**S.D.G.P. Barkot**

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**Cluster Analysis:**

The process of grouping a set of physical or abstract objects into classes of similar objects is called clustering. A cluster is a collection of data objects that are similar to one another within the same cluster and are dissimilar to the objects in other clusters. A cluster of data objects can be treated collectively as one group and so may be considered as a form of data compression. Cluster analysis tools based on k-means, k-medoids, and several methods have also been built into many statistical analysis software packages or systems, such as S-Plus, SPSS, and SAS. Applications:

Cluster analysis has been widely used in numerous applications, including market research, pattern recognition, data analysis, and image processing. In business, clustering can help marketers discover distinct groups in their customer bases and characterize customer groups based on purchasing patterns. In biology, it can be used to derive plant and animal taxonomies, categorize genes with similar functionality, and gain insight into structures inherent in populations. Clustering may also help in the identification of areas of similar land use in an earth observation database and in the identification of groups of houses in a city according to house type, value, and geographic location, as well as the identification of groups of automobile insurance policy holders with a high average claim cost. Clustering is also called data segmentation in some applications because clustering partitions large data sets into groups according to their similarity.

Clustering can also be used for outlier detection, Applications of outlier detection include the detection of credit card fraud and the monitoring of criminal activities in electronic commerce

Typical Requirements Of Cluster in Data Mining: ¬

Scalability: Many clustering algorithms work well on small data sets containing fewer than several hundred data objects; however, a large database may contain millions of objects. Clustering on a sample of a given large data set may lead to biased results.

Highly scalable clustering algorithms are needed. ¬

Ability to deal with different types of attributes: Many algorithms are designed to cluster interval-based (numerical) data. However, applications may require clustering other types of data, such as binary, categorical (nominal), and ordinal data, or mixtures of these data types. ¬

Discovery of clusters with arbitrary shape:

Many clustering algorithms determine clusters based on Euclidean or Manhattan distance measures. Algorithms based on such distance measures tend to find spherical clusters with similar size and density. However, a cluster could be of any shape. It is important to develop algorithms that can detect clusters of arbitrary shape. ¬

Minimal requirements for domain knowledge to determine input parameters:

Many clustering algorithms require users to input certain parameters in cluster analysis (such as the number of desired clusters). The clustering results can be quite sensitive to input parameters. Parameters are often difficult to determine, especially for data sets containing high-dimensional objects. This not only burdens users, but it also makes the quality of clustering difficult to control. ¬

Ability to deal with noisy data:

Most real-world databases contain outliers or missing, unknown, or erroneous data. Some clustering algorithms are sensitive to such data and may lead to clusters of poor quality.

Incremental clustering and insensitivity to the order of input records: Some clustering algorithms cannot incorporate newly inserted data (i.e., database updates) into existing clustering structures and, instead, must determine a new clustering from scratch. Some clustering algorithms are sensitive to the order of input data. That is, given a set of data objects, such an algorithm may return dramatically different clustering depending on the order of presentation of the input objects. It is important to develop incremental clustering algorithms and algorithms that are insensitive to the order of input. ¬

High dimensionality:

A database or a data warehouse can contain several dimensions or attributes. Many clustering algorithms are good at handling low-dimensional data, involving only two to three dimensions. Human eyes are good at judging the quality of clustering for up to three dimensions. Finding clusters of data objects in high dimensional space is challenging, especially considering that such data can be sparse and highly skewed. ¬

Constraint-based clustering:

Real-world applications may need to perform clustering under various kinds of constraints. Suppose that your job is to choose the locations for a given number of new automatic banking machines (ATMs) in a city. To decide upon this, you may cluster households while considering constraints such as the city’s rivers and highway networks, and the type and number of customers per cluster. A challenging task is to find groups of data with good clustering behavior that satisfy specified constraints. ¬

Interpretability and usability:

Users expect clustering results to be interpretable, comprehensible, and usable. That is, clustering may need to be tied to specific semantic interpretations and applications. It is important to study how an application goal may influence the selection of clustering features and methods.