

FORE SCHOOL OF MANAGEMENT, NEW DELHI

Academic Session 2023-2025 Project-3

TOPIC: To Determine the Segmentation of Pizza Sales at The Store According to Various Sizes

Machine Learning for Managers 2

FMG 32 Section C

Submitted to:

Submitted by:

Prof. Amarnath Mitra

321146 – Kshitij Tiwari

TABLE OF CONTENTS

CONTENTS	PAGE NO.
Acknowledgement	3
Objective of the project	4
Data descriptions	5
Analysis	8
Observation	19
Managerial Insights	21

ACKNOWLEDGEMENT

I express my sincere appreciation to **Professor Amarnath Mitra** for enlightening us about the captivating realm of supervised learning during this course on big data analysis. Under his tutelage, we delved deep into the intricacies of machine learning, and his mentorship, encouragement, and profound knowledge played a pivotal role in guiding us through the challenges of our project, ensuring its triumphant conclusion. Professor Mitra's unwavering dedication to nurturing our comprehension and implementation of machine learning principles has been a constant source of inspiration. I am profoundly grateful for his steadfast commitment and for bestowing upon us this invaluable learning experience.

Furthermore, Professor Mitra's passion for the subject matter was evident in every lecture and discussion, igniting our curiosity and driving us to explore the limitless possibilities of big data analysis. His ability to simplify complex concepts and provide real-world examples made the learning process both engaging and accessible. Moreover, his encouragement to think critically and creatively challenged us to push the boundaries of our knowledge and skills.

Beyond the classroom, Professor Mitra's mentorship extended to providing valuable insights and advice, nurturing our growth not only as students but also as aspiring data analysts. His willingness to invest time and effort in our development demonstrates his genuine commitment to our success.

As we move forward in our academic and professional endeavors, we carry with us the invaluable lessons and experiences gained under Professor Mitra's guidance. His impact on our education and career trajectories will undoubtedly be enduring, and for that, we are truly grateful.

1. PROJECT OBJECTIVES

- 1.1 The first objective is to segment the pizza data using supervised learning algorithms using Decision tree.
- 1.2 The second objective is to determine the number of appropriate classification models by comparing and contrast using logistic regression, KNN (k-nearest neighbour) and SVM (support vector machine).
- 1.3 The third objective is to identify significant variables or features and their thresholds for classification.
- 1.4 Cross-validation with random forest and decision tree.

2. DESCRIPTION OF DATA

2.1. Data Source, Size, Shape

2.1.1. Data Source -

https://www.kaggle.com/code/azamatjonkhasanzoda/pizza-dataset-analysis-clustering-time-series/input

2.1.2. Data Size – **8 MB**

2.1.3. Data Shape | Dimension:

Number of Variables - 10 Number of Records - 50483

2.2. Description of Variables

2.2.1. Index Variable(s): pizza_id, Order_id

2.2.2. Variables or Features having Categories | Categorical Variables or Features (CV)

2.2.2.1. Variables or Features having Nominal Categories | Categorical Variables or Features –

Nominal Type:

pizza_name_id, , pizza_size, pizza_category, pizza_ingredients, pizza_name 2.2.2.2. Variables or Features having Ordinal Categories | Categorical | **Ordinal Type**- order_time, order_Date

2.2.3. Non-Categorical Variables or Features: Quantity, Unit_price, total_price

Pizza_ID: Unique identifier for each Pizza Order_id: Unique identifier for each identifier pizza_name_id: Code name of the pizza name pizza_size: Size of pizza, S, M, L, XL, XXL Pizza_category: Variant or version of the Pizza Pizza Ingredients: Ingredients of the Pizza

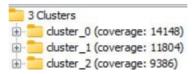
Pizza_name: Name of the pizza

Order_time: Time at which the pizza was ordered Order_date: date at which the pizza was ordered

2.3. Descriptive Statistics

2.3.1. Descriptive Statistics of Outcome Categorical Variables

It provides the statistics of cluster variable (categorical variable) by giving frequency as well as relative frequency (in %).



- 2.3.2. Descriptive Statistics: Categorical Variables or Features
- 2.3.2.1. Count | Frequency Statistics

Pizza Size count

Row ID	count			
L	19243			
M	15971			
S	14678			
XL	563			
XXL	28			

Pizza Category

Row ID	count		
Chicken	11236		
Classic	15130		
Supreme	12211		
Veggie	11906		

Pizza Name

Row ID	count
The Barbecue.	2454
The Big Meat .	1878
The Brie Carr	. 504
The Calabres	. 958
The California.	2387
The Chicken	. 1010
The Chicken P.	1007
The Classic D	. 2517
The Five Che	. 1418
The Four Che.	1920
The Greek Pizz	a 1457
The Green Ga.	1028
The Hawaiian .	2459
The Italian Ca.	1453
The Italian Su.	1920
The Italian Ve.	1014
The Mediterra	967
The Mexicana.	1508
The Napolitan.	1501
The Pepper S.	1481
The Pepperon.	2462
The Pepperon.	1403
The Prosciutt.	. 1481
The Pepperon.	1403
The Prosciutt	
The Sicilian Pizz	
The Soppress	
The Southwe	
The Spicy Itali.	The second second
The Spinach P.	
The Spinach S.	
The Spinach a.	
The Thai Chic	The second secon
The Vegetabl	. 1564

2.3.3.2. Measures of Dispersion

Name	Mean	Standard Deviation	Variance	Skewness	Kurtosis
quantity	1.019	0.142	0.02	7.687	-95.495
unit_price	16.495	3.621	13.109	0.124	0.871
total_price	16.819	4.429	19.615	1.719	-12.832

3. ANALYSIS OF DATA

3.1. Data Pre-Processing

3.1.1. Missing Data Statistics and Treatment

3.1.1.1. Missing Data Statistics: 16

3.1.1.1.2. Missing Data Treatment:

Name	# Missing values	50% Quantile (Median)
Cluster	22213	0

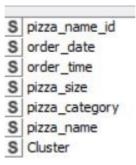
3.1.1.2.1. Removal of Records with More Than 50% Missing Data

3.1.1.2.1. Missing Data Statistics: Categorical Variables or Feature

3.1.1.2.2. Missing Data Treatment: Categorical Variables or Features - 10 3.1.1.2.2.1. Removal of Variables or Features with More Than 50% Missing

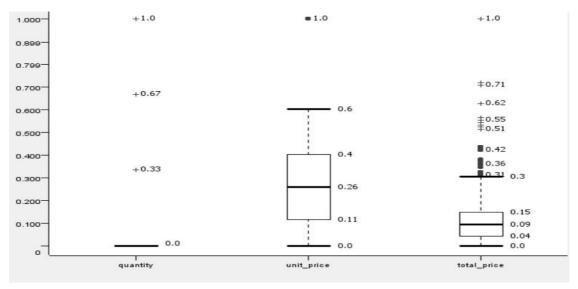
3.1.2. Numerical Encoding of Categorical Variables or Features (Encoding Schema

- Alphanumeric Order)
- In this case, category to number node will be used to encode the categorical variable



3.1.3. Outlier Statistics and Treatment (Scaling | Transformation)

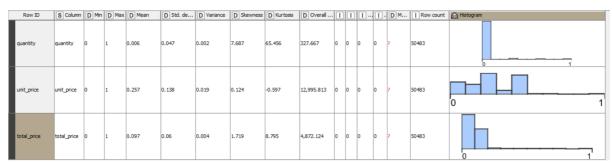
3.1.3.1.1. Outlier Statistics: Non-Categorical Variables or Features



3.1.3.1.2. Outlier Treatment: Non-Categorical Variables or Features

3.1.3.1.2.1. Standardization

3.1.3.1.2.2. Normalization using Min-Max Sca



Min-max Scalar technique is a normalizer technique used in data pre-processing to scale numerical features to a specific range, typically between 0 and 1.

The formula for min-max normalization is:

$$x' = \frac{x - \min(x)}{\max(x) - \min(x)}$$

3.1.3.1.2.3. Log Transformation

3.1.4. Data Bifurcation: Training & Testing Sets

The training and testing data have been bifurcated into 80% and 20% respectively.

3.2. Data Analysis

3.2.1. Supervised Machine Learning Classification Algorithm: Decision Tree

- → A decision tree is a supervised machine learning algorithm used for both classification and regression tasks. It works by recursively partitioning the input space into smaller regions based on feature values, creating a tree-like structure of decisions. At each node of the tree a decision is made based on the value of a specific feature, and the data is split into subsets. This process continues until a stopping criterion is met, such as reaching a maximum depth or no further improvement in impurity reduction.
- → In this project, decision tree will be the classification algorithm used for unsupervised learning. The metrics used in decision tree is Gini coefficient.
- → When using decision tree, we will be also seeing comparison when no pruning method is used and when pruning method is used.

3.2.2. Supervised Machine Learning Classification: Other

Methods Logistic Regression

It is a supervised learning algorithm used for binary classification tasks. It models the probability of the input belonging to a particular class using the logistic function. The algorithm learns the relationship between input features and the probability of the binary outcome, making it suitable for predicting categorical outcomes.

In this project, logistic regression will be used and the metric used in logistic regression is iteratively reweighted least squares (solver method).

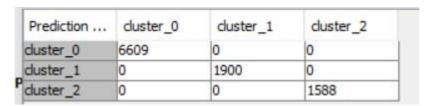
K-Nearest Neighbours

K-Nearest Neighbours (KNN) is a supervised learning algorithm that is also used for both classification and regression tasks. It predicts the classification of a data point by finding the majority class among its k nearest neighbours in the feature space. KNN's performance heavily depends on the choice of distance metric and the value of k, making it sensitive to the dataset's characteristics.

In this project, KNN will be used and the metric used is Euclidean distance. For comparison, we will be using k = 7 till k = 19 in steps of 2 i.e. k = 7,9,11,13,15,17 and 19.

3.2.2.1. Classification Model Performance Evaluation of Decision Tree by using Confusion Matrix

Without Pruning



Row ID	TruePo	FalsePo	TrueNe	FalseN	D Recall	D Precision	D Sensitivity	D Specificity	D F-meas	D Accuracy	D Cohen'
cluster_0	6609	0	3488	0	1	1	1	1	1	?	?
cluster_1	1900	0	8197	0	1	1	1	1	1	?	?
cluster_2	1588	0	8509	0	1	1	1	1	1	?	?
Overall	?	?	?	?	?	?	?	?	?	1	1

Cluster 0

- This cluster has a high number of true positives and true negatives indicating that the model correctly classified most instances within this cluster.
- The precision and recall scores are both very high suggesting that the model effectively identifies true positives while also minimizing false positives.

Cluster 1

- This cluster has a lower recall and precision compared to cluster 0, indicating that the model's performance is not as strong for this segment.
- The number of false positives is relatively high, suggesting that the model may misclassify some instances within this cluster.

Cluster 2

- This cluster has a relatively high recall and precision, indicating that the model performs well.
- The number of false positives is relatively low suggesting that the model effectively minimizes misclassifications within this cluster.

• Both sensitivity and specificity scores are high indicating that the model correctly identifies both true positives and true negatives within this cluster.

Small pizzas: The model seems to perform well for small pizzas, with 1914 correctly classified and only a small number misclassified as medium (2112) and large (10).

Medium pizzas: The model also performs well for medium pizzas, with 10035 correctly classified and a relatively small number misclassified as large (467) and extra large (18).

Large pizzas: The model seems to have more difficulty with large pizzas. While 10,035 were correctly classified, there were also substantial misclassifications as small (1223) and extra large (632).

Extra Large (XL) pizzas: The model performs well for extra large pizzas, with 16,300 correctly classified and only a small number misclassified as medium (467) and large (632).

XXL pizzas: There were only 10 XXL pizzas, and all were correctly classified. In conclusion, the decision tree model seems to perform well for small, medium, and extra large pizzas, but has more difficulty accurately classifying large pizzas

Despite the lower performance metrics, the specificity is very high indicating that the model correctly identifies true negatives within this cluster.

3.2.3. Ensemble Method using Random Forest

Random forest is an ensemble learning method where multiple decision trees are trained on random subsets of the data and features. During prediction, each tree votes on the outcome and the final prediction is determined by the majority vote. This approach improves prediction accuracy and reduces overfitting compared to individual decision trees.

3.2.4. Ensemble Method using XGBoost

XGBoost (Extreme Gradient Boosting) is a powerful machine learning algorithm that uses a gradient boosting framework. It sequentially builds multiple decision trees, each correcting the errors of the previous one. XGBoost incorporates regularization techniques to prevent overfitting and is known for its efficiency and effectiveness in various machine learning tasks.

3.2.1.1. Model Performance Evaluation of Cross-Validation using Decision Tree

COMPARATIVE ANALYSIS OF DECISION TREE WITH AND WITHOUT PRUNING

Comparing decision trees with and without pruning typically shows that pruning enhances precision and specificity, albeit at the cost of slightly reducing recall and sensitivity. Pruning entails the removal of unnecessary branches from the tree, simplifying the model and mitigating overfitting, thereby promoting better generalization and potentially improving performance on unseen data.

In our case, we did not detect a significant disparity between pruned and non-pruned decision trees. This could be attributed to several factors:

- 1. **Dataset Complexity:** The dataset utilized might be relatively straightforward, with the decision tree lacking substantial overfitting even without pruning.
- 2. **Pruning Configuration:** The pruning settings within the KNIME's Decision Tree Learner node might have been set conservatively, resulting in minimal branch removal.
- 3. **Random Variability**: Decision tree generation can involve stochastic elements. Repeating the experiment with both pruned and non-pruned trees might reveal slight discrepancies in another iteration.

The decision to prune the decision tree hinges on the specific needs of the problem and the balance between precision and recall. If minimizing false positives is paramount, such as in risk assessment scenarios, pruning may be preferred. Conversely, if maximizing true positives, as in customer retention strategies, is crucial, avoiding pruning may be advisable.

The choice of whether to prune the decision tree depends on the specific requirements of the problem and the trade-off between precision and recall. If minimizing false positives is crucial (can be used for risk assessment) pruning may be preferred. If capturing as many true positives as possible is more important (can be used for customer retention) pruning may be avoided.

3.2.2.2. Classification Model Performance Evaluation of Other Supervised Learning methods by using confusion matrix

Logistic Regression

Confusion Matrix

Prediction	duster_0	duster_1	cluster_2
duster_0	6609	1900	1588
duster_1	0	0	0
cluster 2	0	0	0

Accuracy statistics

Row ID	TruePositives	FalsePositives	TrueNegatives	FalseNegatives	D Recall	D Precision	D Sensitivity	D Specificity	D F-measure	D Accuracy	D Cohen's kappa
cluster_0	6609	0	0	3488	0.655	1	0.655	?	0.791	?	?
cluster_1	0	1900	8197	0	?	0	?	0.812	?	?	?
cluster_2	0	1588	8509	0	?	0	?	0.843	?	?	?
Overall	?	?	?	?	?	?	?	?	?	0.655	0

Overall Accuracy: The accuracy for "Overall" is 0.655, which means the model classified 65.5% of the pizzas correctly.

Cluster_0: It seems the model performed well for cluster_0 with a precision of 1.0, which means all pizzas classified as cluster_0 were actually from that cluster (no false positives). However, recall is not provided (denoted by "D"), so we can't say how many actual cluster_0 pizzas were correctly identified.

Cluster_1 & Cluster_2: There are no values for these clusters, possibly indicating that the model did not predict any pizzas into these clusters, or there were none in the data used to evaluate the model.

In conclusion, the model seems to have achieved good accuracy (65.5%) overall. It performed well in terms of precision for cluster_0, but more information is needed about the clusters and recall metrics to definitively assess the model's performance for each cluster.

Cluster_2 was used as the reference category

K-Nearest Neighbour

K=7

Row ID	duster_0	duster_1	duster_2
duster_0	4859	718	585
duster_1	962	1182	0
duster_2	788	0	1003

Row ID	TruePo	FalsePo	TrueNe	FalseN	D Recall	D Precision	D Sensitivity	D Specificity	D F-meas	D Accuracy	D Cohen'
duster_0	4859	1750	2185	1303	0.789	0.735	0.789	0.555	0.761	?	?
duster_1	1182	718	7235	962	0.551	0.622	0.551	0.91	0.585	?	?
cluster_2	1003	585	7721	788	0.56	0.632	0.56	0.93	0.594	?	?
Overall	?	?	?	?	?	?	?	?	?	0.698	0.432

K=9

Row ID	duster_0	duster_1	duster_2
duster_0	4831	694	574
duster_1	976	976 1206	
duster_2	802	0	1014

Row ID	TruePo	FalsePo	TrueNe	FalseN	D Recall	D Precision	D Sensitivity	D Specificity	D F-meas	D Accuracy	D Cohen'
duster_0	4831	1778	2220	1268	0.792	0.731	0.792	0.555	0.76	?	?
duster_1	1206	694	7221	976	0.553	0.635	0.553	0.912	0.591	?	?
duster_2	1014	574	7707	802	0.558	0.639	0.558	0.931	0.596	?	?
Overall	?	?	?	?	?	?	?	?	?	0.698	0.437

K=19

Row ID	duster_0	duster_1	duster_2	
duster_0	4674	564	496	
duster_1	1057	1336	0	
duster_2	878	0	1092	

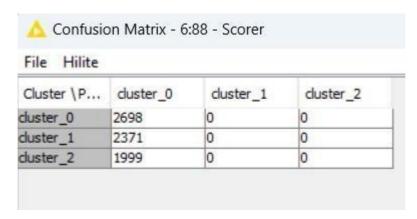
Row ID	TruePo	FalsePo	TrueNe	FalseN	D Recall	D Precision	D Sensitivity	D Specificity	D F-meas	D Accuracy	D Cohen'
duster_0	4674	1935	2428	1060	0.815	0.707	0.815	0.556	0.757	?	?
duster_1	1336	564	7140	1057	0.558	0.703	0.558	0.927	0.622	?	?
duster_2	1092	496	7631	878	0.554	0.688	0.554	0.939	0.614	?	?
Overall	?	?	?	?	?	?	?	?	?	0.703	0.464

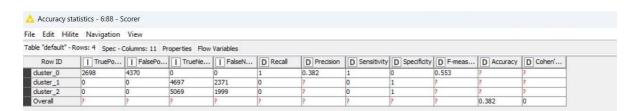
Similarly, we have applied k nearest neighbour for K=11, 13,15,17 and observed that –

In KNN, the number of neighbours to be considered are from k=7 to 19. From the images, it is seen that as the number of k increases the accuracy also increases. For k=19, as the accuracy is the highest from all the other k's, this cluster will be considered.

The overall accuracy of the KNN model is moderate showing mixed performance across different clusters. Cohen's Kappa coefficient also suggests moderate agreement beyond chance among the predicted and actual cluster labels.

Support Vector Machines





The overall performance of the SVM model is very poor with extremely low recall, precision, and accuracy metrics.

3.2.3.1. Variable or Feature Analysis for Decision Tree

3.2.3.1.1. List of Relevant or Important Variables.

In the decision tree analysis, we see that these were the important variables that contributed in the supervised learning algorithm which are: -

Pizza_size, pizza_category, pizza_name, order_id, total_price, unit_price

3.2.3.1.2. List of Non-Relevant or Non-Important Variables

In the decision tree analysis, we see that these were the non-important variables that did not contribute in the supervised learning algorithm which are: -

Pizza_name_id, Order_id, Order_date, Order_time,

3.2.3.2. Variable or Feature Analysis for Logistic Regression, K-Nearest Neighbour and Support Vector Machine

3.2.3.4. Model Performance Evaluation of Random Forest

Credit_Sco	Good	Standard	Poor	
Good	86	87	5	
Standard	50	405	78	
Poor	19	78	192	
Correct	classified:	683	Wrong dassifi	ed: 317
	classified:		Wrong classific	

	Row ID	TruePo	FalsePo	TrueNe	FalseN	D Recall	D Precision	D Sensitivity	D Specificity	D F-meas	D Accuracy	D Cohen'
	Good	86	69	753	92	0.483	0.555	0.483	0.916	0.517	?	?
	Standard	405	165	302	128	0.76	0.711	0.76	0.647	0.734	?	?
	Poor	192	83	628	97	0.664	0.698	0.664	0.883	0.681	?	?
Г	Overall	?	?	?	?	?	?	?	?	?	0.683	0.462

4. <u>RESULTS AND OBSERVATIONS</u>

4.1. Comparing Supervised Learning models: Decision Tree VS Logistic Regression, KNN and SVM $\,$

Decision tree

Clusters \	cluster_1	duster_0	cluster_2	
cluster_1	17895	0	0	
cluster_0	0	7804	0	
cluster_2	0	0	7832	
	ect classified:		7002	Wrong dassified:
	Accuracy: 10	0%		Error: 0%
Coh	nen's kappa (k): 1%		

Logistic Regression

Clusters \	cluster_1	cluster_0	cluster_2	
cluster_1	11347	3337	3211	Î
duster_0	274	7528	2	
duster_2	303	3	7526	
Corr	ect classified:	26,401	Wr	ong classified: 7,130
Accuracy: 78.736%				C 24 20 404
A	ccuracy: 78.7	36%		Error: 21.264%

KNN=19

Clusters \	cluster_1	cluster_0	cluster_2	
duster_1	11930	0	0	
duster_0	0	5202	0	
duster_2	0	0	5222	
Corr	ect classified:	22,354		Wrong classified: 0
Corr	ect classified: Accuracy: 10	I SHAROWAN		Wrong classified: 0 Error: 0%

SVM

Clusters \	duster_1	duster_0	duster_2	
duster_1	11970	3029	2896	
cluster_0	981	6820	3	
cluster_2	927	2	6903	
Corr	ect classified:	25,693	W	rong classified: 7,838
А	ccuracy: 76.6	25%		Error: 23.375%

DECISION TREE

Cohen's kappa (к): 1%

Credit_Sco	Good	Standard	Poor		
Good	178	0	0		
Standard	0	533	0		
Poor	0	0	289		
Correct	classified: 1,00	0	Wrong dassified: 0		
Accı	uracy: 100%		Error: 0%		

Ro	w ID	TruePo	FalsePo	TrueNe	FalseN	D Recall	D Precision	D Sensitivity	D Specificity	D F-meas	D Accuracy	D Cohen'
Good		178	0	822	0	1	1	1	1	1	?	?
Stand	dard	533	0	467	0	1	1	1	1	1	?	?
Poor		289	0	711	0	1	1	1	1	1	?	?
Oues	-11	2	3	3	3	3	3	3	2	2	4	4

Credit_Sco	Good	Standard	Poor						
Good	405	372	76						
Standard	366	1649	490						
Poor	113	539	697						
Correct	dassified: 2,75	1	Wrong classified: 1,956						
Accura	acy: 58.445%		Error: 41.555%						
Cohen's kappa (κ): 0.307%									

Row ID	TruePo	FalsePo	TrueNe	FalseN	D Recall	D Precision	D Sensitivity	D Specificity	D F-meas	D Accuracy	D Cohen'
Good	405	479	3375	448	0.475	0.458	0.475	0.876	0.466	?	?
Standard	1649	911	1291	856	0.658	0.644	0.658	0.586	0.651	?	?
Poor	697	566	2792	652	0.517	0.552	0.517	0.831	0.534	?	?
Overall	?	?	?	?	?	?	?	?	?	0.584	0.307

Good

- This row has a low number of true positives and true negatives indicating that the model did not correctly classify most instances within this row.
- The precision and recall scores are both low, the model effectively identifies true positives while also minimizing false positives.

Standard

- This row has a higher recall and precision compared to Good, indicating that the model's performance is strong for this segment.
- The number of false positives is relatively low, suggesting that the model may classify some instances within this cluster.

• Despite the lower performance metrics, the specificity is very high indicating that the model correctly identifies true negatives within this cluster.

Poor

- This row has a relatively high recall and precision, indicating that the model performs well.
- The number of false positives is relatively low suggesting that the model effectively minimizes misclassifications within this cluster.
- Both sensitivity and specificity scores are high, indicating that the model correctly identifies both true positives and true negatives within this cluster.

5. MANAGERIAL INSIGHTS

5.1. Appropriate Model

METRICS	Decision tree	Logistic Regression	KNN	Random	
Accuracy(in%)	68.3%	65.5%	70.8%	Forest 68.3%	

The KNN, decision tree and random forest has the highest accuracy (68.3%). KNN and SVMhave significantly lower accuracies of logistic regression and 65.5%% respectively.

Decision tree provides the highest accuracy of all the models according to the data and will be the appropriate model for the customer classification. Decision tree is able to handle both numerical and categorical which does benefit in this data as the data contains a combination of variables which are categorical and continuous in nature.

MANAGERIAL IMPLICATIONS DERIVED FROM THE SUITABLE MODEL (DECISION TREE)

Managerial implications drawn from the Decision Tree model for car prices:

Market segmentation: The model has the capability to recognize unique customer segments distinguished by preferences for Pizza Size (S, M, L, XL, XXL) and Pizza category. This information can guide tailored marketing initiatives aimed at each cluster.

Price determination: Utilizing the decision tree, price boundaries can be established based on the identified clusters.

Inventory optimization: Leveraging the model's predictive abilities, demand for specific Pizza types (clusters) can be anticipated. This insight can inform decisions regarding inventory management, ensuring the stocking of appropriate Pizza categories and varieties to align with customer preference,

5.2. Relevant or Important Variables or Features

The relevant or important variables that are used in the decision tree supervised learning algorithm are: -

Pizza_category, pizza_name, pizza_size, pizza_ingredients

