

1. normalized values

| | x ₁ | x ₂ |
|-----|----------------|----------------|
| 101 | 0.2 | 0.45 |
| 102 | 0.5 | 0.0 |
| 103 | 0.4 | 1.0 |
| 104 | 0.0 | 0.24 |
| 105 | 1.0 | 0.61 |
| 106 | 0.7 | 0.10 |

2. manual assignments: fill in the tables for the calculation of centroids and assignment of clusters.

| means | iteration 1 | | iteration 2 | |
|---------|----------------|----------------|----------------|----------------|
| cluster | x ₁ | x ₂ | x ₁ | x ₂ |
| 1 | 9.6 | 208 | 18.076 | 82.668 |
| 2 | 9.6 | 279.6 | 82.761 | 32.212 |

| | first assignment | | | second assignment | | |
|-----|--------------------|--------------------|-----------------|--------------------|-------------------|-----------------|
| id | dist. to cluster 1 | dist. to cluster 2 | cluster assign. | dist. to cluster 1 | dist to cluster 2 | cluster assign. |
| 101 | 43.078 | 28.717 | cluster 2 | 59.462 | 39.836 | cluster 2 |
| 102 | 30.002 | 101.6008 | cluster 1 | 22.376 | 87.167 | cluster 1 |
| 103 | 134.001 | 62.492 | cluster 2 | 117.683 | 59.473 | cluster 2 |
| 104 | 11.007 | 61.771 | cluster 1 | 22.059 | 77.603 | cluster 1 |
| 105 | 71.205 | 5.433 | cluster 2 | 93.743 | 29.165 | cluster 2 |
| 106 | 13.219 | 84.634 | cluster 1 | 5.239 | 87.086 | cluster 1 |

3. Agglomerative clustering
a) distance matrix

| | c1 | c2 | c3 | c4 | c5 | c6 |
|----|----------|----------|----------|----------|----------|----------|
| c1 | 0 | 73.06162 | 91.02198 | 33.06055 | 29.12044 | 56.22277 |
| c2 | 73.06162 | 0 | 164.0031 | 40.31129 | 101.1237 | 17.11724 |
| c3 | 91.02198 | 164.0031 | 0 | 124.0645 | 63.28507 | 147.0306 |
| c4 | 33.06055 | 40.31129 | 124.0645 | 0 | 61.81424 | 24.04163 |
| c5 | 29.12044 | 101.1237 | 63.28507 | 61.81424 | 0 | 84.05355 |
| c6 | 56.22277 | 17.11724 | 147.0306 | 24.04163 | 84.05355 | 0 |

b) answers:

- what two clusters would be joined next: c2 and c6
- what would be the new distance: 147.030

4. R analysis

a) sizes 664 1237 1256 1225 618

b) descriptions

- cluster 1 The people belonging to this cluster are mature. They generally tend to have significant expenditure in media and housing. However, their expense on pets is small.
- cluster 2 The people in this cluster spend more money on their pets. On the other hand, they seem to have low expenditure on media.
- cluster 3 The people associated with this cluster are comparatively younger. They seem to have average expenses across multiple categories.
- cluster 4 The people belonging in this group spend most of their money on housing and pets. Likewise, their food expenses are somewhat in the upper range.
- cluster 5 The people in this cluster spend the most on food and transport as compared to other clusters. However, their housing expenses are low.