Journal of Information Systems Engineering and Management
2025, 10(4)
e-ISSN: 2468-4376
https://www.jisem-journal.com/

Research Article

Uncovering Hidden Patterns: An Exploration of Market Basket Analysis in Retails

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ARTICLE INFO

Received: 05 Nov 2024

Revised: 20 Dec 2024

Accepted: 15 Jan 2025

ABSTRACT

MBA stands for market basket analysis, a mathematical modelling technique used to analyze customer purchasing patterns and identify trends in transactional data. Retailers can increase sales and customer satisfaction by employing an MBA to better understand their consumers' purchasing patterns and develop targeted marketing strategies. The method concentrates on descriptive analysis of customer purchases, items bought in tandem, and highly purchased units in order to facilitate reordering and guarantee appropriate product stock. By creating association rules, correlations are determined and frequent item sets are discovered through data analysis.

Keywords: Market basket analysis, affinity analysis, recommender systems, association rules, machine learning methods, threshold criteria, frequent patterns, and the apriori algorithm.

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Introduction

The Apriori algorithm is an essential tool for finding correlations and association rules. minimal support and minimal confidence levels are important elements in the algorithm's model, which is intended to explore ways to apply association rules in recommender systems.

Machine learning techniques, including MBA, are increasingly being used in a range of industries, including banking, insurance, healthcare, and retail, to reduce costs, improve research, and increase sales. The premise that certain purchases increase the likelihood of additional purchases forms the basis of MBA. By using MBAs to evaluate point-of-sale transaction data, retailers may increase sales, better understand consumer purchasing trends, and manage inventory.

Retailers can use the approach, often called affinity analysis, to target particular product groupings, divisions, names, groups, and even time of day. It also helps them identify product purchasing trends and assess client market baskets. Product combinations that should be sold together are specified in the MBA's association rules output, and the strength of the associations is gauged by confidence and support. Retailers may create efficient marketing plans and raise consumer happiness by assessing the strength of association norms.

The method, which is frequently referred to as affinity analysis, gives merchants the ability to target specific product arrangements, names, groups, divisions, as well as periods in the day.

They can also use it to evaluate customer market baskets and spot trends in goods purchases. The MBA's association rules output specifies which product combinations should be offered together, and confidence and support are used to measure how strong the relationships are.

By evaluating the strength of association norms, retailers may develop effective marketing strategies and increase customer satisfaction.

Machine learning techniques, including MBA, are increasingly being used in a number of industries, such as banking, insurance, healthcare, and retail, to increase revenue, improve research, and cut expenses. The fundamental tenet of MBA is that making some purchases increases your likelihood of making other purchases. By analysing point-of-sale transaction data, MBA helps retailers better understand customer buying trends, increase sales, and manage inventory. The one that

The information business has recently paid a lot of attention to machine learning, mostly because of the abundance of data and the urgent need to turn it into knowledge and information. The skills acquired can be used in a wide range of fields, including market analysis, production control, company management, technical design, and scientific exploration.

The functionality of machine learning techniques specifies the kinds of patterns that can be found in tasks involving these approaches. Because they don't know what patterns in their data would be interesting, users might want to search for many patterns at the same time. As the name implies, patterns are occurrences that occur regularly in data. Among the various kinds of frequent patterns are substructures, item sets, and subsequence. A frequent itemset is a collection of goods, like bread and milk, that are commonly found together in a transactional data collection.

It is a sequential pattern in which a subsequence happens on a regular basis, such when a consumer decides to purchase a PC first, then a memory card. A substructure can be created by joining structural forms like graphs, trees, and lattices with item sets or subsequences. By mining such similar patterns, one can discover interesting correlations and linkages within data. For large transactional or relational data sets, itemset mining is often used to identify correlations and relationships between items. In association rule mining, market basket analysis is a common example. Through correlation analysis of the numerous items that consumers place in their "shopping basket," this process looks at their buying habits.

Merchants can utilise the products that customers most frequently purchase together to guide their marketing approach.

For example, how likely is it that shoppers will buy bread and specify their favourite bread type if they purchase milk? This information can help merchants design their shelf space and use targeted

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marketing, which can increase sales. We will use the association's two metrics—confidence and support—to help us answer all of these questions.

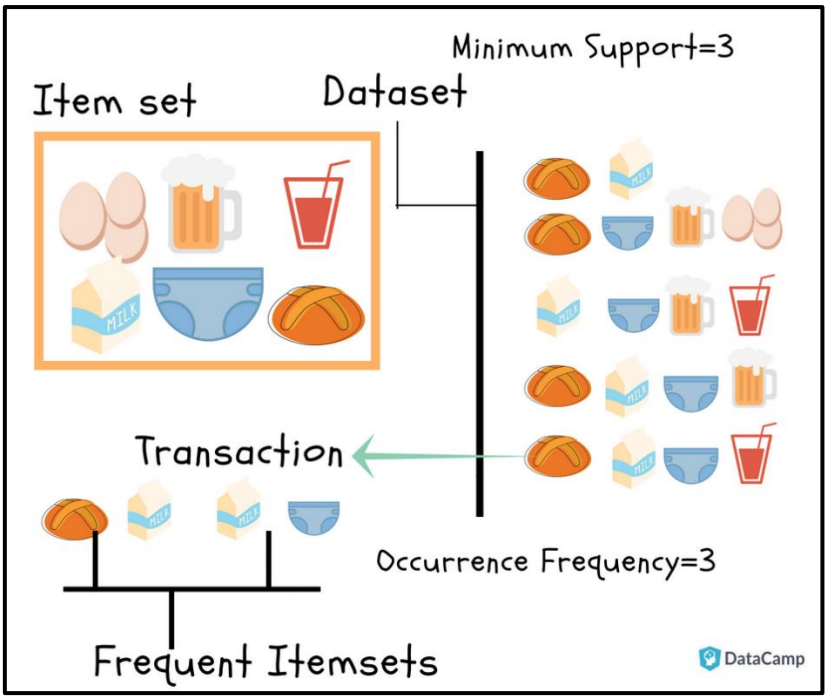

Figure 1: Market Basket Analysis

Methodology:

MBA uses a technology called as association rule mining.
Association rule mining is used to find recurrent patterns in a relational database, transaction database, or other information repository, or to establish a connection between several entries in a collection. Association rule mining has applications in marketing, clustering, classification, and basket data analysis (sometimes called market basket analysis) in the retail industry. It can inform you what things customers frequently buy together by creating a set of guidelines called Association Rules.
In other words, the output is rules in the form of "if this then that". These recommendations apply to a range of client marketing strategies:

- modifying the store's layout to conform to contemporary styles
- Analysing customer behaviour, catalogue design, cross-marketing, and online merchants
- What are the most popular products among consumers?
- Personalised emails that contain promotional activities.

Market Basket Analysis (MBA) can be very helpful to retailers because it allows them to improve their sales strategies and gain a deeper understanding of consumer purchasing behaviours. The following crucial areas in retail are where an MBA can be useful:
1. Product Positioning and Store Design: Identify the items that are typically bought together and place them in close proximity to other.
• Maximise shelf locations to encourage impulsive buying.

- Develop shop layouts that optimise cross-selling opportunities.

2. Customised Marketing & Promotions
• Create promotions and discounts that are especially tailored to your clients' purchasing patterns.
• To boost sales, group related products together.

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• Make customised recommendations to customers based on their past purchases.
3. Inventory Control
• Improve your understanding of how products interact to predict demand.
• Verify that products that are frequently combined are in stock.
• To reduce waste, identify slow-moving items and mix them with well-liked products.
3. Managing Inventory:
Demand forecasting can be enhanced by understanding product relationships.
• Verify that frequently paired products are stocked.
• One way to reduce waste is to identify slow-moving items and combine them with popular products.
4. Pricing Strategies: Determine which goods have the most impact on the sales of other products to optimise pricing.
• Offer products with dynamic discounts to encourage customers to make larger purchases.
Leverage your MBA expertise to develop competitive pricing strategies.
5. Enhancing the Client Experience
• By suggesting relevant products, you could improve customer satisfaction.
• To enhance loyalty programs, offer rewards to consumers who buy similar products.
6. Digital selling and online purchasing
Put the "Frequently Bought Together" and "Customers Who Bought This Also Bought" recommendations into action.
Adapt search criteria and results to common purchasing patterns.
Build AI-driven chatbots that recommend products based on basket analysis.
7. Preventing Losses and Identifying Fraud
Any strange purchasing patterns that could indicate fraud should be noted.
Pay attention to transactions involving odd product combinations.
To detect and prevent return fraud, examine patterns in purchases and returns.
8. An advantage over competitors
• Be more knowledgeable about market developments and customer preferences than your competitors.
To differentiate yourself, offer unique bundles or tailored promos.
Make creative new product offerings by applying your MBA expertise.
To apply MBA, there are two measures of Association Mining Rules, support and confidence. They are explained as below:
Two measures of the Association Mining Rule:
Support:
Support for an item or group of products is the percentage of transactions in our data set comprising the amount of that particular item product relative to the overall number of transactions. The number of times an itemset has appeared in the total transactions is indicated by support. For instance, let's say that 100 people visited a retail store to make purchases. Out of 100 clients, it was observed that fifty customers bought Product P, forty bought Product Q, and twenty-five bought both Products P and Q. 50% of people support Product P, 40% support Product Q and 25% support both Products P and Q. Consequently, support = 0. 005. With a low value of support,
Value of Support assists in taking into account the guidelines that are valuable for more research on how a product correlates with other products that are already in the shop. For example, support = 0. 005 is used to identify item sets that appear at least 50 times in 10,000 transactions. We won't have enough knowledge about the products' relationships with one another if the support value is low, which makes it harder to uncover "hidden" relationships.

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$$Support\ A = \frac{(Number\ of\ Transaction\ that\ Contains\ A)}{(\ Total\ Transaction)}$$

Confidence

A confidence level shows the likelihood that a customer who buys product P will also buy product Q. A rule of association, then, is a statement that goes like this: (item set P) ⇒ (item set Q) where. P is the precedent, and Q is the outcome. Given pre-existing antecedents, confidence shows the probability that a consequence will occur on the cart. What the customer has in the frequently occurring Antecedent for Consequent is irrelevant. It is usually quite valuable to have the faith of an Association rule, which is something that happens often. For example, of the fifty customers who bought Product P, twenty-five have also bought Product Q. By calculating the likelihood that someone will purchase product Q if they purchase product P, it guarantees

$$Confidence = \frac{(Number\ of\ Transaction\ that\ Contains\ \mathrm{P}\ and\ \mathrm{Q})}{(Total\ Transaction\ that\ Contains\ \mathrm{P})}$$

Formula 2: To calculate confidence between two related items.

Research Methodology

Scope

Retailers are using technology more and more to get a competitive advantage.
The newest trend in retail merchandising and advertising is affinity analysis, often known as market basket analysis. Top retailers can quickly and easily analyse the contents, size, and value of their customers' market baskets using market basket analysis to spot trends like how products are purchased together. Retailers can delve into client purchasing behaviours over time, including product combinations, departmental, brand, category, and even time of day, by using advanced market basket analysis implementations that take advantage of the fast data to stimulate thought processes.

1. It verifies certain things that are typically purchased.
2. Grouping products into distinct categories is beneficial.
3. It provides details about goods that are either constantly or infrequently bought together.
4. It provides information on the number of goods in a normal transaction.

You can apply the knowledge of association rules to a variety of business concepts once you have them. Some of the business concepts are as follows:
a) Offering the related item to customers who purchase any other things from your store is known as cross-selling.
b) Product Placement: Related items (such bread and butter, laptops and antivirus software) might be positioned close to one another. The likelihood that buyers will buy them together is increased if they see them. may result from C preference
c) Affinity Promotion: Create promotional activities around related goods.
d) Consumer behaviour: Linking purchases to socioeconomic and demographic

B. METHODOLOGY:

These are the steps involved in market-based analysis:
1. Create every relationship rule conceivable.
2. Determine each potential association rule's confidence and support.

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3. Utilise the three should criteria. Think of the confidence and support.
The items that the client is presently viewing will be referred to as A (independent variable), and other objects linked to those products will be called as B (dependent variable). The following list of 12 potential association rules applies if you have three items with the names P, Q, and R: There will be twelve association rules.
Here is the table with items P, Q, R, and 12 association rules:

Association no	**A**	**B**
1	[P]	[Q]
2	[P]	[R]
3	[P]	[Q, R]
4	[Q]	[P]
5	[Q]	[R]
6	[Q]	[P, R]
7	[R]	[P]
8	[R]	[Q]
9	[R]	[P, Q]
10	[P, Q]	[R]
11	[P, R]	[Q]
12	[Q, R]	[P]

To illustrate above rules, let's consider the table with 7 transactions in which four products are purchased by different customers: The transactions include the products: **Bread, Butter, Jam, and Sauce**:

Transaction ID	**Items in basket of customers**
1	Bread, Butter, Jam, Sauce
2	Bread, Jam
3	Butter, Jam
4	Butter, Jam, Sauce
5	Butter, Jam
6	Bread, Butter
7	Bread, Sauce, Jam

Table 2: Transactions with different items

For above 7 transactions in table 2, we will create a binarized item table as below:

TID	**Items in basket of customers**	**TID**	**P**	**Q**	**R**	**S**
1	Bread, Butter, Jam, Sauce	1	1	1	1	1
2	Bread, Sauce	2	1	0	0	1
3	Butter, Jam	3	0	1	1	0
4	Butter, Jam, Sauce	4	0	1	1	1
5	Butter, Sauce	5	0	1	0	1

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TID	Items in basket of customers	TID	P	Q	R	S
6	Bread, Butter	6	1	1	0	0
7	Bread, Jam, Sauce	7	1	0	1	1
	Sum		**4**	**5**	**3**	**6**

Table 3: Binarized item Table (created from Table 2)

Researcher has calculated the support and confidence from table 3. It is listed in below Table 4. Researcher considered the threshold values as support = 40% & confidence = 75%.

Transaction ID	A	B	N(A ∪ B)	N	% Support	N(A)	Confidence	Accept as Rule?
1	P	Q	2	7	29%	4	50%	NO
2	P	R	2	7	29%	4	50%	NO
3	P	S	3	7	43%	4	75%	YES
4	Q	S	4	7	57%	5	80%	YES
5	R	P, S	2	7	29%	3	67%	NO

Table 4: Support & Confidence for table 2

From above table the meaningful insight given is 'two rules out of 5 can be acceptable by the retailors. Transaction no 3,4 includes the items whose support & confidence are greater than minimum threshold support & confidence. It means that the items bread, butter & sauce are related with each other. The transactions include these products on greater percentage so it suggests retailers that they should make a strategy to sale them collectively. This will enhance the sales of the products Customer also saves travel time & efforts.

Findings:

1. The customer has particular purchasing habits.
2. There is a correlation between the products that the customer purchases.
3. The process by which a customer buys a product is mostly determined by their needs, the product's acceptability, and its availability. To ensure easy access, products should be organised in the rack in a suitable and appealing manner. The customer's likelihood of buying the product is calculated and verified.
4. The products that are included in the association rule have a very high chance of being purchased by the customer.

Conclusion:

The investigation shows that the machine learning method can be utilised to optimise the patterns related to dynamic behaviours of the transactions that customers made when they bought certain products. A popular and increasingly popular method from association rule in machine learning, the Market Basket Analysis method (apriori), has been employed by researchers. This algorithm has been used to analyse the consumers' support and confidence in purchasing related things in order to analyse their frequent transactions.

When buyers use this practice, it is seen that there is a definite correlation between the products at the moment of purchase. Additionally, it has been noted that this approach works well for controlling the positioning of products on store shelves. The seller may make more money with this strategy. Therefore,

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by employing algorithms, machine learning can be utilised to enhance the strategy for product placement on the shelf.

Suggestions:

Businesses in the retail industry can use the information produced by algorithm techniques to inform their decision-making.

The following recommendations are made in light of the Apriori algorithm's results:

1. It is recommended that the organisation maintain a record of every transaction the consumer makes.
2. For the stored databases, the company should employ machine learning, which aids in the creation of different association rules pertaining to the products.
3. It aids in the date of past information on related products that customers are inclined to purchase from the store.

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