
Contents

	Preface	vii
	Acknowledgments	xi
Chapter 1	Research Strategy.....	1
	1.1 Introduction.....	1
	1.2 Measurement Scales for Variables.....	2
	1.3 Defining the Target.....	2
	1.4 Sources of Modeling Data.....	11
	1.5 Pre-Processing the Data	12
	1.6 Alternative Modeling Strategies	14
Chapter 2	Getting Started with Predictive Modeling.....	17
	2.1 Introduction.....	17
	2.2 Opening SAS Enterprise Miner 5.2.....	18
	2.3 Creating a New Project in SAS Enterprise Miner 5.2.....	20
	2.4 The SAS Enterprise Miner Window	21
	2.5 Creating a SAS Data Source.....	22
	2.6 Creating a Process Flow Diagram.....	35
	2.7 Summary	72
	2.8 Appendix to Chapter 2	72
Chapter 3	Variable Selection and Transformation of Variables.....	77
	3.1 Introduction.....	77
	3.2 Variable Selection.....	78
	3.3 Transformation of Variables	99
	3.4 Summary	109
	3.5 Appendix to Chapter 3	110
Chapter 4	Building Decision Tree Models to Predict Response and Risk	113
	4.1 Introduction.....	113
	4.2 An Overview of the Tree Methodology in SAS Enterprise Miner	114
	4.3 Development of the Tree in SAS Enterprise Miner ...	121

4.4 A Decision Tree Model to Predict Response to Direct Marketing.....	143
4.5 Developing a Regression Tree Model to Predict Risk.....	159
4.6 Summary	165
4.7 Appendix to Chapter 4	166

Chapter 5 Neural Network Models to Predict Response and Risk..... 169

5.1 Introduction.....	169
5.2 A General Example of a Neural Network Model	172
5.3 Estimation of Weights in a Neural Network Model ...	180
5.4 A Neural Network Model to Predict Response	181
5.5 A Neural Network Model to Predict Loss Frequency in Auto Insurance	204
5.6 An Introduction to Radial Basis Functions	216
5.7 Alternative Specifications of the Neural Network Architecture.....	219
5.8 Summary	231
5.9 Appendix to Chapter 5	232

Chapter 6 Regression Models 235

6.1 Introduction.....	235
6.2 What Types of Models Can Be Developed Using the Regression Node?.....	236
6.3 An Overview of Some Properties of the Regression Node	249
6.4 Business Applications	273
6.5 Appendix to Chapter 6	301

Chapter 7 Comparison of Different Models 305

7.1 Introduction.....	305
7.2 Models for Binary Targets: An Example of Predicting Attrition	305
7.3 Models for Ordinal Targets: An Example of Predicting Accident Risk	316
7.4 Comparison of All Three Accident Risk Models	327

Chapter 8 Customer Profitability	329
8.1 Introduction.....	329
8.2 Acquisition Cost	331
8.3 Cost of Default	333
8.4 Revenue.....	334
8.5 Profit	334
8.6 The Optimum Cut-off Point.....	336
8.7 Alternative Scenarios of Response and Risk.....	337
8.8 Customer Lifetime Value.....	338
8.9 Suggestions for Extending Results	338
Glossary.....	339
References	347
Index.....	349

