Dummy Or Reference Encoding

Usage With Categorical Variables

- Suppose there are k categories to enter into the regression need k-1 new predictors

- Choose one of the categories as a base class, selection will be based on context

- Example three colors – Red, Blue and Green, select Red as base case

Color	Blue	Green
Red	0	0
Blue	1	0
Green	0	1
Blue	1	0
Red	0	0