DATA MINING

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OUTLINE

• Definition of Data Mining

• Using Areas of Data Mining

• Data Mining Tasks

• Some examples about Data Mining Methods
Data, Information and Knowledge

Data, Information, and Knowledge

Data (Raw facts)  Information (Organized facts and figures)  Knowledge (Meaningful information, helps to make decision)

Data is anything that recorded and processed by computers. Data is raw fact, may be numeric or text format.

"Information" is "data" that has been processed.

Information can be converted into knowledge. We make decisions using knowledge.

Example 1:

<table>
<thead>
<tr>
<th>Company</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company 1</td>
<td>25 TL</td>
</tr>
<tr>
<td>Company 2</td>
<td>30 TL</td>
</tr>
<tr>
<td>Company 3</td>
<td>10 TL</td>
</tr>
<tr>
<td>Company 4</td>
<td>40 TL</td>
</tr>
</tbody>
</table>

Data: 25, 30, 10, 40
Information: These are prices of the st. For these companies
Knowledge: the cheapest one is company3, deciding to buy
Problem : 

Huge and Meaningless Data

Data is not valueable while querying with traditional methods

How can we get knowledge to compete ?

Solution :

Data Mining Process
DATA MINING OVERVIEW

Data Mining is the process of **analyzing data** from different perspectives and summarizing it into useful information.

Data Mining is **knowledge discovery** from data.
DATA MINING APPLICATION AREA EXAMPLES

**Medical / Pharma**
- Computer Assisted Diagnosis (expert systems learning)
- Characterization/prediction of patient's response to product dosage
- Identification of successful medical therapies (successful prescription patterns).
- Study of relations between dosage and potentially related adverse events

**Banking / Finance**
- Detection of fraudulent credit card usage patterns.
- Risk management related to attribution of loans using scorecards.
- Find hidden correlations between different financial indicators.
- Identification of stocks trading rules from historical market data.

**Retail / Marketing**
- Discovery of buying behavior patterns
- Detection of associations among customer characteristics.
- Prediction of the probability that clients answer to mailing.
Some Possible Questions:

Banking:
- Does he take a new credit card or manage to pay it?

Stock market:
- Will gold prices increase?

Shopping market:
- Which items are frequently purchased?
- Does he interest new fashion shoes/hats/clothes?

Hospital:
- Which illness may be..?
- How long does it take to recover from this illness?

Answers:
Looking historical data or finding correlation with Data Mining
DATA MINING & DATA WAREHOUSING & OLTP

• OLTP system includes transactional data, unnecessary data for analysing

• Data Warehouses is designed for analysis

• Data warehouses are subject based, fast

• Data warehouses are designed to use in decision support systems

• Data Mining is performed on Data Warehouses
Data Mining Tasks

1. **Defining Problem** is the first task. May be it is the most important phase because, according to the purpose, using methods and rules will be changed.

The goal should be clear.

**Some Example Goals:**

Is there a relationship between gender and education?

Is there a relationship between travelling expenditure and education?

What type of customer does have problem with paying their loan?
Data Mining Tasks (Cont’d)

2. Preparing data:

This phase takes most time.

While preparing data, data is taken from different sources. Then all data is combined and cleaned. Sometimes, generating new variables is needed. Not only the size but also the quality of the data is very important.

After providing data quality, modelling task will begin.

3. Modelling task is performed using different methods.

Data Mining tools are used

After modelling finished, it will be evaluated and used.
Prediction Methods

Some variables are used to predict unknown or future values of other variables.

Example: classification, regression, deviation detection, decision trees

Description Methods

Find human-interpretable patterns that describe the data.

Example: clustering, association rule discovery,..
**DECISION TREE EXAMPLE**

**Example**: Use these data to predict the risk of a customer.

<table>
<thead>
<tr>
<th>Customer</th>
<th>Loan</th>
<th>Income</th>
<th>Status</th>
<th>Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>high</td>
<td>bad</td>
<td>employer</td>
<td>bad</td>
</tr>
<tr>
<td>2</td>
<td>high</td>
<td>high</td>
<td>employee</td>
<td>bad</td>
</tr>
<tr>
<td>3</td>
<td>high</td>
<td>low</td>
<td>employee</td>
<td>bad</td>
</tr>
<tr>
<td>4</td>
<td>Low</td>
<td>low</td>
<td>employee</td>
<td>good</td>
</tr>
<tr>
<td>5</td>
<td>low</td>
<td>low</td>
<td>employer</td>
<td>bad</td>
</tr>
</tbody>
</table>
DECISION TREE

A - node

- loan: high
  - BAD

- loan: low
  - B - node

  - income: high
    - income: high
      - GOOD
    - income: low
      - C - node
        - Status: employer
          - BAD
        - Status: employee
          - GOOD
REGRESSION ANALYSIS

The goal of the regression analysis is finding Relationship among variables

Regression analysis is a process of finding relationships between Y variable and other X1,X2,....Xn variables.

It includes many techniques for modelling and analyzing several variables

A Regression equation example is:

\[ Y = \alpha + \beta_1 \cdot X_1 + \beta_2 \cdot X_2 + \beta_3 \cdot X_3 + \ldots + \beta_n \cdot X_n \]
Example 2: Regression Analysis

<table>
<thead>
<tr>
<th>A (independent variable)</th>
<th>B (dependent variable)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>8</td>
<td>9</td>
</tr>
<tr>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>3</td>
<td>2</td>
</tr>
</tbody>
</table>

\[ B = \alpha + \beta \cdot A \]

\[ B = 0.8 + 1.04 \cdot A \]

\[ \alpha = 0.8 \]

\[ \beta = 1.04 \]
Some Popular Data Mining Tools:

- SAS Enterprise Miner
- IBM SPSS Modeler
- ORACLE Data Mining
- RapidMiner (Open Source)
- Pentaho (Open Source)
Summary

- Data Mining is the process of getting information from data
- Before modelling, determining the goal is most important
- The quality of the data is also very important
- Data Mining is performed on Data Warehouses
- Data Mining has prediction and description methods
- Some Data Mining Tools are used for the Data Mining process
## Summary of Business Intelligence Components:

<table>
<thead>
<tr>
<th>Business Intelligence System Component</th>
<th>How Used in Decision-Making</th>
</tr>
</thead>
</table>
| ETL Tools                              | Used to obtain, adjust and load data from both operational databases and dispersed data sources allowing for the collection of volumes of data (Schink, 2009) which allows for:  
  • near real-time information access  
  • uniform data type in which to analyze |
| Data Warehouses                        | Used as repository for all data relevant to an organization to support the decision-making process (Matei, 2010) by:  
  • gathering relevant and context aware data  
  • providing multiple dimensions to data |
| OLAP Techniques                        | Used to analyze and report data from huge data sources (Olszak & Ziembka, 2006) by:  
  • providing user access to data warehouses  
  • creating data models |
| Data Mining                            | Used to identify patterns and relationships within a data warehouse and creates detailed reports (Hevner & March, 2005) allowing for:  
  • predictions based on historical data  
  • graphing and calculating to create formulas to analyze data |
Thank you & Questions?