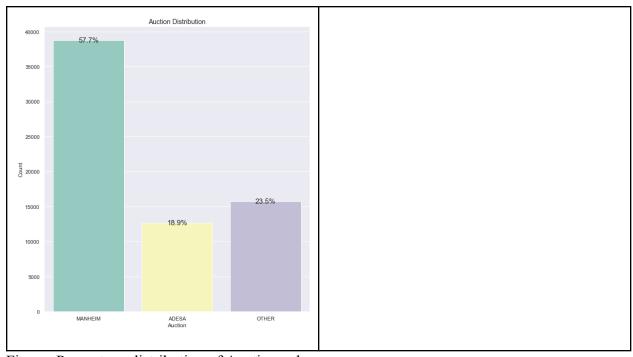


Figure: Percentage distribution of Auction values

Columns 'Model', 'Trim' and 'Submodel' consisted of over a hundred distinct values, with the 'Model' column having 953 rows, followed by 'Submodel', with 823 rows, and 'Trim', with 133 rows. These numbers indicate that further binning is required under the data processing section to assess more distinct categorizations with fewer distinct row values.

In terms of colour preferences, the top 3 colors of cars purchased were silver, white and blue, indicating that more muted colours were preferred as compared to more vibrant colours like purple and orange.

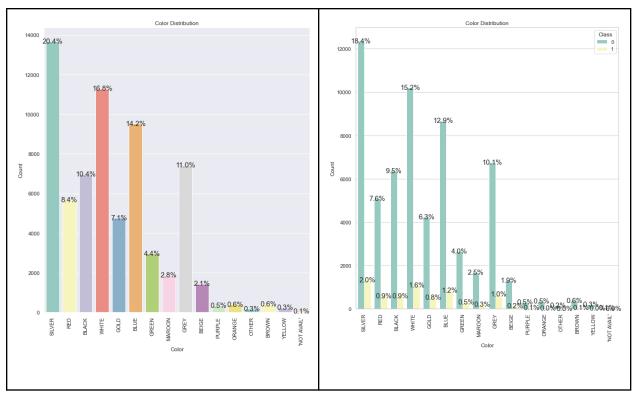


Figure: Percentage distribution of color values

When the 'Transmission' column was investigated, spelling inconsistencies were revealed, which were adjusted in the data cleaning section. But generally, 97% of cars purchased were auto, while the remaining cars are manual.

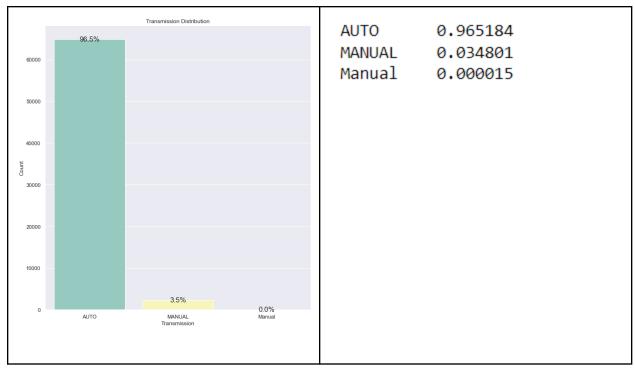


Figure: Percentage distribution of Transmission values

Columns 'WheelType' and 'WheelTypeID' were proven to be referring to the same attribute, as their corresponding frequencies for the different column values are the same. Alloy and Covers consisted about 98% of data, with the minimal exception of Special wheel type cars.

```
WheelType Distribution
# 7. Wheel Type
                                                            51.7%
ds['WheelType'].value_counts()
                                                 47.2%
Alloy
             34780
Covers
            31701
Special
               730
Name: WheelType, dtype: int64
# 8. Wheel Type ID
ds['WheelTypeID'].value counts()
1.0
        34780
2.0
        31701
                                          5000
          730
3.0
Name: WheelTypeID, dtype: int64
```

Figure: Numerical similarities between WheelType & WheeltypeID; Percentage distribution of WheelType values

Investigating the cars' nationality, it can be seen that 85% of cars purchased are of American nationality, while the remaining are either Asian or some other nationality. This is consistent to the location of research, which indicates that local cars are more common.

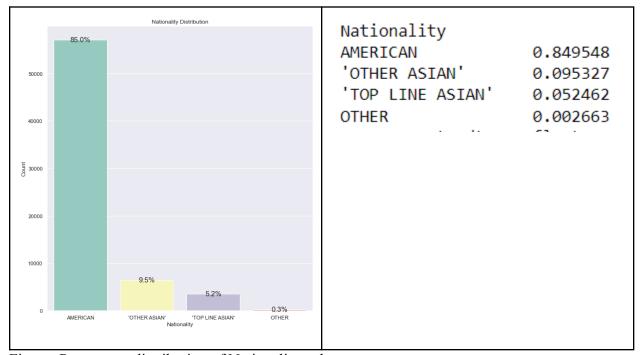


Figure: Percentage distribution of Nationality values

The car size distribution shows that 42.2% of cars are medium sized, while the rarest of car sizes are sports cars, consisting of only 1.1%. Upon observation, the values of this column require cleaning for consistency, in which single quotes '' should be removed so as to improve cleanliness of data.

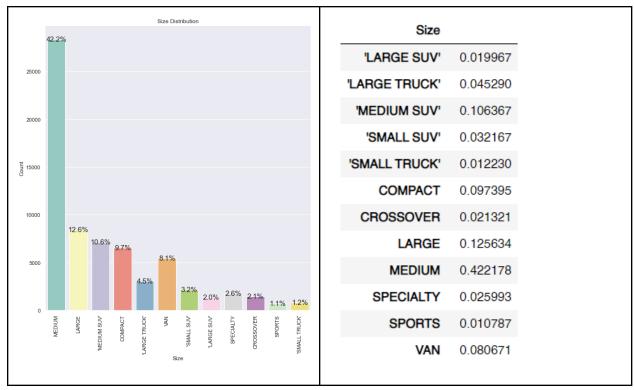


Figure: Percentage distribution of Size values

The 'TopThreeAmericanName' column is meant to be a derivation of the 'Make' column, which groups values from make into only one of 4 groups. However, when comparing overlapping values, the number of matches for the same manufacturer name was inconsistent. This is illustrated below:

TopThreeAm	ericanName	CHEVROLET	16517
GM	23515	DODGE	12403
CHRYSLER	22074	FORD	10687
FORD	11510	CHRYSLER	8115
OTHER	10112	PONTIAC	3783
		KIA	2284
		NISSAN	1966
		HYUNDAI	1707
		SATURN	1679
		JEEP	1554
		TOYOTA	1096
		MITSUBISHI	968
		MAZDA	882
		MERCURY	792
		BUICK	676
		GMC	622
		HONDA	468
		SUZUKI	276
		OLDSMOBILE	224
		ISUZU	130
		VOLKSWAGEN	118
		SCION	103
		VOLVO	37
		LINCOLN	31
		SUBARU	25
		MINI	24
		ACURA	23
		CADILLAC	14
		INFINITI	3
		PLYMOUTH	2
		LEXUS	1
		'TOYOTA SCION'	1

Figure: Absolute value comparison between TopThreeAmericalBrand and Make

Number of CHRYSLER's in 'TopThreeAmericanName' = 22074. While the number of CHRYSLER's in 'Make' = 8115. This suggests that one of the two columns are incorrect, and to prevent loss of information through generalization, the 'Make' column, from which

'TopThreeAmericanName' was supposedly derived should be maintained, while the former should be dropped.

Exploring the column with car navigation systems, it can be seen that the cars purchased are distributed into over 30 different navigation systems, with TX consisting of the highest percentage (19%).

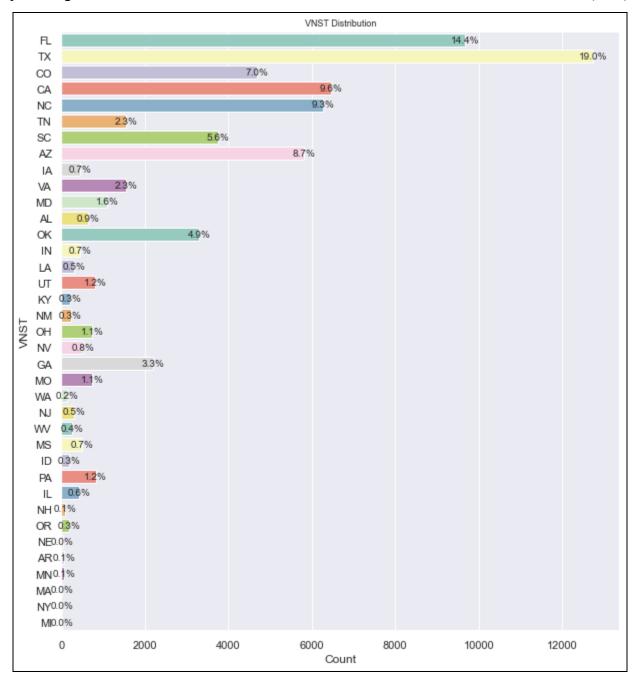


Figure: Percentage distribution of VNIST values

Observing if cars were purchased from an online sale, it is displayed that most cars were not purchased from a sale. Only a scarce amount of 2.5% cars were purchased through an online sale. Uncertainty regarding the legitimacy of purchasing the car online could be a sign of kicked cars, Further investigations on this column of data show that relatively, 8% (134/(1550+134)\*100) of cars bought through an online sale were kicked cars, whereas 9.6% (6282/(6282+59245)\*100) of the cars bought physically were kicked cars. These roughly similar figures suggest that our hypothesis relating illegitimacy of purchasing a car through an online sale with the classification of a kicked car is rejected.

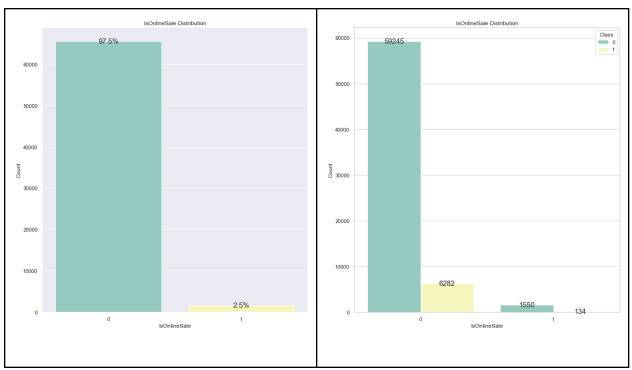


Figure: Percentage distribution of IsOnlineSale values; Percentage distribution of IsOnlineSale values with respect to class values

The 'VNZIP1' column contains 150 distinct values, arranged in this manner. The large number of distinct values imply that further binning is required in the clearing step for further investigation.

VNZIP1	
32824	3444
27542	3058
75236	2289
74135	2138
80022	2021
16137	2
	_
80112	1
80112 25071	_
	1

Figure: VNZIP1 data distribution

## 2.2 Data Exploration on Numerical Data

Under numerical variables, the relevant columns of this subset include 'PurchDate', 'VehYear', 'VehicleAge', 'VehOdo', 'MMRAcquisitionAuctionAveragePrice', 'MMRAcquisitionAuctionCleanPrice', 'MMRAcquisitionRetailAveragePrice', 'MMRAcquisitionRetailCleanPrice', 'MMRCurrentAuctionAveragePrice', 'MMRCurrentAuctionCleanPrice', 'MMRCurrentRetailAveragePrice', 'MMRCurrentRetailAveragePrice', 'MMRCurrentRetailAveragePrice', 'MMRCurrentRetailCleanPrice', 'VehBCost', and 'WarrantyCost'. The distribution of data in terms of these numerical variables were investigated.

Firstly, the format of the 'PurchDate' values was puzzling, and with lack of documentation on this, the interpretation of this column of data was undetermined and so provided no useful information. Thus, this column should be dropped in the cleaning section.

Figure: Original and updated datatype of PurchDate values

Plotting the graph for year of vehicle production, and graph for vehicle age, it was deduced that the two were obviously correlated to each other, as the latter could be determined from the former. This was demonstrated in the horizontal mirroring effect of the graphs on each other, i.e. notice how VehYear is left skewed while VehicleAge is right skewed.

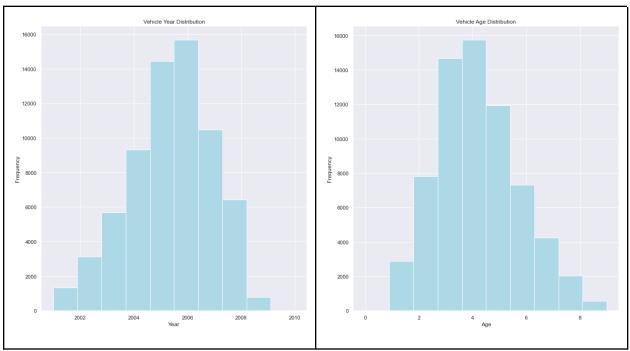


Figure: Distribution of Vehicle year and Vehicle age

The values of the vehicle odometer readings show a left-tailed graph, where more cars purchased were driven over longer distances around 80,000km. Prior hypothesis was that larger vehicle

ages of lower ODO would be kicked as it would be suspected that car odometer was tempered with. However deeper digging revealed vehicles with higher ODOs are kicked, despite vehicle age. Therefore the hypothesis is invalidated.

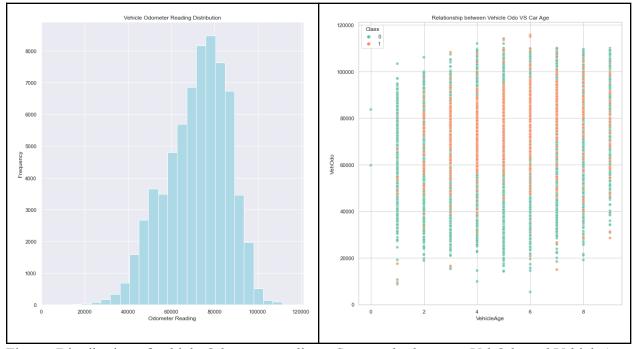


Figure: Distribution of vehicle Odometer readings; Scatter plot between VehOdo and VehicleAge

Next, it was suspected, by mere means of analyzing the meaning of the following column names, that these columns are correlated to each other. By plotting their individual distributions, the shape of data seems to be similar, with the only difference in left or right shift. Specifically, the cleaned prices are generally a positive shift of the average prices. The retail prices are also a positive shift of its corresponding acquisition or current prices.

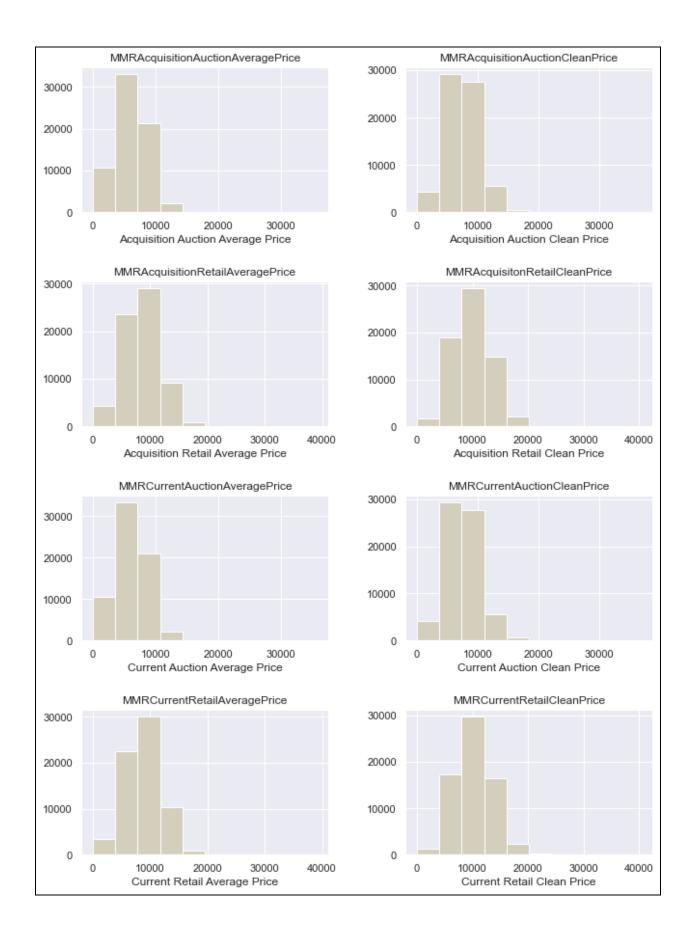


Figure: Distribution of 'MMR' type attributes

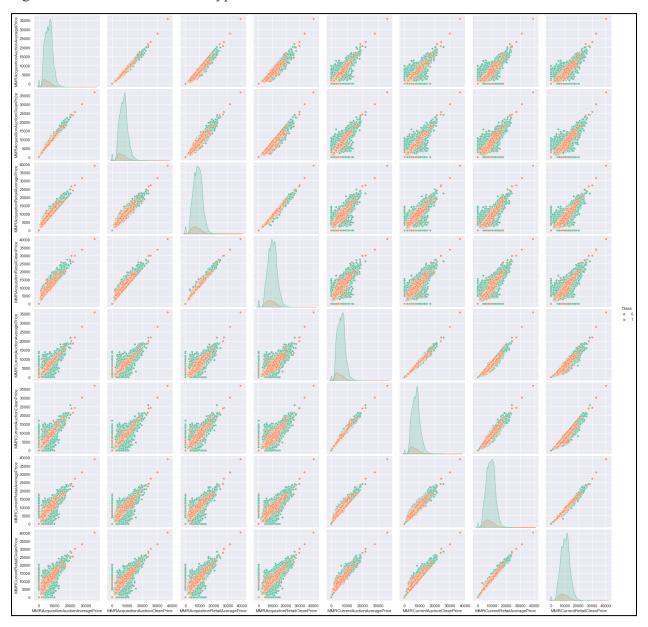


Figure: Pairplot of all 'MMR' type attributes

Creating a pairplot for the aforementioned columns show a very strong correlation among them. This is further supported by the correlation matrix results as shown below, where a prominent yellow box represent the correlations between stipulated columns.

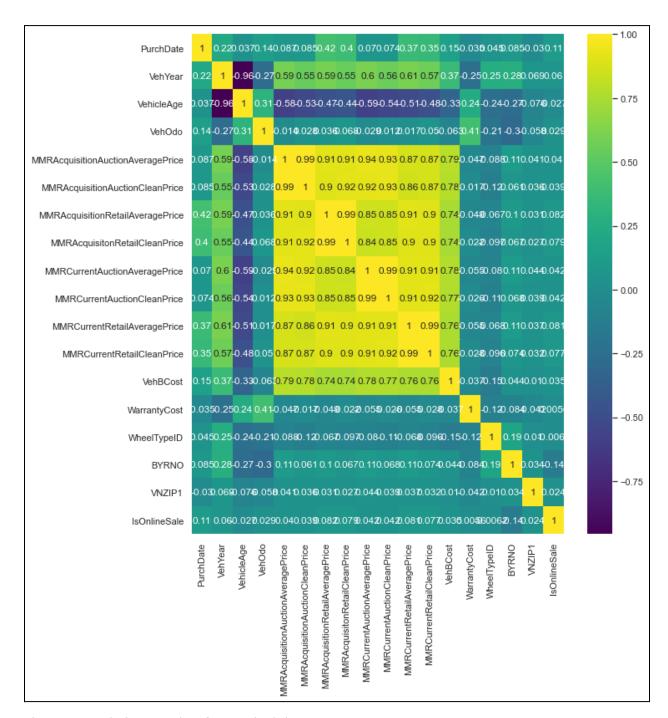


Figure: Correlation matrix of numerical data

Cleaning of data is required in this section to reduce the dimensionality of the dataset.

Vehicle Buying price was investigated and results show that the buying price center around 7000 per car, for which currency was not documented so it is unknown, but most likely USD.

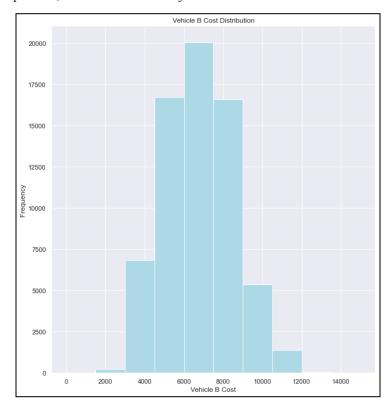


Figure: Distribution of VehBCost values

Warranty cost, on the other hand, is right skewed, with most common cost price between 1000 - 2000, about 20% of the vehicle buying price.

## 2.3 Comparisons with Respect to Class

There were generally no significant differences between the pattern of distribution of data among kick vs non-kick cars. Ones with notable differences are mentioned hare, while the rest are omitted.

Odometer readings of kicked cars are generally higher ODO. This means that cars that were less used are more considered to be good buys.

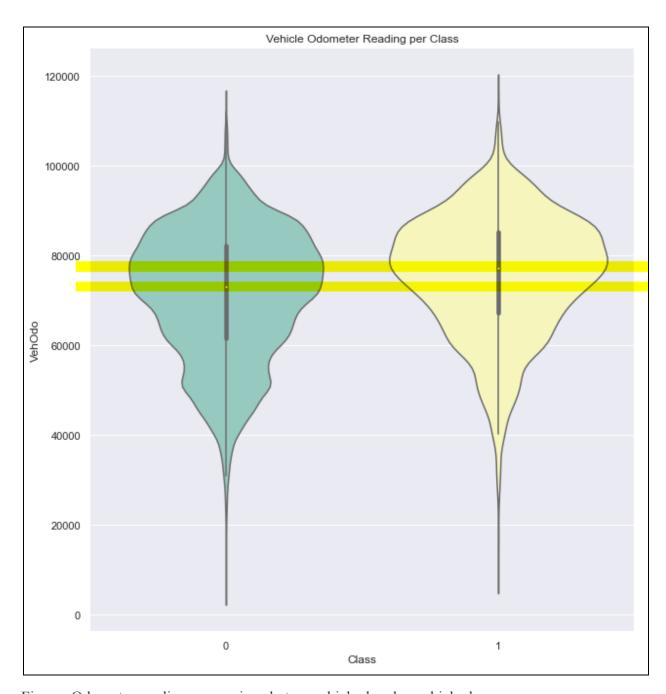


Figure: Odometer reading comparison between kicked and non-kicked cars

Investigating the split between kick vs non-kick cars by 'Make' showed that 66.7% of cars manufactured by INFINITI are kicked. The second highest kicked car manufacturer is POLYMOUTH, with 50% of kicked cars. Conversely, cars manufactured by TOYOTA SCION, LEXUS and VOLVO are 100% non-kicked, indicating that cars of these brands are preferred.

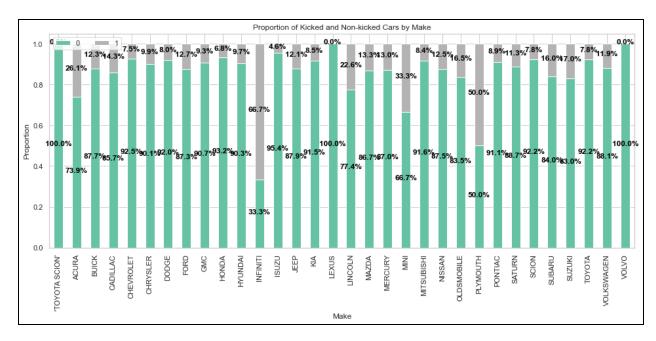


Figure: Percentage proportion of kicked and non-kicked cars' Make values

# 2.4 Null Values and Outlier Handling

The dataset was checked for null values and outliers. The dataset was clean of any null value, but had a significant number of outliers. The outliers in this dataset were replaced by a median value of the dataset excluding outliers for the relevant columns.

Below shows one of the examples for this instance

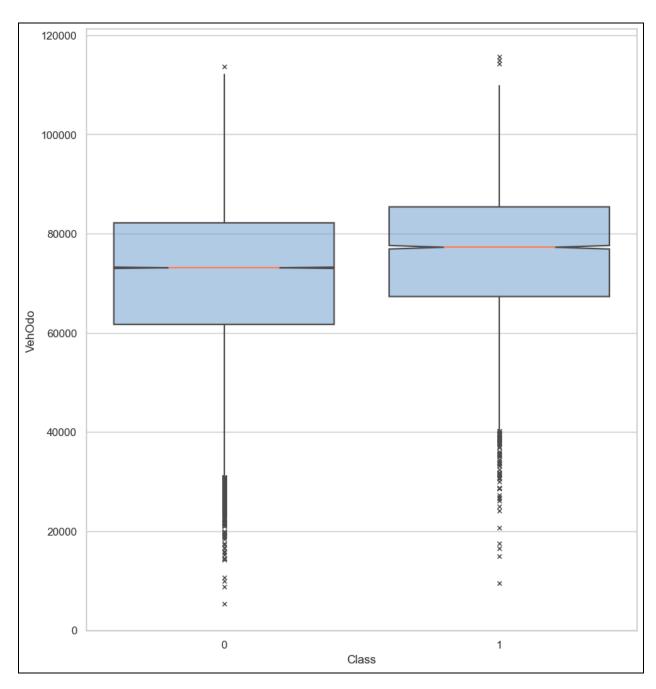


Figure: Boxplot of VehOdo values

```
# calculate the median of the 'VehOdo' column exclluding the outlier dataset
temp = ds[~ds['VehOdo'].isin(outliers)]
VehOdo_cmedian = temp['VehOdo'].median()
# find outliers for 'VehOdo' column
outliers = find_outliers_IQR(ds['VehOdo'])
print(outliers)
                                                             VehOdo cmedian
            28367.0
39
205
            26975.0
224
            26300.0
                                                             # replace outlier values with median value
239
            25195.0
                                                             ds_cleaned['VehOdo'][outliers.index] = VehOdo_cmedian
262
            30868.0
            31457.0
                                                           : ds_cleaned.iloc[66957]
66263
            25530.0
66560
            23853.0
                                                           : PurchDate
                                                                                                          1292284800.0
66623
           31449.0
                                                              VehYear
                                                                                                                 2004.0
66957
          115026.0
                                                              VehicleAge
Name: VehOdo, Length: 282, dtype: float64
                                                              Veh0do
                                                                                                                73614.0
                                                              MMRAcquisitionAuctionAveragePrice
                                                                                                                 3083.0
```

Figure: Procedure to alter output values with median values

Thus, this procedure of replacing outliers is repeated for numerical columns 'MMRAcquisitionAuctionCleanPrice', 'MMRCurrentRetailCleanPrice', 'VehBCost', and 'WarrantyCost'. The remaining of the 'MMR' columns were not adjusted for outliers as the decision for dropping them were made with the exchange of creating a new column of data, which is discussed in further detail in the next section.

#### 3.0 Data Preprocessing

## 3.1 Data Cleaning

As previously stated, 'PurchDate' must be removed because it is uninterpretable. Furthermore, because 'VehYear' provides a more direct way to represent the data, 'VehAge' is opted be removed from the collection. Analysing 'WheelType' and 'WheelTypeID, it is decided to drop one of the two attributes. Since 'WheelType' has more direct information than 'WheelTypeID,' 'WheelTypeID' is removed from the dataset. There are inconsistencies between columns 'Make' and 'TopThreeAmericanName,' which divide rows into Ford, Chrysler, GM, or other vehicle makers groups. To avoid such inconsistencies as mentioned in the earlier section, 'TopThreeAmericanName' should be eliminated. Data cleaning needed to deal with those data that have missing value, incomplete data, noisy data, inconsistent data and intentional data. Data inconsistency prevails in categorical data, although there are no missing values. Actions should be taken accordingly.

In 'Transmission', there is only one inconsistent data, which is Manual, so can substitute the only Manual into MANUAL.

AUTO MANUAL Manual	64871 2339 1	AUTO MANUAL	64871 2340
Figure: Raw data from 'Transmission'		Figure: Data from '	Transmission'

There are inconsistent data in 'Size', 'Model', 'SubModel', and 'Nationality'. Some of the data objects have single quotes, but some of them do not. To make it consistent, it was decided to remove all the single quotes from the model.

:	MEDIUM	28375
	LARGE	8444
	'MEDIUM SUV'	7149
	COMPACT	6546
	VAN	5422
	'LARGE TRUCK'	3044
	'SMALL SUV'	2162
	SPECIALTY	1747
	CROSSOVER	1433
	'LARGE SUV'	1342
	'SMALL TRUCK'	822
	SPORTS	725

Figure: Raw data from 'Size'

MEDIUM	28375
LARGE	8444
MEDIUM SUV	7149
COMPACT	6546
VAN	5422
LARGE TRUCK	3044
SMALL SUV	2162
SPECIALTY	1747
CROSSOVER	1433
LARGE SUV	1342
SMALL TRUCK	822
SPORTS	725

Figure: After removing single quote from

'Size'

PT CRUISER	2195	PT CRUISER	2195
IMPALA	1922	IMPALA	1922
TAURUS	1369	TAURUS	1369
CALIBER	1296	CALIBER	1296
CARAVAN GRAND FWD V6	1233	CARAVAN GRAND FWD V6	1233
TORRENT FWD V6	1	TORRENT FWD V6	1
350Z MFI V6 3.5L DOH	1	350Z MFI V6 3.5L DOH	1
RODEO 2WD 4C MFI I-4	1	RODEO 2WD 4C MFI I-4	1
CONCORDE 3.2L V6 EFI	1	CONCORDE 3.2L V6 EFI	1
ENVOY XL 4WD V8 5.3L	1	ENVOY XL 4WD V8 5.3L	1

Figure: Raw data from 'Model' Figure: Raw data from 'Model'

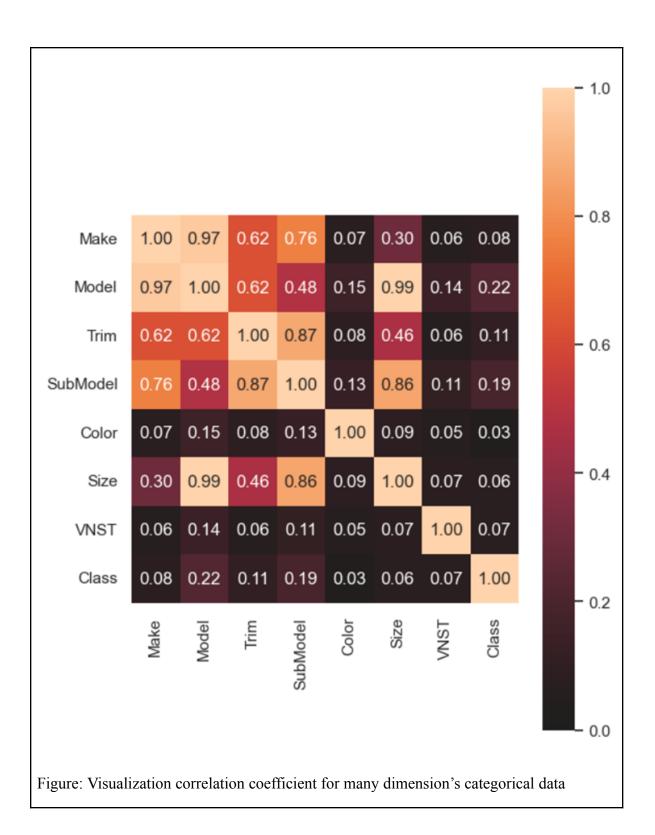
AMERICAN 'OTHER ASIAN' 'TOP LINE ASIAN' OTHER	57099	AMERICAN	57099
	6407	OTHER ASIAN	6407
	3526	TOP LINE ASIAN	3526
	179	OTHER	179
Figure: Raw data from 'Natio	nality'	Figure: Raw data from 'Natio	onality'

After data cleaning for categorical data, there are 28 attributes and 67211 rows in the remaining dataset.

As for numerical data, the cleaned prices of the 'MMR' type features were found to be a positive shift from the average prices. With confidence from the results of correlation studies, the decision to drop all 'MMR' columns except the cleansed retail value of acquisition and current prices. Then, for the prospective value of the car, establish a new attribute, 'potential\_value' = 'MMRCurrentRetailCleanPrice' - 'MMRAcquisitonRetailCleanPrice'.The magnitude of this discrepancy indicates the car's relative prospective value. Additionally, 'BYRNO' represents the car's registration number, which serves as an ID in this collection. It is useless for identifying whether the car has been "kicked," hence it should be removed from the dataset. The remaining dataset comprised 19 columns and 67211 rows after cleaning for numerical values.

## 3.2 Data Binning on Categorical Data

By reducing the number of unique values in a column, there can be more significant differences in values, rather than values being too spread out. While the default dimension is 10, the dimension for the data object should be in the range of 3 to 10. We do not need to manually bin categorical data because it is already in group form. However, some of the categorical data have more than ten dimensions. As a result, we can examine the relationship for those categorical data that have multiple dimensions with the target variable to see whether there is any association between them. Those categorical data with several dimensions such as 'Make,' 'Model,' 'Trim,' 'SubModel,' 'Color,' 'Size,' and 'VNST'. Since 'VNZIP1' has too many unique values, which is a similar case with continuous data. Thus, we will group them by using equal cut that same as other continuous data. Using the Pearson's Correlation Coefficient scale, compare these category data to the target variable, Class.



Scale of correlation coefficient	Value
$0 < r \le 0.19$	Very Low
	Correlation
$0.2 \le r \le 0.39$	Low Correlation
$0.4 \le r \le 0.59$	Moderate
	Correlation
$0.6 \le r \le 0.79$	High Correlation
$0.8 \le r \le 1.0$	Very High
	Correlation

Figure: The scale of Pearson's Correlation Coefficient

Data mining will exclude very highly correlated data since it will cause the model to overfit. The visualisation above shows that 'Model' and 'Make' are highly connected; consider dropping one of them. Since 'Model' is more connected to the target variable, 'Class,' the 'Make' variable can be removed from the dataset. Furthermore, because 'Model' and 'Size' are highly associated, one of them must be removed from the dataset. As 'Model' is better connected to the target variable, 'Class,' the 'Size' variable should be removed from the dataset. 'Trim' and 'SubModel' are highly correlated; because 'SubModel' is more associated to the target variable, 'Trim' should be removed from the dataset. As 'SubModel' and 'Size' are highly correlated, 'SubModel' will be retained in the dataset because it has a higher corelation coefficient with the target variable. After removing the very highly correlated categorical data, the dataset was reduced to 16 characteristics and 67211 rows.

'Model,' 'SubModel,' 'Color,' and 'VNST' are the left category data that contain several dimensions. In forecasting the target variable, there is no predictive function for 'VNST'. As a

result, it has been removed from the dataset. According to global studies, neutral and simple colours such as black, white, silver, or grey guarantee an excellent resale value and easy maintaining them. As a result, the non-neutral colour in a group is classified as OTHER.

		OTHER	27056
SILVER	13683	OTHER	27856
WHITE	11285	SILVER	13683
BLUE	9515	WHITE	11285
GREY	7422	GREY	7422
BLACK	6965		
RED	5678	BLACK	6965
GOLD	4767		
GREEN	2961	Figure: After are	ouping non-neutral color
MAROON	1888		ouping non-neutral color
BEIGE	1435	into OTHER	
BROWN	416		
ORANGE	381		
PURPLE	347		
YELLOW	233		
OTHER	175		
'NOT AVAIL'	60		
Figure: Raw 'Color'			

Due to the fact that 'Model' and 'SubModel' have numerous dimensions, it is known from the statement that 'SubModel' is a subset of 'Model'. As a result, we intend to remove both of them from the dataset and replace them with a new attribute called 'CarTyp',' which represents the type of car. According to research, the following car types are available: SUV, HATCHBACK, CROSSOVER, CONVERTIBLE, SEDAN, SPORT, COUPE, MINIVAN, WAGON, and others. The dimensions of the type of car are as follows:

SEDAN	39087
SUV	7972
OTHER	7865
WAGON	3790
MINIVAN	2834
SPORT	2533
COUPE	2432
CONVERTIBLE	437
HATCHBACK	212
CROSSOVER	49

# 3.3 Data Binning on Continuous Numerical Data

To decrease the dimensions of continuous data, an equal cut for 5 groups is employed here for all continuous data including 'VehOdo', 'VehBCost', 'WarrantyCost', 'VNZIP1', and 'Potential\_Value'.

```
VehYear
                                     67211 non-null float64
0
   VehOdo (31618, 59445.0]
                                     67211 non-null uint8
1
   VehOdo (59445.0, 69907.0]
                                     67211 non-null uint8
2
   VehOdo (69907.0, 77083.0]
3
                                     67211 non-null
                                                     uint8
   VehOdo (77083.0, 84497.0]
                                     67211 non-null uint8
4
5
   VehOdo (84497.0, 112056.0]
                                     67211 non-null
                                                     uint8
6
   VehBCost (1914, 5195]
                                     67211 non-null uint8
   VehBCost_(5195, 6200]
7
                                     67211 non-null
                                                     uint8
   VehBCost (6200, 7235]
                                     67211 non-null uint8
8
9
   VehBCost (7235, 8175]
                                     67211 non-null uint8
   VehBCost (8175, 11570]
                                     67211 non-null
                                                     uint8
10
11
   WarrantyCost_(461, 803]
                                     67211 non-null uint8
12
   WarrantyCost_(803, 1038]
                                     67211 non-null
                                                     uint8
13
   WarrantyCost (1038, 1313)
                                     67211 non-null uint8
   WarrantyCost (1313, 1703)
                                     67211 non-null uint8
14
15
   WarrantyCost (1703, 2735)
                                     67211 non-null uint8
   Auction ADESA
                                     67211 non-null uint8
16
   Auction MANHEIM
                                     67211 non-null uint8
17
                                     67211 non-null uint8
18 Auction OTHER
19 Color_BLACK
                                     67211 non-null uint8
   Color GREY
                                     67211 non-null uint8
20
```

```
Color OTHER
                                   67211 non-null
                                                   uint8
21
22
   Color SILVER
                                   67211 non-null
                                                   uint8
23
   Color WHITE
                                   67211 non-null
                                                   uint8
24
   Transmission AUTO
                                   67211 non-null
                                                   uint8
                                   67211 non-null
   Transmission MANUAL
                                                   uint8
25
26
   WheelType Alloy
                                   67211 non-null
                                                   uint8
   WheelType Covers
                                   67211 non-null
                                                   uint8
27
28
   WheelType Special
                                   67211 non-null
                                                   uint8
29
   Nationality AMERICAN
                                   67211 non-null
                                                   uint8
   Nationality OTHER
                                   67211 non-null
                                                   uint8
30
   Nationality OTHER ASIAN
31
                                   67211 non-null
                                                   uint8
   Nationality TOP LINE ASIAN
32
                                   67211 non-null
                                                   uint8
                                   67211 non-null
33
   VNZIP1 (2763, 29697]
                                                   uint8
34
   VNZIP1 (29697, 37122)
                                   67211 non-null
                                                   uint8
                                   67211 non-null
   VNZIP1 (37122, 76040]
                                                   uint8
35
  VNZIP1_(76040, 84104]
                                   67211 non-null
36
                                                   uint8
   VNZIP1 (84104, 99224]
                                   67211 non-null
                                                   uint8
   Potential Value (-12103, -478]
                                   67211 non-null
                                                   uint8
   Potential Value (-478, 0]
                                   67211 non-null
39
                                                   uint8
   Potential Value (0, 219)
                                   67211 non-null
40
                                                   uint8
   ----
  Potential_Value_(219, 854]
                                   67211 non-null
                                                   uint8
41
42 Potential Value (854, 12077]
                                   67211 non-null
                                                   uint8
43 CarType CONVERTIBLE
                                   67211 non-null
                                                   uint8
                                   67211 non-null
44 CarType COUPE
                                                   uint8
45 CarType_CROSSOVER
                                   67211 non-null
                                                   uint8
46 CarType HATCHBACK
                                   67211 non-null uint8
47 CarType MINIVAN
                                   67211 non-null
                                                   uint8
                                   67211 non-null uint8
48 CarType_OTHER
49 CarType SEDAN
                                   67211 non-null uint8
50 CarType SPORT
                                   67211 non-null uint8
                                   67211 non-null
51
    CarType SUV
                                                   uint8
52
    CarType WAGON
                                   67211 non-null
                                                   uint8
```

Figure: All variable including categorical and numerical data after binning

# 3.4 Feature Engineering

Converting our column data into dummy variables of 0s and 1s. Therefore, the dataset now have 53 columns and 67,211 rows.

	IsOnlineSale	Class	VehOdo_(31618, 59445.0]	VehOdo_(59445.0, 69907.0]	VehOdo_(69907.0, 77083.0]
0	0	0	1	0	0
1	0	0	0	0	0
2	0	0	0	0	1
3	0	0	0	0	0
4	0	0	1	0	0
67206	0	1	1	0	0
67207	0	1	0	0	0
67208	0	1	0	0	0
67209	0	1	0	0	0
67210	0	1	0	0	0

Figure: After putting all variables into dummy variable

## 3.5 Feature Transformation / Feature Normalization

Transform data by using normalization using MinMaxScale.

```
sc_X = MinMaxScaler()
# XT = Transformation X
XT = sc_X.fit_transform(X)
X = pd.DataFrame(XT, columns = X.columns)
```

Figure: Normalization process

## 3.6 Train-Test Splitting

The data set is obtained through random sampling, then split randomly by 80% as a training set and 20% as a testing set. This is used as our preliminary train and test set.

```
train size X : (53768, 52)
train size y : (53768,)
test size X : (13443, 52)
test size y : (13443,)
Figure: Training and testing set (random sampling)
```

However, due to the imbalance in data, oversampling of the minority class and undersampling of the majority class is carried out to train and test the data mining models in an advanced stage.

```
train size X : (97272, 52)
train size y : (97272,)
test size X : (24318, 52)
test size y : (24318,)
```

Figure: Training and testing set (oversampling and undersampling)

## 4.0 Data Mining Models

To decide on which modeling technique would be most appropriate for our data set, the previously mentioned split of training and testing data was used to train and test 5 different data classification models which are: decision tree, neural network, linear and radial basis function (RBF) support vector machine (SVM) and k-Nearest Neighbors (kNN). For each model, a confusion matrix is used to display the results, which are then evaluated on accuracy, precision, recall and f1-score. The negative class represents "not kicked" data, while the positive class represents "kicked" data.

## 4.1 Preliminary Training and Testing

In the preliminary testing stage, the randomly sampled data with similar distribution to the original data is used to train and test the models.

#### 4.1.1 Decision Tree

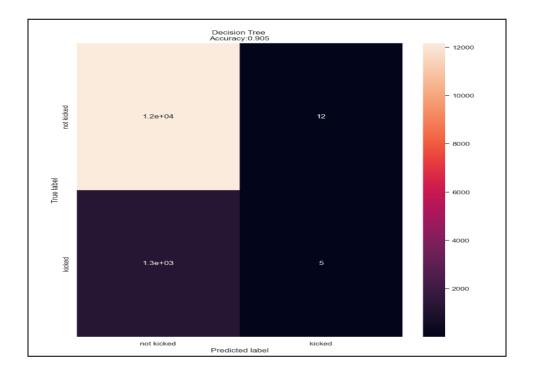


Figure: Confusion Matrix for Decision Tree

In this case, a decision tree of 5 levels of depth was used. The new confusion matrix showed that the decision tree model correctly classified 12163 out of 13443 observations in the "not kicked" class, while it only correctly classified 5 out of 1268 observations in the "kicked" class. However, the model misclassified 1263 observations from the "kicked" class as "not kicked" (false negatives), and 12 observations from the "not kicked" class as "kicked" (false positives).

The accuracy of the model can be calculated as (12163 + 5) / (12163 + 12 + 1263 + 5) = 0.905, or 90.5%. However, since the data is still heavily imbalanced towards the "not kicked" class, the accuracy metric may not be the best evaluation metric to use. Therefore, further analysis is required.

Decision	Tree	Evaluation:			
		precision	recall	f1-score	support
	0	0.91	1.00	0.95	12175
	1	0.29	0.00	0.01	1268
accur	acy			0.91	13443
macro	avg	0.60	0.50	0.48	13443
weighted	avg	0.85	0.91	0.86	13443

Figure: Decision tree evaluation report

From this report, we can see that the model has a high precision (0.91) and high accuracy (0.91) for the negative class (0), indicating that when the model predicts an instance as not kicked, it is usually correct. Recall measures the proportion of true positive predictions out of all actual positive instances. However, the recall for the positive class (1) is very low (0.00), indicating that the model is not good at identifying the positive class, and that it is missing a lot of the actual positive instances. The macro-averaged F1-score is 0.48, indicating poor overall performance, while the weighted average F1-score is 0.86 only because it takes account of the class imbalance, giving more weight to the "not kicked" class.

#### 4.1.2 Neural Network

Figure: Test results obtained from 10 epochs

The training results of the neural network return a high accuracy of 0.903, which is 90.3%. This accuracy score is similar to the decision tree model, therefore further analysis is done to evaluate its performance.

Confusion Mat [[12128 4 [ 1253 15 Neural Networ	7] ]]	:		
	precision	recall	f1-score	support
0	0.91	1.00	0.95	12175
1	0.24	0.01	0.02	1268
accuracy			0.90	13443
macro avg	0.57	0.50	0.49	13443
weighted avg	0.84	0.90	0.86	13443

Figure: neural network evaluation report

The above figure shows that the neural network had similar performance to the decision tree, where the accuracy for determining negative classes is high, but is low for positive classes. In this case, the precision for the positive class is 0.24, meaning that only 24% of the predicted positive instances were actually positive. The recall for the positive class is 0.01, meaning that only 1% of the actual positive instances were correctly predicted as "kicked". The F1 score is a weighted average of precision and recall that combines the two measures into a single number. In this case, the F1 score for the positive class is very low at 0.02. Similar to the decision tree model, the macro average F1 score is 0.49, which is quite low, indicating that the model does not perform well, despite its high accuracy.

#### 4.1.3 Linear SVM

SVM Linear Evaluation:								
	precision	recall	f1-score	support				
0	0.91	1.00	0.95	12175				
1	1.00	0.00	0.00	1268				
accuracy			0.91	13443				
macro avg	0.95	0.50	0.48	13443				
weighted avg	0.91	0.91	0.86	13443				
SVM Linear Confusion Matrix:								
[[12175 0	]							
[ 1268 0	1]							

Figure: Linear SVM evaluation report

The linear SVM evaluation shows that the model is predicting "not kicked" classes with high precision and recall, but is predicting "kicked" classes with low precision and recall. This means that the model is correctly identifying examples that don't belong to the category, but is poor at identifying examples that do belong to the category.

The confusion matrix for the linear SVM evaluation confirms this: all examples belonging to the "kicked" class are being misclassified as "not kicked". This proves that the linear SVM is showing similar patterns to the previous 2 models, where the model's accuracy value is only influenced by the sheer imbalance of classes.

#### **4.1.4 RBF SVM**

SVM RBF Evalu	ation:			
	precision	recall	f1-score	support
0	0.91	1.00	0.95	12175
1	1.00	0.00	0.00	1268
accuracy			0.91	13443
macro avg	0.95	0.50	0.48	13443
weighted avg	0.91	0.91	0.86	13443
SVM RBF Confu	sion Matrix:			
[[12175 0 [ 1268 0	] ]]			

Figure: RBF SVM evaluation report

The RBF SVM evaluation shows that the model is also predicting class 0 with high precision and recall, but is predicting class 1 with very low precision and recall. This means that the model is not doing a good job at identifying either class.

In summary, both models are doing well at predicting examples that belong to the "non kicked" class, but are unable to accurately predict data that belong to the "kicked" class. The RBF SVM model is doing even worse than the linear SVM model at predicting the positive class. However, from the similarities in inability to predict positive classes across all models, this difference between the RBF and linear SVM models is likely insignificant.

# 4.1.5 kNN Classification

As a preliminary stage, a range of K values between 10 to 31 were tested on 2 metrics, accuracy score and error rate.

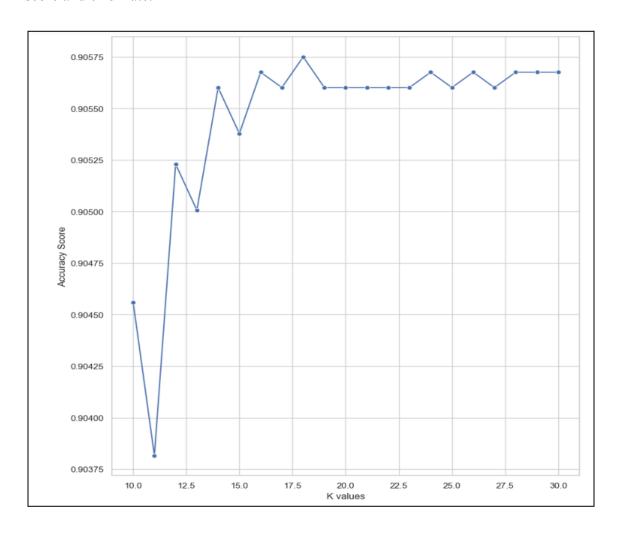


Figure: K values against accuracy score

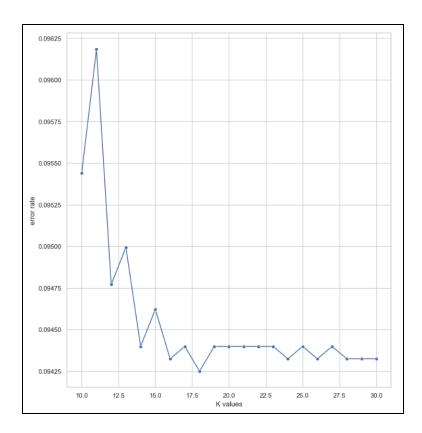


Figure: K values against error rate

From these results, we can conclude that the most fitting K value is 18, as it shows the highest accuracy score and lowest error rate. We then use the K value of 18 to train and test another kNN model.

```
K = 18
Evaluation:
              precision
                          recall f1-score
                                              support
                   0.91
                             1.00
                                       0.95
                                                12175
                   1.00
           1
                             0.00
                                       0.00
                                                1268
                                       0.91
                                                13443
   accuracy
   macro avg
                   0.95
                             0.50
                                       0.48
                                                13443
weighted avg
                   0.91
                             0.91
                                       0.86
                                                13443
kNN confusion matrix:
[[12175
            0]
[ 1267
           1]]
```

Figure: KNN evaluation report

From this evaluation of the final kNN model, it can be seen that the same trends that occurred within the previous models still persist here, where the precision and recall for negative classes are high, and the F1-score accuracy of the model is high as well. Though the precision for the positive class is seen as high in this scenario, the recall and F1-score are extremely low, meaning that out of all the positive classes, only 1 was correctly identified. This implies that this model is also of poor performance.

#### 4.1.6 Overall Observations

Across the 5 models, similar accuracy scores were obtained, and all evaluations returned similar numerical results, implying that there is no major difference in the performance of each model. From these results, the hypothesis drawn is that the high accuracy scores of all models are due to the strong imbalance between the negative and positive classes, with the negative classes taking up 90% of the data set, leaving a small portion of positive class data. This is proven in the recall scores of the positive class being close to 0, which means that the model is unable to correctly identify any of the positive classes. Not only is this due to the large data imbalance, but it also ties back to what was hypothesized in the data exploration stage, where there was no recognizable pattern or trend to the data that belonged to the positive class, which is likely what is causing the model's failure to identify positive class data.

## 4.2 Advanced Training and Testing

Once we have tested the models with the preliminary data, we use a set of data that has been sampled to overcome the imbalance between the negative and positive classes, by oversampling the minority class and undersampling the majority class to make the distribution close to 50:50. In testing, it is found that both the linear and RBF SVM model's computational requirements are likely too high, as our devices are unable to obtain results from the SVM models. Thus, we have excluded it from this stage.

## **4.2.1 Decision Tree**

Decision Tree	Evaluation:				
	precision	recall	f1-score	support	
0	0.62	0.56	0.59	12258	
1	0.60	0.65	0.62	12060	
accuracy			0.61	24318	
macro avg	0.61	0.61	0.61	24318	
weighted avg	0.61	0.61	0.61	24318	
Test Loss: 0	.606296988469	51648			

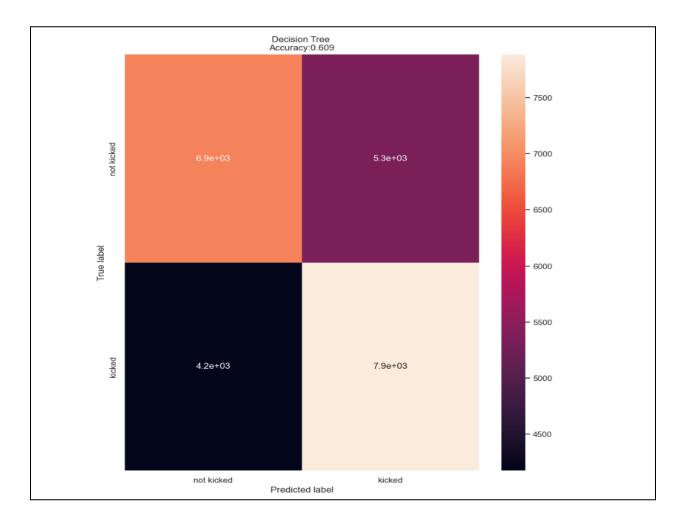


Figure: Decision tree confusion matrix

The evaluation report shows that the precision and recall scores for both classes improved slightly compared to the previous evaluation, but the overall accuracy is still only 60%. The

macro average F1-score also improved slightly to 0.6, indicating that the model's performance is only slightly better than random chance, while the test loss is also very high at 60.6%. These results suggest that oversampling and undersampling alone may not be sufficient to improve the model's performance.

#### 4.2.2 Neural Network

Confusion Matr [[9325 2933] [4103 7957]]	ix:			
Neural Network	Evaluation	:		
	precision	recall	f1-score	support
0	0.69	0.76	0.73	12258
1	0.73	0.66	0.69	12060
accuracy			0.71	24318
macro avg	0.71	0.71	0.71	24318
weighted avg	0.71	0.71	0.71	24318

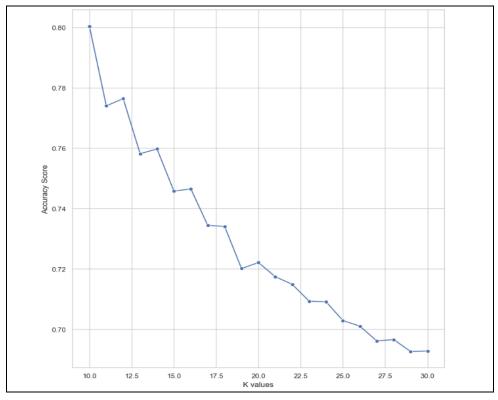
```
760/760 [==================] - 1s 822us/step - loss: 0.5584 - accuracy: 0.7107
Test loss: 0.5583516955375671
Test accuracy: 0.7106670141220093
```

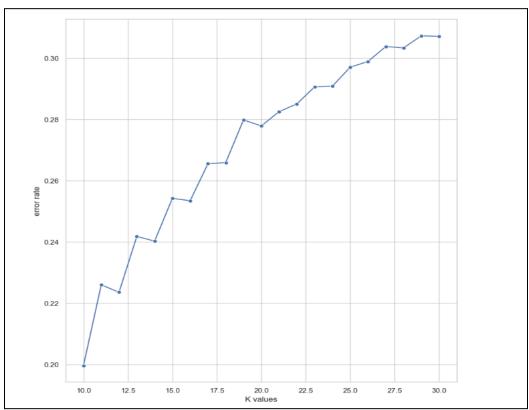
Figure: Neural network performance after 20 epochs

The neural network's performance also underwent a slight improvement in performance, slightly overtaking the decision tree. However, although the accuracy, precision, recall and F1-score have improved, the test loss is high, at 55.8%. This indicates that the model's predictions are incorrect 55.8% of the time, which is not a desirable result.

#### 4.2.3 kNN Classification

Similarly to the preliminary stage, the data set is first used to determine the best K-value, based on accuracy score and error rate.





From the graphs, it is clear that a K-value of 10 is the most suitable.

```
Evaluation:
                          recall f1-score support
             precision
                  0.91
                            0.67
                                      0.77
                                               12258
          1
                  0.74
                            0.93
                                      0.82
                                               12060
   accuracy
                                      0.80
                                               24318
  macro avg
                  0.82
                            0.80
                                      0.80
                                               24318
weighted avg
                  0.82
                            0.80
                                      0.80
                                               24318
kNN confusion matrix:
[[ 8235 4023]
[ 831 11229]]
Test loss: 0.6062969884651648
```

The kNN model shows the best performance out of the 3 models after training and testing with the balanced data set, showing the highest accuracy so far at 80%, and significantly improved values to precision, recall, and F1-score. The confusion matrix shows that the model has correctly classified 11,229 instances belonging to the minority class (class 1), but has incorrectly classified 831 instances belonging to the majority class (class 0) as belonging to the minority class, which is a stark contrast to the results obtained from the preliminary stage. However, the test loss is found to be even higher than the neural network, at 60.6%.

## **4.3 Model Summary**

Overall, there are significant improvements to the performance of the models after being tested with balanced datasets compared to when tested with randomly sampled datasets. Based on accuracy, precision, recall and F1-score, the kNN classification model is by far the best performer, followed by the neural network and the decision tree. However, the test losses in all 3 of the models used in the advanced modeling stage are high, indicating that the models are only performing well on identifying 1 of the classes, further confirming the hypothesis that there is a lack of trends that determine the class of a tuple.

#### 5.0 Research Questions

## 5.1 Research Questions and Justifications

Auto dealerships face a challenge when purchasing a used car at an auto auction. The dealership must determine whether or not the vehicle has serious flaws and prevent it from being sold to customers. The primary goal of this dataset is to predict whether or not a car purchased at an auto auction is a "kick" (car with serious problems). In dealing with this dataset, some research questions come to mind:

1. Do older cars with lower odometer readings show higher chances of being kicked?

This question is posed as we would like to determine if tampered odometers is a determining factor of kicked cars. By having supporting evidence to this, we can then determine the range of values of odometer reading - age values that would cause the likelihood of a kick. However, from analyzing our dataset, there was no relationship supporting this hypothesis, as shown in section 2.1, as the outcome of kicks increase with age regardless of odometer values. Thus, the answer to this question is no, older cars with lower odometer readings do not show higher chances of being kicked.

2. Are cars bought through an online sale susceptible to illegitimate dealings and thus make the car a kick?

This question is important in determining whether a dealership should even consider purchasing a car through an online sale. Purchasing a car through an online sale could be potentially costly should those cars be advertised falsely, with little room for verification of authenticity due to the virtual nature of this dealing. If it is so, then the kicked car percentage on cars bought through an online sale should be high. This was however, not the case, as it was found that 8% and 9.6% of cars were classified as kicked cars from cars not purchased from an online sale and cars purchased from an online sale respectively. Since the proportion of kicked cars between the two categories are not significantly different, we cannot conclude that cars bought through an online sale have a

significantly higher chance of being a kick.

#### 3. Is there a trend to the color of kicked cars?

Something as simple as a car's body color could have a significant impact on the purchase value of a car. We want to know what the 'safe' colors are in purchasing a car, so that the chances of buying a kicked car is avoided. From our analysis in section 2.1, it was found that colors of more neutral, low-key colors comprised of the top 3 non-kicked proportion of cars. Namely, silver, white and blue are considered 'safe' colors. Conversely, more jarring colors such as purple, orange, and brown had higher proportions of kicks. Thus, those colors should generally be avoided to prevent purchasing a kicked car.

## 5.4 Provide meaningful insight and conclusion from the data analysis

The dealership must decide whether or not the vehicle has significant problems and prevent it from being sold to customers. These bad purchases are known as "kicks" in the auto industry. Knowing that the historical dataset has a high probability of not being kicked out of Data Exploration which means that the most of the cars purchased were considered "best buy".

Under categorical variable, the relevant columns of this subset include 'Auction', 'Model', 'Trim', 'Submodel', 'Colour', 'Transmission', 'WheelType' and 'WheelTypeID', 'Nationality', 'Size', 'Make', 'TopThreeAmericanName', 'VNST', 'IsOnlineSale' and 'VNZIP1'. After data cleaning, there are only 8 columns consider significant in predicting whether the car purchased is "best buy" which include 'VehYear', 'Auction', 'Color', 'Transmission', 'WheelType', 'Nationality', 'IsOnlineSale' and 'CarType'.

- For 'Auction', MANEIM has the highest car purchase compared to ADESA and OTHER.
- Due to the fact that 'Model' and 'SubModel' have numerous dimensions, it is known from the statement that 'SubModel' is a subset of 'Model'. As a result, we intend to remove both of them from the dataset and replace them with a new attribute called 'CarType', which represents the type of car. According to research, the following car types are available: SUV, HATCHBACK, CROSSOVER, CONVERTIBLE, SEDAN, SPORT, COUPE,

- MINIVAN, WAGON, and others. Finding that SEDAN type was the highest car purchased and being sold by an auto dealer.
- For 'Colour' from data exploration, knowing that the top 3 colors of cars purchased were silver, white and blue. However, according to global studies, neutral and simple colors such as black, white, silver, or grey guarantee an excellent resale value and easy maintenance. Hence, in the Data Cleaning part, the non-neutral color in a group is classified as OTHER.
- For 'Transmission', most of the cars are AUTO which has about 97% of cars purchased were auto.
- 'WheelType' and 'WheelTypeID' were proven to be referring to the same attribute, as their corresponding frequencies for the different column values are the same which shows that the highest car purchased is using Alloy type wheel.
- For 'Nationality', it can be seen that 85% of cars purchased are of American nationality, while the remaining are either Asian or some other nationality.
- Only a small amount of 2.5% cars were purchased through an online sale.

Under numerical variables, the relevant columns of this subset include 'PurchDate', 'VehYear', 'VehicleAge', 'VehOdo', 'MMRAcquisitionAuctionAveragePrice', 'MMRAcquisitionAuctionCleanPrice', 'MMRAcquisitionRetailAveragePrice', 'MMRAcquisitionRetailCleanPrice', 'MMRCurrentAuctionAveragePrice', 'MMRCurrentAuctionCleanPrice', 'MMRCurrentRetailAveragePrice', 'MMRCurrentRetailAveragePrice', 'MMRCurrentRetailCleanPrice', 'VehBCost', and 'WarrantyCost'. After Data Exploration and Data Cleaning, there are 5 attributes left which are 'VehOdo', 'VehBCost', 'WarrantyCost', 'VNZIP1' and 'Potential\_Value'.

- For 'VehOdo', which indicates how far the car has driven in km, according to Data Exploration, the larger the vehicle age, the larger the 'VehOdo'.
- For the prospective value of the car, establish a new attribute, 'potential\_value' = 'MMRCurrentRetailCleanPrice' 'MMRAcquisitonRetailCleanPrice'. The magnitude of this discrepancy indicates the car's relative prospective value.

- Vehicle Buying price was investigated and results show that the buying price center around 7000 per car, for which currency was not documented so it is unknown, but most likely USD.
- Warranty cost, on the other hand, is right skewed, with most common cost price between 1000 2000, about 20% of the vehicle buying price.