"Full Data" Analysis Script (Mixed Models)

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```
knitr::opts_chunk$set(echo = TRUE)
library(readxl)
library(corrplot)
library(tree)
library(randomForest)
library(e1071)
library(MASS)
library(moments)
library(rpart)
library(rpart.plot)
library(class)
library(caret)
library(gbm)
library(lme4)
library(lubridate)
library(npmlreg)
```

Read in data

```
# Read in DORMANT customer data
dormant_customers <-
    read_excel("~/college/ST606_Project/data_files/dormant-transactions.xlsx")

# Read in CURRENT customer data
current_customers <-
    read_excel("~/college/ST606_Project/data_files/stayed-shopping-transactions.xlsx")</pre>
```

Merge current and dormant datasets.

```
# Add a variable "Churn" to the dormant dataset and set it equal to 1
# i.e. the customer has stopped shopping.
# Add a variable "Churn" to the current dataset and set it equal to 0
# i.e. the customer is a current shopper.
current_customers$Churn = 0
dormant_customers$Churn = 1

# Not all of the variables in the dataset will be used:
# OrderRef is a unique reference number and is not of any value.
# ExpectedGoodsCharge is 98% correlated with ActualCharge, so drop
# ExpectedGoodsCharge from analysis.
# OverallSubstitutionPolicy is a categorical variable and was not used in
# the aggregated analysis but can be used in the full analysis.
# TotalOrderLines is an extra variable in current dataset but not dormant,
# so drop from analysis.
```

```
{\it \# TotalItems Approved Picks is 100\% correlated with Total Picked Lines so}
# drop TotalItemsApprovedPicks from analysis
# TotalQtyOrdered is 99% correlated with TotalOrderItems so drop
# TotalQtyOrdered from analysis.
# AvailabilityPostSubPercentage is 99.9% correlated with
\# AvailabilityPreSubPercentage so drop AvailabilityPostSubPercentage from analysis.
merged customers <-
  rbind(dormant_customers[c("sequenceID","StoreID","ExpectedFulfillmentCharge",
                             "OverallSubstitutionPolicy", "SlotStartDate",
                             "ActualCharge", "TotalOrderItems", "TotalPickedLines",
                             "TotalQtySubbed", "TotalQtyOOS", "TotalPickTimeSeconds",
                             "AvailabilityPreSubPercentage", "PercentageOutOfStocks",
                             "PercentageSubstitutions", "ValueOfSubstitutions",
                             "ValueOfOutOfStocks", "RelatedCallsCount", "Churn")],
        current_customers[c("sequenceID","StoreID","ExpectedFulfillmentCharge",
                             "OverallSubstitutionPolicy", "SlotStartDate",
                             "ActualCharge", "TotalOrderItems", "TotalPickedLines",
                             "TotalQtySubbed", "TotalQtyOOS", "TotalPickTimeSeconds",
                             "AvailabilityPreSubPercentage", "PercentageOutOfStocks",
                             "PercentageSubstitutions", "ValueOfSubstitutions",
                             "ValueOfOutOfStocks", "RelatedCallsCount", "Churn")])
# Create factors
merged_customers$Churn <- as.factor(merged_customers$Churn)</pre>
merged customers$StoreID <- as.factor(merged customers$StoreID)
merged_customers$OverallSubstitutionPolicy <-</pre>
  as.factor(merged customers$OverallSubstitutionPolicy)
dim(merged_customers)
```

Create time variables

```
merged_customers$Month = numeric(30977)
merged_customers$Month <- month(as.POSIXlt(merged_customers$SlotStartDate,</pre>
                                            format="%d/%m/%Y"))
merged_customers$Season = character(30977)
merged_customers$Season <- month(as.POSIX1t(merged_customers$SlotStartDate,</pre>
                                             format="%d/%m/%Y"))
for (i in 1:nrow(merged_customers))
# 1 = February, March, April (SPRING)
ifelse(merged_customers$Season[i] == 2 | merged_customers$Season[i] == 3 |
         merged_customers$Season[i] == 4, merged_customers$Season[i] <- "Spring",</pre>
# 2 = May, June, July (SUMMER)
ifelse(merged_customers$Season[i] == 5 | merged_customers$Season[i] == 6 |
         merged customers$Season[i] == 7, merged customers$Season[i] <- "Summer",
# 3 = August, September, October (AUTUMN)
ifelse(merged_customers$Season[i] == 8 | merged_customers$Season[i] == 9 |
         merged_customers$Season[i] == 10, merged_customers$Season[i] <- "Autumn",
# 4 = November, December, January (WINTER)
merged_customers$Season[i] <- "Winter")))</pre>
```

```
# Make Season and Month factors
merged_customers$Season <- as.factor(merged_customers$Season)
merged_customers$Month <- as.factor(merged_customers$Month)
# Change the reference level of the factor so that the 5th Month is the reference level
merged_customers$Month <- relevel(merged_customers$Month, ref = 5)</pre>
```

Data Scale and Split

```
# Scale the data as predictor variables are on very different scales.
# These are the predictor variables to scale
pvars <- c("ExpectedFulfillmentCharge","ActualCharge","TotalOrderItems",</pre>
"TotalPickedLines", "TotalQtySubbed", "TotalQtyOOS", "TotalPickTimeSeconds",
"AvailabilityPreSubPercentage", "PercentageOutOfStocks", "PercentageSubstitutions",
"ValueOfSubstitutions", "ValueOfOutOfStocks", "RelatedCallsCount")
merged_customers_sc <- merged_customers</pre>
merged_customers_sc[pvars] <- lapply(merged_customers_sc[pvars],scale)</pre>
set.seed(123)
s <- sample(nrow(merged_customers_sc), round(.5*(nrow(merged_customers_sc))))
merged_customers_sc_train <- merged_customers_sc[s,]</pre>
                                                         # training set
merged_customers_sc_test <- merged_customers_sc[-s,]</pre>
                                                           # test set
dim(merged_customers_sc_train)
dim(merged_customers_sc_test)
```

Logistic Regression Mixed Models

```
# random effect : sequenceID
# fixed effects : all other predictors
fitlrmm1 <- glmer(Churn ~ ExpectedFulfillmentCharge+ActualCharge+TotalOrderItems+
                   TotalPickedLines+TotalQtySubbed+TotalQtyOOS+TotalPickTimeSeconds+
                   AvailabilityPreSubPercentage+PercentageOutOfStocks+
                   PercentageSubstitutions+ValueOfSubstitutions+ValueOfOutOfStocks+
                   RelatedCallsCount+OverallSubstitutionPolicy+Month+
                   (1|sequenceID),
                family=binomial, nAGQ=0, data=merged_customers_sc_train)
summary(fitlrmm1)
# use this line if predicting for existing customers
# pred <- predict(fitlrmm1, newdata=merged_customers_sc_test, allow.new.levels = TRUE,
# type="response")
# use this line if predicting for a new customer
pred <- predict(fitlrmm1, newdata=merged_customers_sc_test, re.form = NA, type="response")</pre>
pred <- factor(ifelse(pred < 0.5, 0, 1))</pre>
# generate a confusion matrix
```

```
tab <- table(merged_customers_sc_test$Churn, pred)</pre>
tab
# table elements:
# tab[1] tab[3]
# tab[2]
            tab[4]
# What proportion of dormant customers are missclassified?
tab[2]/(tab[2]+tab[4])
# What proportion of those who have stayed shopping are missclassified?
tab[3]/(tab[3]+tab[1])
# What proportion of the predicted leavers actually left?
tab[4]/(tab[4]+tab[3])
# What is the overall error rate for the test data?
mean(pred != merged_customers_sc_test$Churn)
# what percentage of the test observations are correctly classified?
sum(diag(tab))/sum(tab)
```

```
# random effect : sequenceID, StoreID
# fixed effects : all other predictors
fitlrmm2 <- glmer(Churn ~ ExpectedFulfillmentCharge+ActualCharge+TotalOrderItems+
                                                         Total Picked Lines + Total Qty Subbed + Total Qty OOS + Total Pick Time Seconds + Total Pick Total Qty Subbed + Total Qty Sub
                                                          AvailabilityPreSubPercentage+PercentageOutOfStocks+
                                                         PercentageSubstitutions+ValueOfSubstitutions+ValueOfOutOfStocks+
                                                         RelatedCallsCount+OverallSubstitutionPolicy+Month+
                                                          (1|sequenceID)+(1|StoreID),
                                                family=binomial, nAGQ=0, data=merged_customers_sc_train)
summary(fitlrmm2)
pred <- predict(fitlrmm2, newdata=merged_customers_sc_test, re.form = NA, type="response")</pre>
pred <- factor(ifelse(pred < 0.5, 0, 1))</pre>
tab <- table(merged_customers_sc_test$Churn, pred)</pre>
tab
# What proportion of dormant customers are missclassified?
tab[2]/(tab[2]+tab[4])
# What proportion of those who have stayed shopping are missclassified?
tab[3]/(tab[3]+tab[1])
# What proportion of the predicted leavers actually left?
tab[4]/(tab[4]+tab[3])
# What is the overall error rate for the test data?
```

```
mean(pred != merged_customers_sc_test$Churn)

# what percentage of the test observations are correctly classified?
sum(diag(tab))/sum(tab)
```

Compare

```
# compare models fitlrmm1 and fitlrmm2 to see if the random effect for StoreID is needed
# in the model
anova(fitlrmm1, fitlrmm2)
```

drop1 analysis and further models

```
# Try the drop1 function - it compares the overall model (fitlrmm2) with the model # resulting from removing that one specific variable. Choose a variable to remove # based on a combination of low LRT/high p-val/high AIC drop1(fitlrmm2, test="Chisq")
```

```
\# TotalPickTimeSeconds, ValueOfSubstitutions removed
fitlrmm3 <- glmer(Churn ~ ExpectedFulfillmentCharge+ActualCharge+TotalOrderItems+
                   TotalPickedLines+TotalQtySubbed+TotalQtyOOS+
                   AvailabilityPreSubPercentage+
                   PercentageSubstitutions+PercentageOutOfStocks+ValueOfOutOfStocks+
                   RelatedCallsCount+OverallSubstitutionPolicy+Month+
                   (1|sequenceID)+(1|StoreID),
                family=binomial, nAGQ=0, data=merged_customers_sc_train)
summary(fitlrmm3)
pred <- predict(fitlrmm3, newdata=merged_customers_sc_test, re.form = NA, type="response")</pre>
pred <- factor(ifelse(pred < 0.5, 0, 1))</pre>
# generate a confusion matrix
tab <- table(merged_customers_sc_test$Churn, pred)</pre>
tab
# What is the overall error rate for the test data?
mean(pred != merged_customers_sc_test$Churn)
# Check to see which variable has the lowest LRT, highest AIC, highest p-value
drop1(fitlrmm3, test="Chisq")
```

```
# PercentageOutOfStocks, PercentageSubstitutions removed
fitlrmm4 <- glmer(Churn ~ ExpectedFulfillmentCharge+ActualCharge+TotalOrderItems+
                   TotalPickedLines+TotalQtySubbed+TotalQtyOOS+
                   AvailabilityPreSubPercentage+ValueOfOutOfStocks+
                   RelatedCallsCount+OverallSubstitutionPolicy+Month+
                   (1|sequenceID)+(1|StoreID),
                family=binomial, nAGQ=0, data=merged_customers_sc_train)
summary(fitlrmm4)
pred <- predict(fitlrmm4, newdata=merged_customers_sc_test, re.form = NA, type="response")</pre>
pred <- factor(ifelse(pred < 0.5, 0, 1))</pre>
# generate a confusion matrix
tab <- table(merged_customers_sc_test$Churn, pred)</pre>
tab
# What is the overall error rate for the test data?
mean(pred != merged_customers_sc_test$Churn)
# Check to see which variable has the lowest LRT, highest AIC, highest p-value
drop1(fitlrmm4, test="Chisq")
```

```
# ValueOfOutOfStocks removed
fitlrmm5 <- glmer(Churn ~ ExpectedFulfillmentCharge+ActualCharge+TotalOrderItems+
                   TotalPickedLines+TotalQtySubbed+TotalQtyOOS+
                   AvailabilityPreSubPercentage+RelatedCallsCount+
                   OverallSubstitutionPolicy+Month+
                   (1|sequenceID)+(1|StoreID),
                family=binomial, nAGQ=0, data=merged_customers_sc_train)
summary(fitlrmm5)
pred <- predict(fitlrmm5, newdata=merged_customers_sc_test, re.form = NA, type="response")
pred <- factor(ifelse(pred < 0.5, 0, 1))</pre>
# generate a confusion matrix
tab <- table(merged_customers_sc_test$Churn, pred)</pre>
# What is the overall error rate for the test data?
mean(pred != merged_customers_sc_test$Churn)
# Check to see which variable has the lowest LRT, highest AIC, highest p-value
drop1(fitlrmm5, test="Chisq")
```

```
# ExpectedFulfillmentCharge removed
fitlrmm6 <- glmer(Churn ~ ActualCharge+TotalOrderItems+TotalPickedLines+
                    TotalQtySubbed+TotalQtyOOS+
                   AvailabilityPreSubPercentage+RelatedCallsCount+
                   OverallSubstitutionPolicy+Month+
                    (1|sequenceID)+(1|StoreID),
                family=binomial, nAGQ=0, data=merged_customers_sc_train)
summary(fitlrmm6)
pred <- predict(fitlrmm6, newdata=merged_customers_sc_test, re.form = NA, type="response")</pre>
pred <- factor(ifelse(pred < 0.5, 0, 1))</pre>
# generate a confusion matrix
tab <- table(merged_customers_sc_test$Churn, pred)</pre>
tab
# What is the overall error rate for the test data?
mean(pred != merged_customers_sc_test$Churn)
# Check to see which variable has the lowest LRT, highest AIC, highest p-value
drop1(fitlrmm6, test="Chisq")
```

```
# TotalOrderItems removed
fitlrmm7 <- glmer(Churn ~ ActualCharge+TotalPickedLines+</pre>
                    TotalQtySubbed+TotalQtyOOS+
                   AvailabilityPreSubPercentage+RelatedCallsCount+
                   OverallSubstitutionPolicy+Month+
                   (1|sequenceID)+(1|StoreID),
                family=binomial, nAGQ=0, data=merged_customers_sc_train)
summary(fitlrmm7)
pred <- predict(fitlrmm7, newdata=merged_customers_sc_test, re.form = NA, type="response")
pred <- factor(ifelse(pred < 0.5, 0, 1))</pre>
# generate a confusion matrix
tab <- table(merged_customers_sc_test$Churn, pred)</pre>
# What is the overall error rate for the test data?
mean(pred != merged_customers_sc_test$Churn)
# Check to see which variable has the lowest LRT, hightest AIC, highest p-value
drop1(fitlrmm7, test="Chisq")
```

```
# AvailabilityPreSubPercentage removed
fitlrmm11 <- glmer(Churn ~ ActualCharge+TotalPickedLines+</pre>
                   OverallSubstitutionPolicy+Month+(1|sequenceID)+(1|StoreID),
                family=binomial, nAGQ=0, data=merged_customers_sc_train)
summary(fitlrmm11)
pred <- predict(fitlrmm11, newdata=merged_customers_sc_test, re.form = NA, type="response")</pre>
pred <- factor(ifelse(pred < 0.5, 0, 1))</pre>
# generate a confusion matrix
tab <- table(merged_customers_sc_test$Churn, pred)</pre>
tab
# What is the overall error rate for the test data?
mean(pred != merged_customers_sc_test$Churn)
# Check to see which variable has the lowest LRT, hightest AIC, highest p-value
drop1(fitlrmm11, test="Chisq")
# Create a model with an interaction between ActualCharge*Month
# These coefficients can be plotted
fitlrmm11a <- glmer(Churn ~ ActualCharge+TotalPickedLines+
                   OverallSubstitutionPolicy+Month+ActualCharge*Month+
```

```
(1|sequenceID)+(1|StoreID),
                family=binomial, nAGQ=0, data=merged_customers_sc_train)
summary(fitlrmm11a)
summary(fitlrmm11a)$coefficients
class(summary(fitlrmm11a)$coefficients)
summary(fitlrmm11a)$coefficients[,1]
summary(fitlrmm11a)$coefficients[,2]
pred <- predict(fitlrmm11a, newdata=merged_customers_sc_test, re.form = NA, type="response")</pre>
pred <- factor(ifelse(pred < 0.5, 0, 1))</pre>
# generate a confusion matrix
tab <- table(merged_customers_sc_test$Churn, pred)</pre>
tab
# What is the overall error rate for the test data?
mean(pred != merged_customers_sc_test$Churn)
# ANOVA shows the interaction is not significant
anova(fitlrmm11, fitlrmm11a)
# Quantifying the interaction of ActualCharge*Month by looking at the coefficients.
df <- data.frame(Month=c("Jan", "Feb", "Mar", "Apr", "May", "Jun", "Jul", "Aug", "Sep", "Oct",
                         "Nov", "Dec"),
                 ModelEst=c(-0.29748694, -0.27205429, -0.21857563, -0.45331214,
                            0.0000, -0.11188109, 0.15574785, -0.14187491,
                            -0.20965060, -0.26404848, -0.26297003, 0.08024445))
df$Month = factor(df$Month, levels = month.abb)
ggplot(df, aes(Month, ModelEst), y=ModelEst, fill=ModelEst) +
  geom_point(color = "green", size = 2) +
  ggtitle("Model Estimate Analysis for the predictor 'Month*ActualCharge'") +
 ylab("Model Estimate") + xlab("Month") +
 scale_x_discrete(limits = month.abb)
```

```
# generate a confusion matrix
tab <- table(merged_customers_sc_test$Churn, pred)
tab

# What is the overall error rate for the test data?
mean(pred != merged_customers_sc_test$Churn)

# Check to see which variable has the lowest LRT, hightest AIC, highest p-value
drop1(fitlrmm12, test="Chisq")</pre>
```

```
# consider interaction between ActualCharge and TotalPickedLines
fitlrmm13 <- glmer(Churn ~ (ActualCharge*TotalPickedLines)+</pre>
                   ActualCharge+TotalPickedLines+
                   OverallSubstitutionPolicy+Month+
                    (1|sequenceID)+(1|StoreID),
                family=binomial, nAGQ=0, data=merged_customers_sc_train)
summary(fitlrmm13)
pred <- predict(fitlrmm13, newdata=merged_customers_sc_test, re.form = NA, type="response")
pred <- factor(ifelse(pred < 0.5, 0, 1))</pre>
# generate a confusion matrix
tab <- table(merged_customers_sc_test$Churn, pred)</pre>
tab
# What is the overall error rate for the test data?
mean(pred != merged_customers_sc_test$Churn)
# Check to see which variable has the lowest LRT, hightest AIC, highest p-value
drop1(fitlrmm13, test="Chisq")
```

ANOVA

```
# Are interactions significant
anova(fitlrmm11, fitlrmm12)
anova(fitlrmm11, fitlrmm13)
```

Analysis of "Month" Estimates

```
# Extract the model coefficients
summary(fitlrmm11)$coefficients
class(summary(fitlrmm11)$coefficients)
# this will show the coefficient estimates
summary(fitlrmm11)$coefficients[,1]
# this will show the standard errors
```

```
summary(fitlrmm11)$coefficients[,2]
df <- data.frame(Month=c("Jan", "Feb", "Mar", "Apr", "May", "Jun", "Jul", "Aug", "Sep", "Oct",
                         "Nov", "Dec"),
                 ModelEst=c(0.9173198, 1.1433447, 1.1982748, 2.5004555, 0.000,
                            0.6168236, 0.6838760, 0.5270159, 0.6123175, 0.7038038,
                            0.8708587, 1.0187724),
                 StdErr=c(0.9707199, 0.9489250, 0.9375686, 0.8561449, 0.000,
                          1.1002202, 1.0992690, 1.1249372, 1.0638296, 1.0863399,
                          1.0152812, 1.0059335))
df$Month = factor(df$Month, levels = month.abb)
ggplot(df, aes(Month, ModelEst), y=ModelEst, fill=ModelEst) +
  geom_point(color = "red", size = 2) +
  geom_errorbar(aes(ymin=ModelEst-2*StdErr, ymax=ModelEst+2*StdErr), width=.2) +
  ggtitle("Model Estimate Analysis for the predictor 'Month'") +
  ylab("Model Estimate") + xlab("Month") +
  scale_x_discrete(limits = month.abb)
# How many customers churn for each of the months?
sum(merged_customers$Churn==1 & merged_customers$Month==1)
sum(merged_customers$Churn==1 & merged_customers$Month==2)
sum(merged_customers$Churn==1 & merged_customers$Month==3)
sum(merged customers$Churn==1 & merged customers$Month==4)
sum(merged customers$Churn==1 & merged customers$Month==5)
sum(merged customers$Churn==1 & merged customers$Month==6)
sum(merged_customers$Churn==1 & merged_customers$Month==7)
sum(merged_customers$Churn==1 & merged_customers$Month==8)
sum(merged_customers$Churn==1 & merged_customers$Month==9)
sum(merged_customers$Churn==1 & merged_customers$Month==10)
sum(merged_customers$Churn==1 & merged_customers$Month==11)
sum(merged_customers$Churn==1 & merged_customers$Month==12)
```

Plotting ActualCharge against Churn with a glm fitted per 'Month'

```
ggplot(merged_customers, aes(x = ActualCharge, y = log(as.numeric(Churn)), color = Month)) +
    scale_y_continuous(limits = c(-1.25, 1.0)) +
    ggtitle("ActualCharge plotted against Churn - fitting a glm per 'Month'") +
    ylab("logit(Churn)") +
    xlab("ActualCharge in Euro") +
    geom_smooth(method = glm, se = F)
```

Distribution of the Random Effects

```
# Look at the distribution of the customer random effects. Extract the random effects from
# the best model.
r_reducedpreds <- ranef(fitlrmm11)
re_reducedpreds <- r_reducedpreds$sequenceID[,1]
length(re_reducedpreds)</pre>
```