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# Statistics for Business & Economics





# Statistics for Business & Economics

14e

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# Brief Contents

ABOUT THE AUTHORS xxi  
PREFACE xxv

<b>CHAPTER 1</b>	Data and Statistics 1
<b>CHAPTER 2</b>	Descriptive Statistics: Tabular and Graphical Displays 33
<b>CHAPTER 3</b>	Descriptive Statistics: Numerical Measures 107
<b>CHAPTER 4</b>	Introduction to Probability 177
<b>CHAPTER 5</b>	Discrete Probability Distributions 223
<b>CHAPTER 6</b>	Continuous Probability Distributions 281
<b>CHAPTER 7</b>	Sampling and Sampling Distributions 319
<b>CHAPTER 8</b>	Interval Estimation 373
<b>CHAPTER 9</b>	Hypothesis Tests 417
<b>CHAPTER 10</b>	Inference About Means and Proportions with Two Populations 481
<b>CHAPTER 11</b>	Inferences About Population Variances 525
<b>CHAPTER 12</b>	Comparing Multiple Proportions, Test of Independence and Goodness of Fit 553
<b>CHAPTER 13</b>	Experimental Design and Analysis of Variance 597
<b>CHAPTER 14</b>	Simple Linear Regression 653
<b>CHAPTER 15</b>	Multiple Regression 731
<b>CHAPTER 16</b>	Regression Analysis: Model Building 799
<b>CHAPTER 17</b>	Time Series Analysis and Forecasting 859
<b>CHAPTER 18</b>	Nonparametric Methods 931
<b>CHAPTER 19</b>	Decision Analysis 981
<b>CHAPTER 20</b>	Index Numbers 1013
<b>CHAPTER 21</b>	Statistical Methods for Quality Control 1033
<b>CHAPTER 22</b>	Sample Survey (MindTap Reader) 22-1
<b>APPENDIX A</b>	References and Bibliography 1068
<b>APPENDIX B</b>	Tables 1070
<b>APPENDIX C</b>	Summation Notation 1097
<b>APPENDIX D</b>	Answers to Even-Numbered Exercises (MindTap Reader)
<b>APPENDIX E</b>	Microsoft Excel 2016 and Tools for Statistical Analysis 1099
<b>APPENDIX F</b>	Computing $p$ -Values with JMP and Excel 1107
<b>INDEX</b>	1111

# Contents

ABOUT THE AUTHORS xxi  
PREFACE xxv

## **CHAPTER 1 Data and Statistics 1**

Statistics in Practice: Bloomberg Businessweek 2

1.1 Applications in Business and Economics 3

Accounting 3

Finance 3

Marketing 4

Production 4

Economics 4

Information Systems 4

1.2 Data 5

Elements, Variables, and Observations 5

Scales of Measurement 5

Categorical and Quantitative Data 7

Cross-Sectional and Time Series Data 8

1.3 Data Sources 10

Existing Sources 10

Observational Study 11

Experiment 12

Time and Cost Issues 13

Data Acquisition Errors 13

1.4 Descriptive Statistics 13

1.5 Statistical Inference 15

1.6 Analytics 16

1.7 Big Data and Data Mining 17

1.8 Computers and Statistical Analysis 19

1.9 Ethical Guidelines for Statistical Practice 19

Summary 21

Glossary 21

Supplementary Exercises 22

Appendix 1.1 Opening and Saving DATA Files and Converting to Stacked  
form with JMP 30

Appendix 1.2 Getting Started with R and RStudio (MindTap Reader)

Appendix 1.3 Basic Data Manipulation in R (MindTap Reader)

## **CHAPTER 2 Descriptive Statistics: Tabular and Graphical Displays 33**

Statistics in Practice: Colgate-Palmolive Company 34

2.1 Summarizing Data for a Categorical Variable 35

Frequency Distribution 35

Relative Frequency and Percent Frequency Distributions 36

Bar Charts and Pie Charts 37

2.2	Summarizing Data for a Quantitative Variable	42
	Frequency Distribution	42
	Relative Frequency and Percent Frequency Distributions	44
	Dot Plot	45
	Histogram	45
	Cumulative Distributions	47
	Stem-and-Leaf Display	47
2.3	Summarizing Data for Two Variables Using Tables	57
	Crosstabulation	57
	Simpson's Paradox	59
2.4	Summarizing Data for Two Variables Using Graphical Displays	65
	Scatter Diagram and Trendline	65
	Side-by-Side and Stacked Bar Charts	66
2.5	Data Visualization: Best Practices in Creating Effective Graphical Displays	71
	Creating Effective Graphical Displays	71
	Choosing the Type of Graphical Display	72
	Data Dashboards	73
	Data Visualization in Practice: Cincinnati Zoo and Botanical Garden	75
	Summary	77
	Glossary	78
	Key Formulas	79
	Supplementary Exercises	80
	Case Problem 1: Pelican Stores	85
	Case Problem 2: Movie Theater Releases	86
	Case Problem 3: Queen City	87
	Case Problem 4: Cut-Rate Machining, Inc.	88
	Appendix 2.1 Creating Tabular and Graphical Presentations with JMP	90
	Appendix 2.2 Creating Tabular and Graphical Presentations with Excel	93
	Appendix 2.3 Creating Tabular and Graphical Presentations with R (MindTap Reader)	
<b>CHAPTER 3</b>	<b>Descriptive Statistics: Numerical Measures</b>	<b>107</b>
	Statistics in Practice: Small Fry Design	108
3.1	Measures of Location	109
	Mean	109
	Weighted Mean	111
	Median	112
	Geometric Mean	113
	Mode	115
	Percentiles	115
	Quartiles	116

3.2	Measures of Variability	122
	Range	123
	Interquartile Range	123
	Variance	123
	Standard Deviation	125
	Coefficient of Variation	126
3.3	Measures of Distribution Shape, Relative Location, and Detecting Outliers	129
	Distribution Shape	129
	z-Scores	130
	Chebyshev's Theorem	131
	Empirical Rule	132
	Detecting Outliers	134
3.4	Five-Number Summaries and Boxplots	137
	Five-Number Summary	138
	Boxplot	138
	Comparative Analysis Using Boxplots	139
3.5	Measures of Association Between Two Variables	142
	Covariance	142
	Interpretation of the Covariance	144
	Correlation Coefficient	146
	Interpretation of the Correlation Coefficient	147
3.6	Data Dashboards: Adding Numerical Measures to Improve Effectiveness	150
	Summary	153
	Glossary	154
	Key Formulas	155
	Supplementary Exercises	156
	Case Problem 1: Pelican Stores	162
	Case Problem 2: Movie Theater Releases	163
	Case Problem 3: Business Schools of Asia-Pacific	164
	Case Problem 4: Heavenly Chocolates Website Transactions	164
	Case Problem 5: African Elephant Populations	166
	Appendix 3.1 Descriptive Statistics with JMP	168
	Appendix 3.2 Descriptive Statistics with Excel	171
	Appendix 3.3 Descriptive Statistics with R (MindTap Reader)	
<b>CHAPTER 4</b>	<b>Introduction to Probability</b>	<b>177</b>
	Statistics in Practice: National Aeronautics and Space Administration	178
4.1	Random Experiments, Counting Rules, and Assigning Probabilities	179
	Counting Rules, Combinations, and Permutations	180
	Assigning Probabilities	184
	Probabilities for the KP&L Project	185
4.2	Events and Their Probabilities	189



4.3	Some Basic Relationships of Probability	193
	Complement of an Event	193
	Addition Law	194
4.4	Conditional Probability	199
	Independent Events	202
	Multiplication Law	202
4.5	Bayes' Theorem	207
	Tabular Approach	210
	Summary	212
	Glossary	213
	Key Formulas	214
	Supplementary Exercises	214
	Case Problem 1: Hamilton County Judges	219
	Case Problem 2: Rob's Market	221
<b>CHAPTER 5</b>	<b>Discrete Probability Distributions</b>	<b>223</b>
	Statistics in Practice: Voter Waiting Times in Elections	224
5.1	Random Variables	225
	Discrete Random Variables	225
	Continuous Random Variables	225
5.2	Developing Discrete Probability Distributions	228
5.3	Expected Value and Variance	233
	Expected Value	233
	Variance	233
5.4	Bivariate Distributions, Covariance, and Financial Portfolios	238
	A Bivariate Empirical Discrete Probability Distribution	238
	Financial Applications	241
	Summary	244
5.5	Binomial Probability Distribution	247
	A Binomial Experiment	248
	Martin Clothing Store Problem	249
	Using Tables of Binomial Probabilities	253
	Expected Value and Variance for the Binomial Distribution	254
5.6	Poisson Probability Distribution	258
	An Example Involving Time Intervals	259
	An Example Involving Length or Distance Intervals	260
5.7	Hypergeometric Probability Distribution	262
	Summary	265
	Glossary	266
	Key Formulas	266
	Supplementary Exercises	268
	Case Problem 1: <i>Go Bananas!</i> Breakfast Cereal	272
	Case Problem 2: McNeil's Auto Mall	272
	Case Problem 3: Grievance Committee at Tuglar Corporation	273
	Appendix 5.1 Discrete Probability Distributions with JMP	275

Appendix 5.2 Discrete Probability Distributions with Excel 278  
 Appendix 5.3 Discrete Probability Distributions with R (MindTap Reader)

## **CHAPTER 6    Continuous Probability Distributions 281**

Statistics in Practice: Procter & Gamble 282

- 6.1 Uniform Probability Distribution 283
  - Area as a Measure of Probability 284
- 6.2 Normal Probability Distribution 287
  - Normal Curve 287
  - Standard Normal Probability Distribution 289
  - Computing Probabilities for Any Normal Probability Distribution 294
  - Great Tire Company Problem 294
- 6.3 Normal Approximation of Binomial Probabilities 299
- 6.4 Exponential Probability Distribution 302
  - Computing Probabilities for the Exponential Distribution 302
  - Relationship Between the Poisson and Exponential Distributions 303

Summary 305

Glossary 305

Key Formulas 306

Supplementary Exercises 306

Case Problem 1: Specialty Toys 309

Case Problem 2: Gebhardt Electronics 311

Appendix 6.1 Continuous Probability Distributions with JMP 312

Appendix 6.2 Continuous Probability Distributions with Excel 317

Appendix 6.3 Continuous Probability Distribution with R  
 (MindTap Reader)

## **CHAPTER 7    Sampling and Sampling Distributions 319**

Statistics in Practice: Meadwestvaco Corporation 320

- 7.1 The Electronics Associates Sampling Problem 321
- 7.2 Selecting a Sample 322
  - Sampling from a Finite Population 322
  - Sampling from an Infinite Population 324
- 7.3 Point Estimation 327
  - Practical Advice 329
- 7.4 Introduction to Sampling Distributions 331
- 7.5 Sampling Distribution of  $\bar{x}$  333
  - Expected Value of  $\bar{x}$  334
  - Standard Deviation of  $\bar{x}$  334
  - Form of the Sampling Distribution of  $\bar{x}$  335
  - Sampling Distribution of  $\bar{x}$  for the EAI Problem 337
  - Practical Value of the Sampling Distribution of  $\bar{x}$  338
  - Relationship Between the Sample Size and the Sampling Distribution of  $\bar{x}$  339

7.6	Sampling Distribution of $\bar{p}$	343
	Expected Value of $\bar{p}$	344
	Standard Deviation of $\bar{p}$	344
	Form of the Sampling Distribution of $\bar{p}$	345
	Practical Value of the Sampling Distribution of $\bar{p}$	345
7.7	Properties of Point Estimators	349
	Unbiased	349
	Efficiency	350
	Consistency	351
7.8	Other Sampling Methods	351
	Stratified Random Sampling	352
	Cluster Sampling	352
	Systematic Sampling	353
	Convenience Sampling	353
	Judgment Sampling	354
7.9	Big Data and Standard Errors of Sampling Distributions	354
	Sampling Error	354
	Nonsampling Error	355
	Big Data	356
	Understanding What Big Data Is	356
	Implications of Big Data for Sampling Error	357
	Summary	360
	Glossary	361
	Key Formulas	362
	Supplementary Exercises	363
	Case Problem: Marion Dairies	366
	Appendix 7.1 The Expected Value and Standard Deviation of $\bar{x}$	367
	Appendix 7.2 Random Sampling with JMP	368
	Appendix 7.3 Random Sampling with Excel	371
	Appendix 7.4 Random Sampling with R (MindTap Reader)	
<b>CHAPTER 8 Interval Estimation 373</b>		
	Statistics in Practice: Food Lion	374
8.1	Population Mean: $\sigma$ Known	375
	Margin of Error and the Interval Estimate	375
	Practical Advice	379
8.2	Population Mean: $\sigma$ Unknown	381
	Margin of Error and the Interval Estimate	382
	Practical Advice	385
	Using a Small Sample	385
	Summary of Interval Estimation Procedures	386
8.3	Determining the Sample Size	390
8.4	Population Proportion	393
	Determining the Sample Size	394

8.5	Big Data and Confidence Intervals	398
	Big Data and the Precision of Confidence Intervals	398
	Implications of Big Data for Confidence Intervals	399
	Summary	401
	Glossary	402
	Key Formulas	402
	Supplementary Exercises	403
	Case Problem 1: <i>Young Professional Magazine</i>	406
	Case Problem 2: Gulf Real Estate Properties	407
	Case Problem 3: Metropolitan Research, Inc.	409
	Appendix 8.1 Interval Estimation with JMP	410
	Appendix 8.2 Interval Estimation Using Excel	413
	Appendix 8.3 Interval Estimation with R (MindTap Reader)	
<b>CHAPTER 9</b>	<b>Hypothesis Tests</b>	<b>417</b>
	Statistics in Practice: John Morrell & Company	418
9.1	Developing Null and Alternative Hypotheses	419
	The Alternative Hypothesis as a Research Hypothesis	419
	The Null Hypothesis as an Assumption to Be Challenged	420
	Summary of Forms for Null and Alternative Hypotheses	421
9.2	Type I and Type II Errors	422
9.3	Population Mean: $\sigma$ Known	425
	One-Tailed Test	425
	Two-Tailed Test	430
	Summary and Practical Advice	433
	Relationship Between Interval Estimation and Hypothesis Testing	434
9.4	Population Mean: $\sigma$ Unknown	439
	One-Tailed Test	439
	Two-Tailed Test	440
	Summary and Practical Advice	441
9.5	Population Proportion	445
	Summary	447
9.6	Hypothesis Testing and Decision Making	450
9.7	Calculating the Probability of Type II Errors	450
9.8	Determining the Sample Size for a Hypothesis Test About a Population Mean	455
9.9	Big Data and Hypothesis Testing	459
	Big Data, Hypothesis Testing, and $p$ Values	459
	Implications of Big Data in Hypothesis Testing	460
	Summary	462
	Glossary	462
	Key Formulas	463
	Supplementary Exercises	463
	Case Problem 1: Quality Associates, Inc.	467

Case Problem 2: Ethical Behavior of Business Students  
at Bayview University 469

Appendix 9.1 Hypothesis Testing with JMP 471

Appendix 9.2 Hypothesis Testing with Excel 475

Appendix 9.3 Hypothesis Testing with R (MindTap Reader)

## **CHAPTER 10 Inference About Means and Proportions with Two Populations 481**

Statistics in Practice: U.S. Food and Drug Administration 482

10.1 Inferences About the Difference Between Two  
Population Means:  $\sigma_1$  and  $\sigma_2$  Known 483

Interval Estimation of  $\mu_1 - \mu_2$  483

Hypothesis Tests About  $\mu_1 - \mu_2$  485

Practical Advice 487

10.2 Inferences About the Difference Between Two  
Population Means:  $\sigma_1$  and  $\sigma_2$  Unknown 489

Interval Estimation of  $\mu_1 - \mu_2$  489

Hypothesis Tests About  $\mu_1 - \mu_2$  491

Practical Advice 493

10.3 Inferences About the Difference Between Two  
Population Means: Matched Samples 497

10.4 Inferences About the Difference Between Two Population  
Proportions 503

Interval Estimation of  $p_1 - p_2$  503

Hypothesis Tests About  $p_1 - p_2$  505

Summary 509

Glossary 509

Key Formulas 509

Supplementary Exercises 511

Case Problem: Par, Inc. 514

Appendix 10.1 Inferences About Two Populations with JMP 515

Appendix 10.2 Inferences About Two Populations with Excel 519

Appendix 10.3 Inferences about Two Populations with R (MindTap Reader)

## **CHAPTER 11 Inferences About Population Variances 525**

Statistics in Practice: U.S. Government Accountability Office 526

11.1 Inferences About a Population Variance 527

Interval Estimation 527

Hypothesis Testing 531

11.2 Inferences About Two Population Variances 537

Summary 544

Key Formulas 544

Supplementary Exercises 544

Case Problem 1: Air Force Training Program 546



Case Problem 2: Meticulous Drill & Reamer	547
Appendix 11.1 Population Variances with JMP	549
Appendix 11.2 Population Variances with Excel	551
Appendix 11.3 Population Variances with R (MindTap Reader)	

## **CHAPTER 12 Comparing Multiple Proportions, Test of Independence and Goodness of Fit 553**

Statistics in Practice: United Way	554
12.1 Testing the Equality of Population Proportions for Three or More Populations	555
A Multiple Comparison Procedure	560
12.2 Test of Independence	565
12.3 Goodness of Fit Test	573
Multinomial Probability Distribution	573
Normal Probability Distribution	576
Summary	582
Glossary	582
Key Formulas	583
Supplementary Exercises	583
Case Problem 1: A Bipartisan Agenda for Change	587
Case Problem 2: Fuentes Salty Snacks, Inc.	588
Case Problem 3: Fresno Board Games	588
Appendix 12.1 Chi-Square Tests with JMP	590
Appendix 12.2 Chi-Square Tests with Excel	593
Appendix 12.3 Chi-Squared Tests with R (MindTap Reader)	

## **CHAPTER 13 Experimental Design and Analysis of Variance 597**

Statistics in Practice: Burke Marketing Services, Inc.	598
13.1 An Introduction to Experimental Design and Analysis of Variance	599
Data Collection	600
Assumptions for Analysis of Variance	601
Analysis of Variance: A Conceptual Overview	601
13.2 Analysis of Variance and the Completely Randomized Design	604
Between-Treatments Estimate of Population Variance	605
Within-Treatments Estimate of Population Variance	606
Comparing the Variance Estimates: The $F$ Test	606
ANOVA Table	608
Computer Results for Analysis of Variance	609
Testing for the Equality of $k$ Population Means: An Observational Study	610
13.3 Multiple Comparison Procedures	615
Fisher's LSD	615
Type I Error Rates	617

13.4	Randomized Block Design	621
	Air Traffic Controller Stress Test	621
	ANOVA Procedure	623
	Computations and Conclusions	623
13.5	Factorial Experiment	627
	ANOVA Procedure	629
	Computations and Conclusions	629
	Summary	635
	Glossary	635
	Key Formulas	636
	Supplementary Exercises	638
	Case Problem 1: Wentworth Medical Center	643
	Case Problem 2: Compensation for Sales Professionals	644
	Case Problem 3: Touristopia Travel	644
	Appendix 13.1 Analysis of Variance with JMP	646
	Appendix 13.2 Analysis of Variance with Excel	649
	Appendix 13.3 Analysis Variance with R (MindTap Reader)	
<b>CHAPTER 14 Simple Linear Regression 653</b>		
	Statistics in Practice: Alliance Data Systems	654
14.1	Simple Linear Regression Model	655
	Regression Model and Regression Equation	655
	Estimated Regression Equation	656
14.2	Least Squares Method	658
14.3	Coefficient of Determination	668
	Correlation Coefficient	671
14.4	Model Assumptions	675
14.5	Testing for Significance	676
	Estimate of $\sigma^2$	676
	t Test	677
	Confidence Interval for $\beta_1$	679
	F Test	679
	Some Cautions About the Interpretation of Significance Tests	681
14.6	Using the Estimated Regression Equation for Estimation and Prediction	684
	Interval Estimation	685
	Confidence Interval for the Mean Value of y	685
	Prediction Interval for an Individual Value of y	686
14.7	Computer Solution	691
14.8	Residual Analysis: Validating Model Assumptions	694
	Residual Plot Against x	695
	Residual Plot Against $\hat{y}$	697
	Standardized Residuals	698
	Normal Probability Plot	699

14.9	Residual Analysis: Outliers and Influential Observations	703
	Detecting Outliers	703
	Detecting Influential Observations	704
14.10	Practical Advice: Big Data and Hypothesis Testing in Simple Linear Regression	710
	Summary	711
	Glossary	711
	Key Formulas	712
	Supplementary Exercises	714
	Case Problem 1: Measuring Stock Market Risk	721
	Case Problem 2: U.S. Department of Transportation	721
	Case Problem 3: Selecting a Point-and-Shoot Digital Camera	722
	Case Problem 4: Finding the Best Car Value	723
	Case Problem 5: Buckeye Creek Amusement Park	724
	Appendix 14.1 Calculus-Based Derivation of Least Squares Formulas	726
	Appendix 14.2 A Test for Significance Using Correlation	727
	Appendix 14.3 Simple Linear Regression with JMP	727
	Appendix 14.4 Regression Analysis with Excel	728
	Appendix 14.5 Simple Linear Regression with R (MindTap Reader)	
<b>CHAPTER 15</b>	<b>Multiple Regression</b>	<b>731</b>
	Statistics in Practice: 84.51°	732
15.1	Multiple Regression Model	733
	Regression Model and Regression Equation	733
	Estimated Multiple Regression Equation	733
15.2	Least Squares Method	734
	An Example: Butler Trucking Company	735
	Note on Interpretation of Coefficients	737
15.3	Multiple Coefficient of Determination	743
15.4	Model Assumptions	746
15.5	Testing for Significance	747
	F Test	747
	t Test	750
	Multicollinearity	750
15.6	Using the Estimated Regression Equation for Estimation and Prediction	753
15.7	Categorical Independent Variables	755
	An Example: Johnson Filtration, Inc.	756
	Interpreting the Parameters	758
	More Complex Categorical Variables	760
15.8	Residual Analysis	764
	Detecting Outliers	766
	Studentized Deleted Residuals and Outliers	766
	Influential Observations	767
	Using Cook's Distance Measure to Identify Influential Observations	767

15.9	Logistic Regression	771
	Logistic Regression Equation	772
	Estimating the Logistic Regression Equation	773
	Testing for Significance	774
	Managerial Use	775
	Interpreting the Logistic Regression Equation	776
	Logit Transformation	778
15.10	Practical Advice: Big Data and Hypothesis Testing in Multiple Regression	782
	Summary	783
	Glossary	783
	Key Formulas	784
	Supplementary Exercises	786
	Case Problem 1: Consumer Research, Inc.	790
	Case Problem 2: Predicting Winnings for NASCAR Drivers	791
	Case Problem 3: Finding the Best Car Value	792
	Appendix 15.1 Multiple Linear Regression with JMP	794
	Appendix 15.2 Logistic Regression with JMP	796
	Appendix 15.3 Multiple Regression with Excel	797
	Appendix 15.4 Multiple Linear Regression with R (MindTap Reader)	
	Appendix 15.5 Logistics Regression with R (MindTap Reader)	
<b>CHAPTER 16</b>	<b>Regression Analysis: Model Building</b>	<b>799</b>
	Statistics in Practice: Monsanto Company	800
16.1	General Linear Model	801
	Modeling Curvilinear Relationships	801
	Interaction	805
	Transformations Involving the Dependent Variable	807
	Nonlinear Models That Are Intrinsically Linear	812
16.2	Determining When to Add or Delete Variables	816
	General Case	818
	Use of $p$ -Values	819
16.3	Analysis of a Larger Problem	822
16.4	Variable Selection Procedures	826
	Stepwise Regression	826
	Forward Selection	828
	Backward Elimination	828
	Best-Subsets Regression	828
	Making the Final Choice	829
16.5	Multiple Regression Approach to Experimental Design	832
16.6	Autocorrelation and the Durbin-Watson Test	836
	Summary	840
	Glossary	841
	Key Formulas	841

Supplementary Exercises	841
Case Problem 1: Analysis of LPGA Tour Statistics	845
Case Problem 2: Rating Wines from the Piedmont Region of Italy	846
Appendix 16.1 Variable Selection Procedures with JMP	848
Appendix 16.2 Variable Selection Procedures with R (MindTap Reader)	

## **CHAPTER 17 Time Series Analysis and Forecasting 859**

### Statistics in Practice: Nevada Occupational Health Clinic 860

17.1 Time Series Patterns	861
Horizontal Pattern	861
Trend Pattern	863
Seasonal Pattern	863
Trend and Seasonal Pattern	864
Cyclical Pattern	864
Selecting a Forecasting Method	866
17.2 Forecast Accuracy	867
17.3 Moving Averages and Exponential Smoothing	872
Moving Averages	872
Weighted Moving Averages	874
Exponential Smoothing	875
17.4 Trend Projection	881
Linear Trend Regression	882
Nonlinear Trend Regression	886
17.5 Seasonality and Trend	891
Seasonality Without Trend	892
Seasonality and Trend	894
Models Based on Monthly Data	897
17.6 Time Series Decomposition	900
Calculating the Seasonal Indexes	902
Deseasonalizing the Time Series	905
Using the Deseasonalized Time Series to Identify Trend	905
Seasonal Adjustments	907
Models Based on Monthly Data	908
Cyclical Component	908
Summary	910
Glossary	911
Key Formulas	912
Supplementary Exercises	913
Case Problem 1: Forecasting Food and Beverage Sales	917
Case Problem 2: Forecasting Lost Sales	918
Appendix 17.1 Forecasting with JMP	920
Appendix 17.2 Forecasting with Excel	926
Appendix 17.3 Forecasting with R (MindTap Reader)	



**CHAPTER 18 Nonparametric Methods 931**

Statistics in Practice: West Shell Realtors 932

## 18.1 Sign Test 933

Hypothesis Test About a Population Median 933

Hypothesis Test with Matched Samples 938

## 18.2 Wilcoxon Signed-Rank Test 941

## 18.3 Mann-Whitney-Wilcoxon Test 947

## 18.4 Kruskal-Wallis Test 956

## 18.5 Rank Correlation 961

Summary 966

Glossary 966

Key Formulas 967

Supplementary Exercises 968

Case Problem: RainOrShine.Com 971

Appendix 18.1 Nonparametric Methods with JMP 972

Appendix 18.2 Nonparametric Methods with Excel 979

Appendix 18.3 Nonparametric Methods with R (MindTap Reader)

**CHAPTER 19 Decision Analysis 981**

Statistics in Practice: Ohio Edison Company 982

## 19.1 Problem Formulation 983

Payoff Tables 983

Decision Trees 984

## 19.2 Decision Making with Probabilities 985

Expected Value Approach 985

Expected Value of Perfect Information 987

## 19.3 Decision Analysis with Sample Information 992

Decision Tree 993

Decision Strategy 994

Expected Value of Sample Information 998

## 19.4 Computing Branch Probabilities Using Bayes' Theorem 1002

Summary 1006

Glossary 1007

Key Formulas 1008

Supplementary Exercises 1008

Case Problem 1: Lawsuit Defense Strategy 1010

Case Problem 2: Property Purchase Strategy 1011

**CHAPTER 20 Index Numbers 1013**Statistics in Practice: U.S. Department of Labor, Bureau  
of Labor Statistics 1014

## 20.1 Price Relatives 1014

## 20.2 Aggregate Price Indexes 1015

20.3	Computing an Aggregate Price Index from Price Relatives	1019
20.4	Some Important Price Indexes	1021
	Consumer Price Index	1021
	Producer Price Index	1021
	Dow Jones Averages	1022
20.5	Deflating a Series by Price Indexes	1023
20.6	Price Indexes: Other Considerations	1026
	Selection of Items	1026
	Selection of a Base Period	1026
	Quality Changes	1027
20.7	Quantity Indexes	1027
	Summary	1029
	Glossary	1029
	Key Formulas	1029
	Supplementary Exercises	1030
<b>CHAPTER 21</b>	<b>Statistical Methods for Quality Control</b>	<b>1033</b>
	Statistics in Practice: Dow Chemical Company	1034
21.1	Philosophies and Frameworks	1035
	Malcolm Baldrige National Quality Award	1036
	ISO 9000	1036
	Six Sigma	1036
	Quality in the Service Sector	1038
21.2	Statistical Process Control	1039
	Control Charts	1040
	$\bar{x}$ Chart: Process Mean and Standard Deviation Known	1041
	$\bar{x}$ Chart: Process Mean and Standard Deviation Unknown	1043
	R Chart	1045
	p Chart	1046
	np Chart	1049
	Interpretation of Control Charts	1049
21.3	Acceptance Sampling	1052
	KALI, Inc.: An Example of Acceptance Sampling	1053
	Computing the Probability of Accepting a Lot	1054
	Selecting an Acceptance Sampling Plan	1056
	Multiple Sampling Plans	1057
	Summary	1059
	Glossary	1060
	Key Formulas	1060
	Supplementary Exercises	1061
	Appendix 21.1 Control Charts with JMP	1064
	Appendix 21.2 Control Charts with R (MindTap Reader)	

<b>CHAPTER 22</b>	<b>Sample Survey (MindTap Reader)</b>	<b>22-1</b>
	Statistics in Practice: Duke Energy	22-2
22.1	Terminology Used in Sample Surveys	22-2
22.2	Types of Surveys and Sampling Methods	22-3
22.3	Survey Errors	22-5
	Nonsampling Error	22-5
	Sampling Error	22-5
22.4	Simple Random Sampling	22-6
	Population Mean	22-6
	Population Total	22-7
	Population Proportion	22-8
	Determining the Sample Size	22-9
22.5	Stratified Simple Random Sampling	22-12
	Population Mean	22-12
	Population Total	22-14
	Population Proportion	22-15
	Determining the Sample Size	22-16
22.6	Cluster Sampling	22-21
	Population Mean	22-23
	Population Total	22-25
	Population Proportion	22-25
	Determining the Sample Size	22-27
22.7	Systematic Sampling	22-29
	Summary	22-29
	Glossary	22-30
	Key Formulas	22-30
	Supplementary Exercises	22-34
	Case Problem: Medicament's Predicament	22-36
<b>APPENDIX A</b>	References and Bibliography	1068
<b>APPENDIX B</b>	Tables	1070
<b>APPENDIX C</b>	Summation Notation	1097
<b>APPENDIX D</b>	Answers to Even-Numbered Exercises (MindTap Reader)	
<b>APPENDIX E</b>	Microsoft Excel 2016 and Tools for Statistical Analysis	1099
<b>APPENDIX F</b>	Computing $p$ -Values with JMP and Excel	1107
<b>INDEX</b>		1111



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A strong advocate for effective statistics and operations research education as a means of improving the quality of applications to real problems, Professor Cochran has organized and chaired teaching effectiveness workshops in Montevideo, Uruguay; Cape Town, South Africa; Cartagena, Colombia; Jaipur, India; Buenos Aires, Argentina; Nairobi, Kenya; Buea, Cameroon; Kathmandu, Nepal; Osijek, Croatia; Havana, Cuba; Ulaanbaatar, Mongolia; and Chişinău, Moldova. He has served as an operations research consultant to numerous companies and not-for-profit organizations. He served as editor-in-chief of *INFORMS Transactions on Education* from 2006 to 2012 and is on the editorial board of *Interfaces*, *International Transactions in Operational Research*, and *Significance*.

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# Preface

This text is the 14th edition of *STATISTICS FOR BUSINESS AND ECONOMICS*. In this edition, we include procedures for statistical analysis using Excel 2016 and JMP Student Edition 14. In MindTap Reader, we also include instructions for using the exceptionally popular open-source language R to perform statistical analysis. We are excited to introduce two new coauthors, Michael J. Fry of the University of Cincinnati and Jeffrey W. Ohlmann of the University of Iowa. Both are accomplished teachers and researchers. More details on their backgrounds may be found in the About the Authors section.

The remainder of this preface describes the authors' objectives in writing *STATISTICS FOR BUSINESS AND ECONOMICS* and the major changes that were made in developing the 14th edition. The purpose of the text is to give students, primarily those in the fields of business administration and economics, a conceptual introduction to the field of statistics and its many applications. The text is applications-oriented and written with the needs of the nonmathematician in mind; the mathematical prerequisite is understanding of algebra.

Applications of data analysis and statistical methodology are an integral part of the organization and presentation of the text material. The discussion and development of each technique is presented in an application setting, with the statistical results providing insights to decisions and solutions to problems.

Although the book is applications oriented, we have taken care to provide sound methodological development and to use notation that is generally accepted for the topic being covered. Hence, students will find that this text provides good preparation for the study of more advanced statistical material. A bibliography to guide further study is included as an appendix.

The text introduces the student to the software packages of JMP Student Edition 14e and Microsoft® Office Excel 2016 and emphasizes the role of computer software in the application of statistical analysis. JMP is illustrated as it is one of the leading statistical software packages for both education and statistical practice. Excel is not a statistical software package, but the wide availability and use of Excel make it important for students to understand the statistical capabilities of this package. JMP and Excel procedures are provided in appendices so that instructors have the flexibility of using as much computer emphasis as desired for the course. MindTap Reader includes appendices for using R for statistical analysis. R is an open-source programming language that is widely used in practice to perform statistical analysis. The use of R typically requires more training than the use of software such as JMP or Excel, but the software is extremely powerful. To ease students' introduction to the R language, we also use RStudio which provides an integrated development environment for R.

## Changes in the 14th Edition

We appreciate the acceptance and positive response to the previous editions of *Statistics for Business and Economics*. Accordingly, in making modifications for this new edition, we have maintained the presentation style and readability of those editions. There have been many changes made throughout the text to enhance its educational effectiveness. The most substantial changes in the new edition are summarized here.

## Content Revisions

- **Software.** In addition to step-by-step instructions in the software appendices for Excel 2016, we also provide instructions for JMP Student Edition 14 and R. This provides students exposure to and experience with the current versions of several of the most commonly used software for statistical analysis in business. Excel 2016 and JMP appendices are contained within the textbook chapters, while R appendices are provided in MindTap Reader. In this latest edition, we no longer provide discussion of the use of Minitab.

- **Case Problems.** We have added 12 new case problems in this edition; the total number of cases is now 42. One new case on graphical display has been added to Chapter 2. Two new cases using discrete probability distributions have been added to Chapter 5, and one new case using continuous probability distributions has been added to Chapter 6. A new case on hypothesis testing has been added to Chapter 11, and two new cases on testing proportions have been added to Chapter 12. The Chapter 16 case on regression model building has been updated. A new case utilizing nonparametric procedures has been added to Chapter 18, and a new case on sample survey has been added to Chapter 22. The 42 case problems in this book provide students the opportunity to work on more complex problems, analyze larger data sets, and prepare managerial reports based on the results of their analyses.
- **Examples and Exercises Based on Real Data.** In this edition, we have added headers to all Applications exercises to make the application of each problem more obvious. We continue to make a substantial effort to update our text examples and exercises with the most current real data and referenced sources of statistical information. We have added more than 160 new examples and exercises based on real data and referenced sources. Using data from sources also used by *The Wall Street Journal*, *USA Today*, *The Financial Times*, and others, we have drawn from actual studies and applications to develop explanations and create exercises that demonstrate the many uses of statistics in business and economics. We believe that the use of real data from interesting and relevant problems helps generate more student interest in the material and enables the student to learn about both statistical methodology and its application. The 14th edition contains more than 350 examples and exercises based on real data.

## Features and Pedagogy

Authors Anderson, Sweeney, Williams, Camm, Cochran, Fry, and Ohlmann have continued many of the features that appeared in previous editions. Important ones for students are noted here.

### Methods Exercises and Applications Exercises

The end-of-section exercises are split into two parts, Methods and Applications. The Methods exercises require students to use the formulas and make the necessary computations. The Applications exercises require students to use the chapter material in real-world situations. Thus, students first focus on the computational “nuts and bolts” and then move on to the subtleties of statistical application and interpretation.

### Margin Annotations and Notes and Comments

Margin annotations that highlight key points and provide additional insights for the student are a key feature of this text. These annotations, which appear in the margins, are designed to provide emphasis and enhance understanding of the terms and concepts being presented in the text.

At the end of many sections, we provide Notes and Comments designed to give the student additional insights about the statistical methodology and its application. Notes and Comments include warnings about or limitations of the methodology, recommendations for application, brief descriptions of additional technical considerations, and other matters.

### Data Files Accompany the Text

Over 200 data files accompany this text. Data files are provided in Excel format and step-by-step instructions on how to open Excel files in JMP are provided in Appendix 1.1. Files for use with R are provided in comma-separated-value (CSV) format for easy loading into the R environment. Step-by-step instructions for importing CSV files into R are provided in MindTap Reader Appendix R 1.2.

The data files can be accessed from WebAssign within the resources section, directly within the MindTap Reader by clicking on the DATAfile icon, or online directly at [www.cengage.com/decisionsciences/anderson/sbe/14e](http://www.cengage.com/decisionsciences/anderson/sbe/14e).



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*Thomas A. Williams*  
*Jeffrey D. Camm*  
*James J. Cochran*  
*Michael J. Fry*  
*Jeffrey W. Ohlmann*

# Chapter 1

## Data and Statistics

### CONTENTS

STATISTICS IN PRACTICE:  
*BLOOMBERG BUSINESSWEEK*

#### 1.1 APPLICATIONS IN BUSINESS AND ECONOMICS

- Accounting
- Finance
- Marketing
- Production
- Economics
- Information Systems

#### 1.2 DATA

- Elements, Variables, and Observations
- Scales of Measurement
- Categorical and Quantitative Data
- Cross-Sectional and Time Series Data

#### 1.3 DATA SOURCES

- Existing Sources
- Observational Study
- Experiment
- Time and Cost Issues
- Data Acquisition Errors

#### 1.4 DESCRIPTIVE STATISTICS

#### 1.5 STATISTICAL INFERENCE

#### 1.6 ANALYTICS

#### 1.7 BIG DATA AND DATA MINING

#### 1.8 COMPUTERS AND STATISTICAL ANALYSIS

#### 1.9 ETHICAL GUIDELINES FOR STATISTICAL PRACTICE

SUMMARY 21

GLOSSARY 21

SUPPLEMENTARY EXERCISES 22

APPENDIX 1.1 OPENING AND SAVING DATA FILES AND  
CONVERTING TO STACKED FORM WITH JMP

## STATISTICS IN PRACTICE

### Bloomberg Businessweek\*

#### NEW YORK, NEW YORK

*Bloomberg Businessweek* is one of the most widely read business magazines in the world. Along with feature articles on current topics, the magazine contains articles on international business, economic analysis, information processing, and science and technology. Information in the feature articles and the regular sections helps readers stay abreast of current developments and assess the impact of those developments on business and economic conditions.

Most issues of *Bloomberg Businessweek* provide an in-depth report on a topic of current interest. Often, the in-depth reports contain statistical facts and summaries that help the reader understand the business and economic information. Examples of articles and reports include the impact of businesses moving important work to cloud computing, the crisis facing the U.S. Postal Service, and why the debt crisis is even worse than we think. In addition, *Bloomberg Businessweek* provides a variety of statistics about the state of the economy, including production indexes, stock prices, mutual funds, and interest rates.

*Bloomberg Businessweek* also uses statistics and statistical information in managing its own business. For example, an annual survey of subscribers helps the company learn about subscriber demographics, reading habits, likely purchases, lifestyles, and so on. *Bloomberg Businessweek* managers use statistical summaries from the survey to provide better services to subscribers and advertisers. One North American subscriber survey indicated that 64% of *Bloomberg Businessweek* subscribers are involved with computer purchases at work. Such statistics alert *Bloomberg*



*Bloomberg Businessweek* uses statistical facts and summaries in many of its articles. AP Images/Weng lei-Imaginechina

*Businessweek* managers to subscriber interest in articles about new developments in computers. The results of the subscriber survey are also made available to potential advertisers. The high percentage of subscribers involved with computer purchases at work would be an incentive for a computer manufacturer to consider advertising in *Bloomberg Businessweek*.

In this chapter, we discuss the types of data available for statistical analysis and describe how the data are obtained. We introduce descriptive statistics and statistical inference as ways of converting data into meaningful and easily interpreted statistical information.

\*The authors are indebted to Charlene Trentham, Research Manager, for providing the context for this Statistics in Practice.

Frequently, we see the following types of statements in newspapers and magazines:

- Unemployment dropped to an 18-year low of 3.8% in May 2018 from 3.9% in April and after holding at 4.1% for the prior six months (*Wall Street Journal*, June 1, 2018).
- Tesla ended 2017 with around \$5.4 billion of liquidity. Analysts forecast it will burn through \$2.8 billion of cash this year (*Bloomberg Businessweek*, April 19, 2018).
- The biggest banks in America reported a good set of earnings for the first three months of 2018. Bank of America and Morgan Stanley made quarterly net profits of \$6.9 billion and \$2.7 billion, respectively (*The Economist*, April 21, 2018).
- According to a study from the Pew Research Center, 15% of U.S. adults say they have used online dating sites or mobile apps (*Wall Street Journal*, May 2, 2018).

- According to the U.S. Centers for Disease Control and Prevention, in the United States alone, at least 2 million illnesses and 23,000 deaths can be attributed each year to antibiotic-resistant bacteria (*Wall Street Journal*, February 13, 2018).

The numerical facts in the preceding statements—3.8%, 3.9%, 4.1%, \$5.4 billion, \$2.8 billion \$6.9 billion, \$2.7 billion, 15%, 2 million, 23,000—are called **statistics**. In this usage, the term *statistics* refers to numerical facts such as averages, medians, percentages, and maximums that help us understand a variety of business and economic situations. However, as you will see, the subject of statistics involves much more than numerical facts. In a broader sense, statistics is the art and science of collecting, analyzing, presenting, and interpreting data. Particularly in business and economics, the information provided by collecting, analyzing, presenting, and interpreting data gives managers and decision makers a better understanding of the business and economic environment and thus enables them to make more informed and better decisions. In this text, we emphasize the use of statistics for business and economic decision making.

Chapter 1 begins with some illustrations of the applications of statistics in business and economics. In Section 1.2 we define the term *data* and introduce the concept of a data set. This section also introduces key terms such as *variables* and *observations*, discusses the difference between quantitative and categorical data, and illustrates the uses of cross-sectional and time series data. Section 1.3 discusses how data can be obtained from existing sources or through survey and experimental studies designed to obtain new data. The uses of data in developing descriptive statistics and in making statistical inferences are described in Sections 1.4 and 1.5. The last four sections of Chapter 1 provide an introduction to business analytics and the role statistics plays in it, an introduction to big data and data mining, the role of the computer in statistical analysis, and a discussion of ethical guidelines for statistical practice.

## 1.1 Applications in Business and Economics

In today's global business and economic environment, anyone can access vast amounts of statistical information. The most successful managers and decision makers understand the information and know how to use it effectively. In this section, we provide examples that illustrate some of the uses of statistics in business and economics.

### Accounting

Public accounting firms use statistical sampling procedures when conducting audits for their clients. For instance, suppose an accounting firm wants to determine whether the amount of accounts receivable shown on a client's balance sheet fairly represents the actual amount of accounts receivable. Usually the large number of individual accounts receivable makes reviewing and validating every account too time-consuming and expensive. As common practice in such situations, the audit staff selects a subset of the accounts called a sample. After reviewing the accuracy of the sampled accounts, the auditors draw a conclusion as to whether the accounts receivable amount shown on the client's balance sheet is acceptable.

### Finance

Financial analysts use a variety of statistical information to guide their investment recommendations. In the case of stocks, analysts review financial data such as price/earnings ratios and dividend yields. By comparing the information for an individual stock with information about the stock market averages, an analyst can begin to draw a conclusion as to whether the stock is a good investment. For example, the average dividend yield for the S&P 500 companies for 2017 was 1.88%. Over the same period, the average dividend yield for Microsoft was 1.72% (Yahoo Finance). In this case, the statistical information on dividend yield indicates a lower dividend yield for Microsoft



than the average dividend yield for the S&P 500 companies. This and other information about Microsoft would help the analyst make an informed buy, sell, or hold recommendation for Microsoft stock.

## Marketing

Electronic scanners at retail checkout counters collect data for a variety of marketing research applications. For example, data suppliers such as The Nielsen Company and IRI purchase point-of-sale scanner data from grocery stores, process the data, and then sell statistical summaries of the data to manufacturers. Manufacturers spend hundreds of thousands of dollars per product category to obtain this type of scanner data. Manufacturers also purchase data and statistical summaries on promotional activities such as special pricing and the use of in-store displays. Brand managers can review the scanner statistics and the promotional activity statistics to gain a better understanding of the relationship between promotional activities and sales. Such analyses often prove helpful in establishing future marketing strategies for the various products.

## Production

Today's emphasis on quality makes quality control an important application of statistics in production. A variety of statistical quality control charts are used to monitor the output of a production process. In particular, an  $x$ -bar chart can be used to monitor the average output. Suppose, for example, that a machine fills containers with 12 ounces of a soft drink. Periodically, a production worker selects a sample of containers and computes the average number of ounces in the sample. This average, or  $x$ -bar value, is plotted on an  $x$ -bar chart. A plotted value above the chart's upper control limit indicates overfilling, and a plotted value below the chart's lower control limit indicates underfilling. The process is termed "in control" and allowed to continue as long as the plotted  $x$ -bar values fall between the chart's upper and lower control limits. Properly interpreted, an  $x$ -bar chart can help determine when adjustments are necessary to correct a production process.

## Economics

Economists frequently provide forecasts about the future of the economy or some aspect of it. They use a variety of statistical information in making such forecasts. For instance, in forecasting inflation rates, economists use statistical information on such indicators as the Producer Price Index, the unemployment rate, and manufacturing capacity utilization. Often these statistical indicators are entered into computerized forecasting models that predict inflation rates.

## Information Systems

Information systems administrators are responsible for the day-to-day operation of an organization's computer networks. A variety of statistical information helps administrators assess the performance of computer networks, including local area networks (LANs), wide area networks (WANs), network segments, intranets, and other data communication systems. Statistics such as the mean number of users on the system, the proportion of time any component of the system is down, and the proportion of bandwidth utilized at various times of the day are examples of statistical information that help the system administrator better understand and manage the computer network.

Applications of statistics such as those described in this section are an integral part of this text. Such examples provide an overview of the breadth of statistical applications. To supplement these examples, practitioners in the fields of business and economics provided chapter-opening Statistics in Practice articles that introduce the material covered in each chapter. The Statistics in Practice applications show the importance of statistics in a wide variety of business and economic situations.

## 1.2 Data

**Data** are the facts and figures collected, analyzed, and summarized for presentation and interpretation. All the data collected in a particular study are referred to as the **data set** for the study. Table 1.1 shows a data set containing information for 60 nations that participate in the World Trade Organization. The World Trade Organization encourages the free flow of international trade and provides a forum for resolving trade disputes.

### Elements, Variables, and Observations

**Elements** are the entities on which data are collected. Each nation listed in Table 1.1 is an element with the nation or element name shown in the first column. With 60 nations, the data set contains 60 elements.

A **variable** is a characteristic of interest for the elements. The data set in Table 1.1 includes the following five variables:

- **WTO Status:** The nation's membership status in the World Trade Organization; this can be either as a member or an observer.
- **Per Capita Gross Domestic Product (GDP) (\$):** The total market value (\$) of all goods and services produced by the nation divided by the number of people in the nation; this is commonly used to compare economic productivity of the nations.
- **Fitch Rating:** The nation's sovereign credit rating as appraised by the Fitch Group<sup>1</sup>; the credit ratings range from a high of AAA to a low of F and can be modified by + or –.
- **Fitch Outlook:** An indication of the direction the credit rating is likely to move over the upcoming two years; the outlook can be negative, stable, or positive.

Measurements collected on each variable for every element in a study provide the data. The set of measurements obtained for a particular element is called an **observation**. Referring to Table 1.1, we see that the first observation (Armenia) contains the following measurements: Member, 3615, BB-, and Stable. The second observation (Australia) contains the following measurements: Member, 49755, AAA, and Stable and so on. A data set with 60 elements contains 60 observations.

### Scales of Measurement

Data collection requires one of the following scales of measurement: nominal, ordinal, interval, or ratio. The scale of measurement determines the amount of information contained in the data and indicates the most appropriate data summarization and statistical analyses.

When the data for a variable consist of labels or names used to identify an attribute of the element, the scale of measurement is considered a **nominal scale**. For example, referring to the data in Table 1.1, the scale of measurement for the WTO Status variable is nominal because the data “member” and “observer” are labels used to identify the status category for the nation. In cases where the scale of measurement is nominal, a numerical code as well as a nonnumerical label may be used. For example, to facilitate data collection and to prepare the data for entry into a computer database, we might use a numerical code for the WTO Status variable by letting 1 denote a member nation in the World Trade Organization and 2 denote an observer nation. The scale of measurement is nominal even though the data appear as numerical values.

The scale of measurement for a variable is considered an **ordinal scale** if the data exhibit the properties of nominal data and in addition, the order or rank of the data is meaningful. For example, referring to the data in Table 1.1, the scale of measurement for

<sup>1</sup>The Fitch Group is one of three nationally recognized statistical rating organizations designated by the U.S. Securities and Exchange Commission. The other two are Standard & Poor's and Moody's.



**TABLE 1.1** Data Set for 60 Nations in the World Trade Organization

Nation	WTO Status	Per Capita GDP (\$)	Fitch Rating	Fitch Outlook
Armenia	Member	3,615	BB-	Stable
Australia	Member	49,755	AAA	Stable
Austria	Member	44,758	AAA	Stable
Azerbaijan	Observer	3,879	BBB-	Stable
Bahrain	Member	22,579	BBB	Stable
Belgium	Member	41,271	AA	Stable
Brazil	Member	8,650	BBB	Stable
Bulgaria	Member	7,469	BBB-	Stable
Canada	Member	42,349	AAA	Stable
Cape Verde	Member	2,998	B+	Stable
Chile	Member	13,793	A+	Stable
China	Member	8,123	A+	Stable
Colombia	Member	5,806	BBB-	Stable
Costa Rica	Member	11,825	BB+	Stable
Croatia	Member	12,149	BBB-	Negative
Cyprus	Member	23,541	B	Negative
Czech Republic	Member	18,484	A+	Stable
Denmark	Member	53,579	AAA	Stable
Ecuador	Member	6,019	B-	Positive
Egypt	Member	3,478	B	Negative
El Salvador	Member	4,224	BB	Negative
Estonia	Member	17,737	A+	Stable
France	Member	36,857	AAA	Negative
Georgia	Member	3,866	BB-	Stable
Germany	Member	42,161	AAA	Stable
Hungary	Member	12,820	BB+	Stable
Iceland	Member	60,530	BBB	Stable
Ireland	Member	64,175	BBB+	Stable
Israel	Member	37,181	A	Stable
Italy	Member	30,669	A-	Negative
Japan	Member	38,972	A+	Negative
Kazakhstan	Observer	7,715	BBB+	Stable
Kenya	Member	1,455	B+	Stable
Latvia	Member	14,071	BBB	Positive
Lebanon	Observer	8,257	B	Stable
Lithuania	Member	14,913	BBB	Stable
Malaysia	Member	9,508	A-	Stable
Mexico	Member	8,209	BBB	Stable
Peru	Member	6,049	BBB	Stable
Philippines	Member	2,951	BB+	Stable
Poland	Member	12,414	A-	Positive
Portugal	Member	19,872	BB+	Negative
South Korea	Member	27,539	AA-	Stable
Romania	Member	9,523	BBB-	Stable
Russia	Member	8,748	BBB	Stable
Rwanda	Member	703	B	Stable
Serbia	Observer	5,426	BB-	Negative
Singapore	Member	52,962	AAA	Stable
Slovakia	Member	16,530	A+	Stable



Slovenia	Member	21,650	A–	Negative
South Africa	Member	5,275	BBB	Stable
Spain	Member	26,617	A–	Stable
Sweden	Member	51,845	AAA	Stable
Switzerland	Member	79,888	AAA	Stable
Thailand	Member	5,911	BBB	Stable
Turkey	Member	10,863	BBB–	Stable
United Kingdom	Member	40,412	AAA	Negative
Uruguay	Member	15,221	BB+	Positive
United States	Member	57,638	AAA	Stable
Zambia	Member	1,270	B+	Negative

the Fitch Rating is ordinal because the rating labels, which range from AAA to F, can be rank ordered from best credit rating (AAA) to poorest credit rating (F). The rating letters provide the labels similar to nominal data, but in addition, the data can also be ranked or ordered based on the credit rating, which makes the measurement scale ordinal. Ordinal data can also be recorded by a numerical code, for example, your class rank in school.

The scale of measurement for a variable is an **interval scale** if the data have all the properties of ordinal data and the interval between values is expressed in terms of a fixed unit of measure. Interval data are always numerical. College admission SAT scores are an example of interval-scaled data. For example, three students with SAT math scores of 620, 550, and 470 can be ranked or ordered in terms of best performance to poorest performance in math. In addition, the differences between the scores are meaningful. For instance, student 1 scored  $620 - 550 = 70$  points more than student 2, while student 2 scored  $550 - 470 = 80$  points more than student 3.

The scale of measurement for a variable is a **ratio scale** if the data have all the properties of interval data and the ratio of two values is meaningful. Variables such as distance, height, weight, and time use the ratio scale of measurement. This scale requires that a zero value be included to indicate that nothing exists for the variable at the zero point. For example, consider the cost of an automobile. A zero value for the cost would indicate that the automobile has no cost and is free. In addition, if we compare the cost of \$30,000 for one automobile to the cost of \$15,000 for a second automobile, the ratio property shows that the first automobile is  $\$30,000/\$15,000 = 2$  times, or twice, the cost of the second automobile.

## Categorical and Quantitative Data

Data can be classified as either categorical or quantitative. Data that can be grouped by specific categories are referred to as **categorical data**. Categorical data use either the nominal or ordinal scale of measurement. Data that use numeric values to indicate how much or how many are referred to as **quantitative data**. Quantitative data are obtained using either the interval or ratio scale of measurement.

A **categorical variable** is a variable with categorical data, and a **quantitative variable** is a variable with quantitative data. The statistical analysis appropriate for a particular variable depends upon whether the variable is categorical or quantitative. If the variable is categorical, the statistical analysis is limited. We can summarize categorical data by counting the number of observations in each category or by computing the proportion of the observations in each category. However, even when the categorical data are identified by a numerical code, arithmetic operations such as addition, subtraction, multiplication, and division do not provide meaningful results. Section 2.1 discusses ways of summarizing categorical data.

Arithmetic operations provide meaningful results for quantitative variables. For example, quantitative data may be added and then divided by the number of observations to compute the average value. This average is usually meaningful and easily interpreted. In

*The statistical method appropriate for summarizing data depends upon whether the data are categorical or quantitative.*

general, more alternatives for statistical analysis are possible when data are quantitative. Section 2.2 and Chapter 3 provide ways of summarizing quantitative data.

## Cross-Sectional and Time Series Data

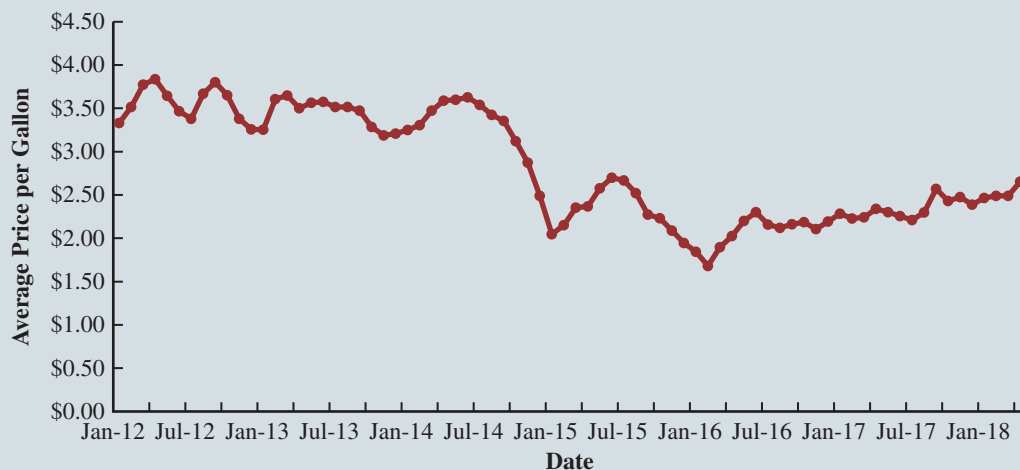
For purposes of statistical analysis, distinguishing between cross-sectional data and time series data is important. **Cross-sectional data** are data collected at the same or approximately the same point in time. The data in Table 1.1 are cross-sectional because they describe the five variables for the 60 World Trade Organization nations at the same point in time. **Time series data** are data collected over several time periods. For example, the time series in Figure 1.1 shows the U.S. average price per gallon of conventional regular gasoline between 2012 and 2018. From January 2012 until June 2014, prices fluctuated between \$3.19 and \$3.84 per gallon before a long stretch of decreasing prices from July 2014 to January 2016. The lowest average price per gallon occurred in January 2016 (\$1.68). Since then, the average price appears to be on a gradual increasing trend.

Graphs of time series data are frequently found in business and economic publications. Such graphs help analysts understand what happened in the past, identify any trends over time, and project future values for the time series. The graphs of time series data can take on a variety of forms, as shown in Figure 1.2. With a little study, these graphs are usually easy to understand and interpret. For example, Panel (A) in Figure 1.2 is a graph that shows the Dow Jones Industrial Average Index from 2008 to 2018. Poor economic conditions caused a serious drop in the index during 2008 with the low point occurring in February 2009 (7062). After that, the index has been on a remarkable nine-year increase, reaching its peak (26,149) in January 2018.

The graph in Panel (B) shows the net income of McDonald's Inc. from 2008 to 2017. The declining economic conditions in 2008 and 2009 were actually beneficial to McDonald's as the company's net income rose to all-time highs. The growth in McDonald's net income showed that the company was thriving during the economic downturn as people were cutting back on the more expensive sit-down restaurants and seeking less-expensive alternatives offered by McDonald's. McDonald's net income continued to new all-time highs in 2010 and 2011, decreased slightly in 2012, and peaked in 2013. After three years of relatively lower net income, their net income increased to \$5.19 billion in 2017.

Panel (C) shows the time series for the occupancy rate of hotels in South Florida over a one-year period. The highest occupancy rates, 95% and 98%, occur during the months

**FIGURE 1.1** U.S. Average Price per Gallon for Conventional Regular Gasoline

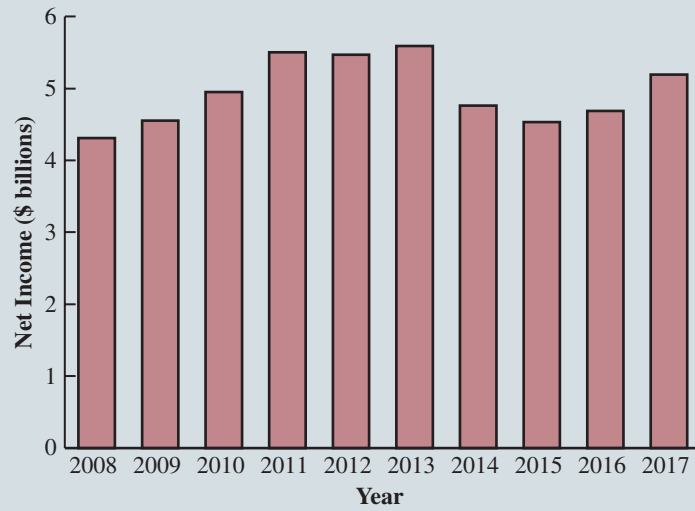


Source: Energy Information Administration, U.S. Department of Energy.

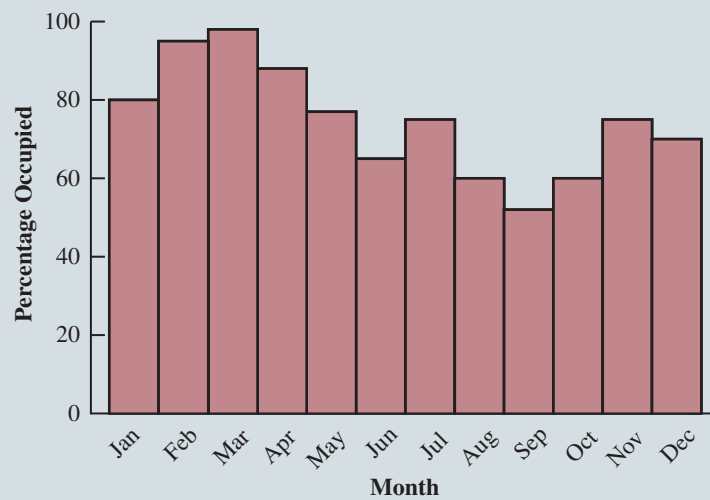
**FIGURE 1.2** A Variety of Graphs of Time Series Data



(A) Dow Jones Industrial Average Index



(B) Net Income for McDonald's Inc.



(C) Occupancy Rate of South Florida Hotels