Martina Navarria

MARKET BASKET ANALYSIS

Business Context and AI Support

In the competitive retail landscape, understanding customer purchasing behavior is paramount for driving sales and improving customer satisfaction. Market Basket Analysis (MBA) is a powerful technique employed by retailers to analyze transaction data and uncover patterns in product co-purchases. By identifying which items are frequently bought together, businesses can optimize product placements, design effective cross-selling strategies, and create personalized recommendations.

This project employs AI-driven methodologies to enhance the effectiveness of MBA. Specifically, the Apriori algorithm is utilized to identify frequent itemsets and generate association rules. These insights enable retailers to make data-driven decisions that align with customer preferences, ultimately leading to increased revenue and customer loyalty.

Dataset Overview

- Content:
- The analysis is based on a retail transaction dataset sourced from Kaggle, comprising over 522,000 records. This dataset captures essential information about each transaction, including:
- BillNo: A unique identifier for each transaction, enabling traceability.
- Itemname: The specific product purchased, providing insights into product popularity.
- Quantity: The number of units purchased per transaction, indicating purchase volume.
- Date: The exact date and time of the transaction, offering a temporal dimension to the analysis.
- Price: The cost of each item at the time of purchase, critical for revenue analysis.
- Country: The geographical location of the customer, allowing for regional trend analysis.
- CustomerID: Initially included to identify repeat customers, but later excluded for this analysis due to data quality concerns.

Analytical Approach and Techniques

The analytical approach in this project centers around the application of the Apriori algorithm, a foundational tool in association rule mining. The Apriori algorithm is designed to identify frequent itemsets—combinations of products that appear together in transactions more often than would be expected by chance.

Once these frequent itemsets are identified, association rules are generated to understand the relationships between products. These rules are evaluated using the following metrics:

- Support: The proportion of transactions in which a particular itemset appears, indicating its popularity.
- Confidence: The likelihood that a specific item is purchased when another item is already in the cart, reflecting predictive strength.
- Lift: The ratio of observed support to expected support if the items were independent, measuring the strength of the association.

This methodology not only reveals the strength of relationships between products but also highlights opportunities for strategic product bundling and placement.

Translating Data Insights into Business Strategies
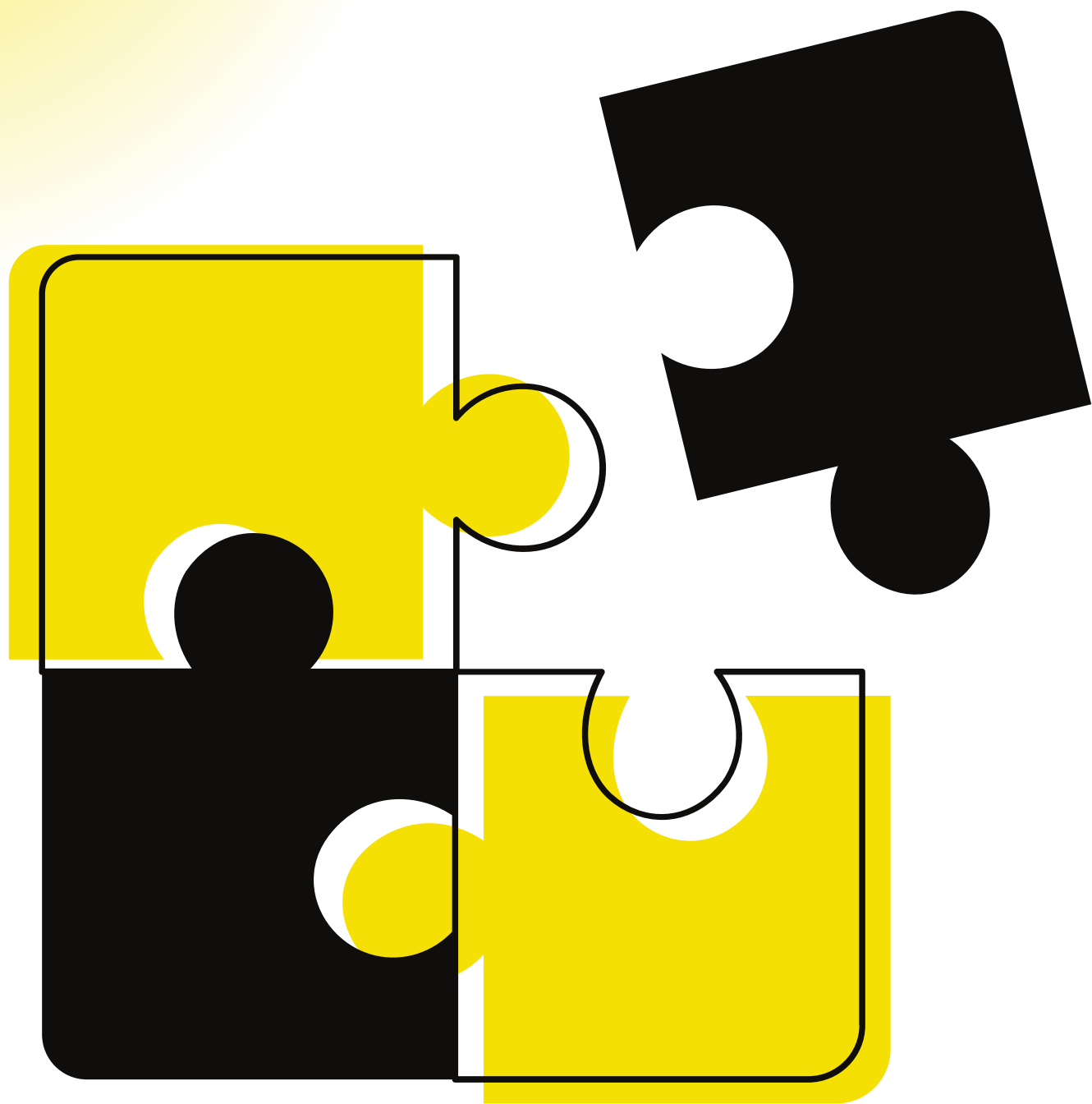
The results of the Market Basket Analysis offer valuable insights that can significantly impact retail strategies. The analysis identified several key product pairings that are frequently purchased together, suggesting opportunities for product bundling and targeted promotions.

Beyond physical store layout optimization, these insights can enhance online recommendation systems, increasing the likelihood of additional purchases and improving the overall shopping experience. By aligning product offerings with customer purchasing patterns, businesses can increase average basket size, boost sales, and enhance customer satisfaction.