

# DISCRIMINANT ANALYSIS IN MARKETING RESEARCH

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## *Abstract:*

*This paper classifies among marketing researches aiming to study the influence that the following independent variables (explanatory) have: "Estimating the expenses incurred in Centre Development Region, including country of residence" and the variable "How many days have you planned to stay in this region?" on the construction of separate groups which form the dependent variables - the type of tourist (foreign, Romanian). Thus I shall analyse the explication of the different characteristics of the groups in terms of different attributes that members of these groups have with respect to the independent variables (explanatory). Questionnaires have been distributed to hotels in Braşov, Predeal, Poiana-Braşov, Sfântu Gheorghe, Covasna, Miercurea-Ciuc, Gheorgheni, Tuşnad, Târgu-Mureş, Sighişoara, Sibiu, Alba – Iulia and other localities that have linked this route. More than 2,000 questionnaires have been distributed. The quantitative research was conducted between 15.05.2009-17.10.2009.*

*Keywords: marketing research, dependent variable, independent variable, discriminant coefficient.*

## **Discriminant analysis**

The subject of the discriminant analysis is the study of the relationships between a dependent variable, measured nominally, which implies the existence of two or more disjoint groups, and a set of independent variables, explanatory, measured intervallic or proportionate. (Lefter, 2004, p. 382)

Between the independent variables and the dependent ones there is a cause-effect relationship, which is why based on the models built, we can make predictions on the evolution of dependent variables according to certain values that the independent variables can have. (Constantin, 2006, p.237).

In order to base some marketing strategies, the relative importance of the expenditures made by tourists have been known as well as the expected length of staying to identify potential Romanian and foreign tourists. I also wanted to find out which of the two variables has a greater influence.

Next I shall make a discriminant analysis based on the data registered from the sample consisting of 410 tourists with respect to: whether they are Romanian or foreign tourists, estimation of the expenses incurred in the Centre Development Region, the number of days planned for this region.

Using the SPSS programs kit in the case of discriminant analysis I have come to the following results:

**Table 1****The means of the independent variables at the level of groups****Group Statistics**

T_turist		Mean	Std. Deviation	Valid N (listwise)	
				Unweighted	Weighted
RO	Estimation of the expenses incurred in the Center Development Region (including the residence country - EUR-)	349.75	302.622	242	242.000
	How many days did you plan to stay in this region?	7.32	5.183	242	242.000
ST	Estimation of the expenses incurred in the Center Development Region (including the residence country - EUR-)	1061.45	1054.859	168	168.000
	How many days did you plan to stay in this region?	5.69	3.753	168	168.000
Total	Estimation of the expenses incurred in the Center Development Region (including the residence country - EUR-)	641.38	794.423	410	410.000
	How many days did you plan to stay in this region?	6.65	4.714	410	410.000

In the above table (table no. 1) it is noted that the average value of the estimated expenses is EUR 349.75 for Romanian tourists, while for foreign

tourists it is EUR 1061.45 EUR. But the average of the planned days is higher for Romanian tourists (7.32) than for foreign tourists which is 5.69 days.

**Table 2****Tests of Equality of Group Means**

	Wilks' Lambda	F	df1	df2	Sig.
Estimation of the expenses incurred in the Center Development Region (including the residence country - EUR-)	.805	98.571	1	408	.000
How many days did you plan to stay in this region?	.971	12.208	1	408	.001

The levels of minimum significance for which the alternative hypothesis can be accepted corresponding to the two variables "Sig." which are smaller than

0.05 so we can guarantee with a 95% probability that the means of the two groups are different with the total population. Therefore both variables

have a significant discriminating power. "Estimation of the expenses incurred in the Centre Development Region" has a higher discriminating power as the

coefficient  $\lambda$  Wilks' Lambda is lower and the F value is greater than for the variable "How many days did you plan to stay in this region?"(table no. 2)

**Table 3**

**Correlation between independent variables**

**Pooled Within-Groups Matrices**

	Estimation of the expenses incurred in the Center Development Region (including the residence country - EUR-)	
Correlation	Estimation of the expenses incurred in the Center Development Region (including the residence country - EUR-) How many days did you plan to stay in this region?	How many days did you plan to stay in this region? 1.000
		.104
		.104
		1.000

In the table "Pooled Within - Groups Matrices" (table no. 3) the correlation coefficient between the independent variables is calculated. The low value of the correlation coefficient

indicates a weak association between them, thus being respected the condition that the independent variables are not collinear.

**Table 4**

**The own value of the discriminant function**

**Eigenvalues**

Function	Eigenvalue	% of Variance	Cumulative %	Canonical Correlation
1	.292 <sup>a</sup>	100.0	100.0	.476

a. First 1 canonical discriminant functions were used in the analysis.

Since the dependent variable has only two categories a single discriminant function is obtained. In

"Eigenvalue" table (table no. 4) the own value of the discriminant function is shown (0.292).

**Table 5**

**Testing of the significance of the discriminant function**

**Wilks' Lambda**

Test of Function(s)	Wilks' Lambda	Chi-square	df	Sig.
1	.774	104.417	2	.000

The value  $\chi^2_{calc} = 104.417$   $\chi_{0,05;2} >$   $= 5.99$  so the alternative hypothesis is accepted according to which the function obtained has a significant discriminatory power is accepted. This can also be observed from the level of the minimum significance for which the alternative hypothesis can be accepted:  $0.000 < 0.05$  (table no. 5).

The value of  $\lambda$  calculated for the discrimination axis is 0.774 (table no. 5) with a significance level of 0.000, lower than 0.05, a situation which shows, as a whole, an acceptable discrimination.

The non-standard coefficients of the discriminant function are the following:

**Table 6**

**Coefficients of discriminant function**

**Canonical Discriminant Function Coefficients**

	Function
	1
Estimation of the expenses incurred in the Center Development Region (including the residence country - EUR-)	.001
How many days did you plan to stay in this region?	-.090
(Constant)	-.256

Unstandardized coefficients

Based on the above coefficients (table no. 6) I established the discrimination function:

$$y = -0,256 + 0,001 \cdot x_1 - 0,090 \cdot x_2$$

where:

y = discriminant function (Function 1)

$x_1$  = independent variable 1 ("Estimation of the expenses incurred in the Centre Development Region")

$x_2$  = 2 independent variable ("How many days did you plan to stay in this region?")

These coefficients can be converted to standardized values, corresponding to the values of the normal distribution law. (table no. 7).

**Table 7**  
**The standardized discriminant function coefficients**

**Standardized Canonical Discriminant Function Coefficients**

	Function
	1
Estimation of the expenses incurred in the Center Development Region (including the residence country - EUR-)	.953
How many days did you plan to stay in this region?	-.419

These results also show that the estimation of the expenses incurred in Centre Development Region has a greater discrimination power than the

other independent variable, because of the strongest association with the discriminant function (table no. 8).

**Table 8**

**Correlations between independent variables and the discriminant function**

**Structure Matrix**

	Function
	1
Estimation of the expenses incurred in the Center Development Region (including the residence country - EUR-)	.909
How many days did you plan to stay in this region?	-.320

Pooled within-groups correlations between discriminating variables and standardized canonical discriminant functions  
 Variables ordered by absolute size of correlation within function.

The system also provides the average scores of the groups based on their squared distances to their centroids.

**Table 9**  
**Average scores for the two groups**

**Functions at Group Centroids**

	Function
T_turist	1
RO	-.449
ST	.647

Unstandardized canonical discriminant functions evaluated at group means

From table no. 9, -0.449 is the average of the discrimination scores of people in the first group and 0.647 is the average of the discrimination scores of people in the second group.

On the basis of these scores the cutting score is calculated which represents the mean of two scores in the table above weighted by the size of the groups.

Thus, the cutting score is determined by the relationship:

$$CS = \frac{-0.449 \cdot 242}{0.647 \cdot 168} = 1$$

Based on the discrimination scores the groups should to which each respondent should belong to are established. Finally, a centralization of the percentage of the predicted group results.

**Table 10**  
**The summary of respondents classification according to the predicted groups**

Classification Results <sup>b,c</sup>

	T_turist	Predicted Group Membership		Total	
		RO	ST		
Original	Count	RO	228	14	242
		ST	96	72	168
	%	RO	94.2	5.8	100.0
		ST	57.1	42.9	100.0
Cross-validated <sup>a</sup>	Count	RO	228	14	242
		ST	96	72	168
	%	RO	94.2	5.8	100.0
		ST	57.1	42.9	100.0

- a. Cross validation is done only for those cases in the analysis. In cross validation, each case is classified by the functions derived from all cases other than that case.
- b. 73.2% of original grouped cases correctly classified.
- c. 73.2% of cross-validated grouped cases correctly classified.

In the table "Classification Results" (table no. 10) it can be observed that in the case of Romanian tourists respondents, following the classification, 14 of these respondents should have been part of the group of foreign tourists. Therefore, out of the 242

Romanian tourists of the analysed group "Original" 228 individuals (94.2%) are classified correctly with the predicted group, while 14 of the respondents (5.8%) should have been part of the group of foreign tourists if we were to take into account the

discriminating score. With the other group, 96 cases (57.1%) do not correspond to the discriminating classification based on the discriminating score. These tourists/respondents, according to the classification, should have been part of the group of Romanian tourists.

### **Conclusions**

Following this analysis I can say that: the mean of the planned staying days of Romanian tourists is higher as compared to the mean of the planned staying days of foreign tourists in Centre Development Region; both the variable "Estimation of the expenses incurred in the Centre Development Region" and the variable " Number of predicted

staying days in the Centre Development Region" have a significant discrimination power but the variable "Estimation of the expenses incurred in the Centre Development Region" has a greater discrimination power than the other independent variable. Finally a percentage of 73.2% of cases correctly classified results. The results obtained from a cross validation of the model show the same structure of the classification.

I believe that the achievement of a multiple discriminant analysis would "provide" valuable information for companies that operate on tourist market in the Centre Development Region.

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