## Contents

List of Tutorials on the Elsevier
Companion Web Page xi
Foreword 1 for 1st Edition xiii
Foreword 2 for 1st Edition xv
Preface xvii
Introduction xxi
Frontispiece xxv
Biographies of the Primary Authors
of This Book xxvii

## I

## HISTORY OF PHASES OF DATA ANALYSIS, BASIC THEORY, AND THE DATA MINING PROCESS

1. The Background for Data Mining Practice

Preamble 3
Data Mining or Predictive Analytics? 4
A Short History of Statistics and Predictive
Analytics 6
Modern Statistics: A Duality? 6
Two Views of Reality 11
The Rise of Modern Statistical Analysis: The Second
Generation 13
Machine Learning Methods: The Third
Generation 15
Statistical Learning Theory: The Fourth
Generation 16
Reinforced and Deep Learning 18
Current Trends of Development in Predictive

Analytics 18

Postscript 19

References 19

## 2. Theoretical Considerations for Data Mining

Preamble 21 The Scientific Method 21 What Is Data Mining? 22 A Theoretical Framework for the Data Mining Process 24 Strengths of the Data Mining Process 25 Customer-Centric Versus Account-Centric: A New Way to Look at Your Data 25 The Data Paradigm Shift 27 Creation of the Car 28 Major Activities of Data Mining 28 Major Challenges of Data Mining 30 General Examples of Data Mining Applications 31 Major Issues in Data Mining 31 General Requirements for Success in a Data Mining Project 33 Example of a Data Mining Project: Classify a Bat's Species by Its Sound 33 The Importance of Domain Knowledge 35 Postscript 35 References 36 Further Reading 37

## 3. The Data Mining and Predictive Analytic Process

Preamble 39
The Science of Data Mining/Predictive
Analytics 39
The Approach to Understanding and Problem
Solving 40
CRISP-DM 40
Business Understanding (Mostly Art) 42
Data Understanding (Mostly Science) 44
Data Preparation (A Mixture of Art and Science) 47
Modeling (A Mixture of Art and Science) 47
Deployment (Mostly Art) 52

Closing the Information Loop (Art) 52 The Art of Data Mining 52 Postscript 53 References 54

4. Data Understanding and Preparation Activities of Data Understanding and Preparation 55 Issues That Should Be Resolved 56 Data Understanding 57 Postscript 81 References 82

#### 5. Feature Selection

Preamble 83 Variables as Features 83 Types of Feature Selection 84 Feature Ranking Methods Subset Selection Methods 88 Postscript 97 References 97

Further Reading 82

6. Accessory Tools for Doing Data Mining Preamble 99 Data Access Tools 100 Data Exploration Tools 102 Modeling Management Tools 108 Modeling Analysis Tools 110 In-place Data Processing (IDP) 113 Rapid Deployment of Predictive Models 115 Model Monitors 117 Postscript 117 Further Reading 117

## THE ALGORITHMS AND METHODS IN DATA MINING AND PREDICTIVE ANALYTICS AND SOME DOMAIN AREAS

7. Basic Algorithms for Data Mining: A Brief Overview

Preamble 121 Introduction 121 Generalized Additive Models (GAM) 136 Classification and Regression Trees (CART) 138 Generalized EM and k-Means Cluster Analysis—An Overview 145 Postscript 147 References 147 Further Reading 147

8. Advanced Algorithms for Data Mining Preamble 149 Introduction 150 Advanced Data Mining Algorithms 151 Quality Control Data Mining and Root Cause Analysis 166 Postscript 167 References 167 Further Reading 167

#### 9. Classification

Preamble 169 What Is Classification? 169 Initial Operations in Classification 169 Major Issues With Classification 170 Assumptions of Classification Procedures 171 Analyzing Imbalanced Data Sets With Machine Learning Programs 172 Phases in the Operation of Classification Algorithms 172 Advantages and Disadvantages of Common Classification Algorithms 174 CHAID 177 Which Algorithm Is Best for Classification? 185 Postscript 186 References 186 Further Reading 186

### 10. Numerical Prediction

Preamble 187 Linear Response Analysis and the Assumptions of the Parametric Model 188 Parametric Statistical Analysis 188 Assumptions of the Parametric Model 189 Linear Regression 192 Generalized Linear Model (GLM) 195 Methods for Analyzing Nonlinear Relationships 198 Nonlinear Regression and Estimation 198 Data Mining and Machine Learning Algorithms Used in Numerical Prediction 201

Advantages of Classification and Regression Trees (CART) Methods 205

CONTENTS vii

Application to Mixed Models 207
Neural Nets for Prediction 208
Support Vector Machines (SVMS) and Other Kernel
Learning Algorithms 211
Postscript 212
References 213

11. Model Evaluation and Enhancement
Preamble 215
Evaluation and Enhancement: Part of the Modeling
Process 215
Types of Errors in Analytical Models 216
Model Enhancement Techniques 227
Model Enhancement Checklist 231
Postscript 232
References 232

## 12. Predictive Analytics for Population Health and Care

Preamble 235
The Future of Healthcare, and How Predictive
Analytics Fits 235
Predictive Analytics and Population Health 246
Predictive Analytics and Precision
Medicine 253
Postscript 257
References 257
Further Reading 258

# 13. Big Data in Education: New Efficiencies for Recruitment, Learning, and Retention of Students and Donors ANDY PETERSON

Preamble 259
Introduction 259
Industrial Integration of Educational Psychology and
Big Data Analytics 274
Postscript 275
References 276
Further Reading 277

14. Customer Response Modeling
Preamble 279
Early CRM Issues in Business 279
Knowing How Customers Behaved Before They
Acted 280
CRM in Business Ecosystems 281
Conclusions 287

Postscript 288 References 288

#### 15. Fraud Detection

Preamble 289
Issues With Fraud Detection 289
How Do You Detect Fraud? 292
Supervised Classification of Fraud 293
How Do You Model Fraud? 294
How Are Fraud Detection Systems Built? 295
Intrusion Detection Modeling 296
Comparison of Models With and Without
Time-Based Features 297
Building Profiles 301
Deployment of Fraud Profiles 302
Postscript 302
References 302

## III

## TUTORIALS AND CASE STUDIES

Tutorial A Example of Data Mining Recipes Using Windows 10 and Statistica 13

Tutorial B Using the Statistica Data Mining Workspace Method for Analysis of Hurricane Data (Hurrdata.sta)

Tutorial C Case Study—Using SPSS
Modeler and STATISTICA to Predict
Student Success at High-Stakes Nursing
Examinations (NCLEX)
GALINA BELOKUROVA, CHIARINA PIAZZA

Introduction 335
Decision Management in Nursing Education 336
Case Study 337
Research Question 337
Literature Review 337
Dataset and Expected Strength of Predictors 338
Data Mining With SPSS Modeler 339

viii CONTENTS

Data Mining With STATISTICA 348 Conclusion 355 References 356 Further Reading 357

Tutorial D Constructing a Histogram in KNIME Using MidWest Company Personality Data
LINDA A. MINER

Tutorial E Feature Selection in KNIME
BOB NISBET

Why Select Features? 377
Occam's Razor—Simple, But Not
Simplistic 377
Local Minimum Error 378
Moving Out of the Local Minimum 379
Strategies for Reduction of Dimensionality
in Predictive Analytics Available in
KNIME 379

Tutorial F Medical/Business Tutorial LINDA A. MINER

Tutorial G A KNIME Exercise,
Using Alzheimer's Training Data of
Tutorial F
LINDA A. MINER

Introduction 423
KNIME Project 423
Getting the Program to Open Microsoft
Excel CSV File: Alzheimer Training
Data 426
Decision Trees Node 428
Linear Correlation Node 432
Conditional Box Plot Node 436
Decision Trees Again 438
End Note 442

Tutorial H Data Prep 1-1: Merging
Data Sources

ROBERTA BORTOLOTTI, MSIS, CBAP

Tutorial I Data Prep 1–2: Data Description
ROBERTA BORTOLOTTI, MSIS, CBAP

Tutorial J Data Prep 2-1: Data Cleaning and Recoding ROBERTA BORTOLOTTI

Tutorial K Data Prep 2-2: Dummy Coding Category Variables
ROBERTA BORTOLOTTI

Tutorial L Data Prep 2-3: Outlier Handling
ROBERTA BORTOLOTTI

Tutorial M Data Prep 3-1: Filling Missing Values With Constants ROBERTA BORTOLOTTI

Tutorial N Data Prep 3-2: Filling Missing Values With Formulas
ROBERTA BORTOLOTTI

Tutorial O Data Prep 3-3: Filling Missing Values With a Model ROBERTA BORTOLOTTI

Tutorial P City of Chicago Crime
Map: A Case Study Predicting Certain
Kinds of Crime Using Statistica
Data Miner and Text Miner
ENDRIN TUSHE

Data Analysis 599 Text Mining 606 Boosted Trees 614 CONTENTS

Tutorial Q Using Customer Churn Data to Develop and Select a Best Predictive Model for Client Defection Using STATISTICA Data Miner 13 64-bit for Windows 10

RICHARD PORTER WITH ASSISTANCE OF ROBERT NISBET, LINDA A. MINER, GARY MINER

About This Tutorial 627
Business Objectives 627
Data Preparation 630
Feature Selection 642
Building a Predictive Model With STATISTICA
Data Miner DMRecipes 646
Model Evaluation 648

Tutorial R Example With C&RT to Predict and Display Possible Structural Relationships

GREG ROBINSON, LINDA A. MINER, MARY A. MILLIKIN

References 674

Tutorial S Clinical Psychology: Making Decisions About Best Therapy for a Client LINDA A. MINER

## IV

MODEL ENSEMBLES, MODEL COMPLEXITY; USING THE RIGHT MODEL FOR THE RIGHT USE, SIGNIFICANCE, ETHICS, AND THE FUTURE, AND ADVANCED PROCESSES

16. The Apparent Paradox of Complexity in Ensemble Modeling
JOHN ELDER, ANDY PETERSON

Preamble 705 Introduction 706 Model Ensembles 706 How Measure Model Complexity? 709 Generalized Degrees of Freedom 711
Examples: Decision Tree Surface With Noise 712
Summary and Discussion 715
Postscript 716
Acknowledgment 717
References 717
Further Reading 718

17. The "Right Model" for the "Right Purpose": When Less Is Good Enough

Preamble 719
More Is Not Necessarily Better: Lessons From Nature and Engineering 720
Postscript 726
References 726

18. A Data Preparation Cookbook
Preamble 727
Introduction 727
CRISP-DM—Business Understanding Phase 728
CRISP-DM—Data Understanding Phase 729
CRISP-DM—Data Preparation Phase 732
CRISP-DM—Modeling Phase 736
18 Common Mistakes in Data Preparation in
Predictive Analytics Projects 736
Postscript 739
References 740

## 19. Deep Learning

Preamble 741
The Guiding Concept of DL Technology—Human Cognition 742
Early Artificial Neural Networks (ANNs) 743
How ANNs Work 745
More Elaborate Architectures—DL Neural Networks 746
Postscript 750
References 751
Further Reading 751

20. Significance versus Luck in the Age of Mining: The Issues of P-Value "Significance" and "Ways to Test Significance of Our Predictive Analytic Models"

Preamble 753 Introduction 753 The Problem of Significance in Traditional P-Value Statistical Analysis 754

USUAL Data Mining/Predictive Analytic Performance Measures—Terminology 759

Unique Ways to Test Accuracy ("Significance") of Machine Learning Predictive Models 760

Compare Predictive Model Performance Against Random Results With Lift Charts and Decile Tables 760

Evaluate the Validity of Your Discovery With Target Shuffling 762

Test Predictive Model Consistency With Bootstrap Sampling 763

Postscript 764

References 765

## 21. Ethics and Data Analytics ANDY PETERSON

Preamble 767
The Birthday Party—A Practical Example for Ethical Action 767
Academic Secular Ethics 768
Ethics and Data Science for the Norms of Government (Deontological-Normative) 769
Ethics and Data Science for the Goals in Business (Situational-Teleological) 769

Ethics and Data Science for the Virtues of Personal
Life (Existential-Motivational) 769
Combination: Right Standards, Right Goals,
and Personal Virtue (Normative, Situational,
Existential) 770
Michael Sandel on "Doing The Right Thing" With
Data Analytics 770
Discovering Data Ethics in an "Alignment
Methodology" 771
References 772
Further Reading 772

#### 22. IBM Watson

Preamble 773
Introduction 773
What Exactly Is Watson? 773
Jeopardy! 774
Internal Features of Watson 774
Application Programming Interfaces (APIs) 776
Software Development Kits (SDKs) 778
Some Existing Applications of Watson
Techology 778
Ushering in the Cognitive Era 780
Postscript 780
Reference 781

Index 783