

4th Edition

Business Statistics

Norean R. Sharpe

St. John's University

Richard D. De Veaux

Williams College

Paul F. Velleman

Cornell University

With Contributions by David Bock and Special Contributor Eric M. Eisenstein





Director, Portfolio Management: Deirdre Lynch Senior Portfolio Management Analyst: Patrick Barbera

Editorial Assistant: Morgan Danna
Managing Producer: Scott Disanno
Content Producer: Peggy McMahon
Senior Publishing Services Analyst: Joe Vetere
Manager, Quality Control: Mary Durnwald
Manager, Content Development: Robert Carroll
Senior Producer: Aimee Thorne

Product Marketing Analyst: Kaylee Carlson
Marketing Support Assistant: Shannon McCormack
Manager, Rights/Permissions Gina Cheselka
Project Management, Rights & Permissions Editing: SPi Global
Text and Cover Design, Illustrations, Composition: Cenveo® Publisher Services
Cover Images: (Mobile Phone and Tablet Computer Screens) © Can Yesil/
Shutterstock; (Business people meeting in modern office) © JohnnyGreig/E+/Getty Images

Credits and acknowledgments borrowed from other sources and reproduced, with permission, in this textbook appear on the appropriate page within text or in Appendix C, which is hereby made part of this copyright page.

MICROSOFT AND/OR ITS RESPECTIVE SUPPLIERS MAKE NO REPRESENTATIONS ABOUT THE SUITABILITY OF THE INFORMATION CONTAINED IN THE DOCUMENTS AND RELATED GRAPHICS PUBLISHED AS PART OF THE SERVICES FOR ANY PURPOSE. ALL SUCH DOCUMENTS AND RELATED GRAPHICS ARE PROVIDED "AS IS" WITHOUT WARRANTY OF ANY KIND. MICROSOFT AND/OR ITS RESPECTIVE SUPPLIERS HEREBY DISCLAIM ALL WARRANTIES AND CONDITIONS WITH REGARD TO THIS INFORMATION, INCLUDING ALL WARRANTIES AND CONDITIONS OF MERCHANTABILITY, WHETHER EXPRESS, IMPLIED OR STATUTORY, FITNESS FOR A PARTICULAR PURPOSE, TITLE AND NON-INFRINGEMENT. IN NO EVENT SHALL MICROSOFT AND/OR ITS RESPECTIVE SUPPLIERS BE LIABLE FOR ANY SPECIAL, INDIRECT OR CONSEQUENTIAL DAMAGES OR ANY DAMAGES WHATSOEVER RESULTING FROM LOSS OF USE, DATA OR PROFITS, WHETHER IN AN ACTION OF CONTRACT, NEGLIGENCE OR OTHER TORTIOUS ACTION, ARISING OUT OF OR IN CONNECTION WITH THE USE OR PERFORMANCE OF INFORMATION AVAILABLE FROM THE SERVICES. THE DOCUMENTS AND RELATED GRAPHICS CONTAINED HEREIN COULD INCLUDE TECHNICAL INACCURACIES OR TYPOGRAPHICAL ERRORS. CHANGES ARE PERIODICALLY ADDED TO THE INFORMATION HEREIN. MICROSOFT AND/OR ITS RESPECTIVE SUPPLIERS MAY MAKE IMPROVEMENTS AND/OR CHANGES IN THE PRODUCT(S) AND/OR THE PROGRAM(S) DESCRIBED HEREIN AT ANY TIME. PARTIAL SCREEN SHOTS MAY BE VIEWED IN FULL WITHIN THE SOFTWARE VERSION SPECIFIED.

MICROSOFT®, WINDOWS®, and MICROSOFT OFFICE® ARE REGISTERED TRADEMARKS OF THE MICROSOFT CORPORATION IN THE U.S.A. AND OTHER COUNTRIES. THIS BOOK IS NOT SPONSORED OR ENDORSED BY OR AFFILIATED WITH THE MICROSOFT CORPORATION.

Copyright © 2019, 2015, 2012 by Pearson Education, Inc. All Rights Reserved. Printed in the United States of America. This publication is protected by copyright, and permission should be obtained from the publisher prior to any prohibited reproduction, storage in a retrieval system, or transmission in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise. For information regarding permissions, request forms and the appropriate contacts within the Pearson Education Global Rights & Permissions department, please visit https://www.pearson.com/us/contact-us/permissions.html

PEARSON, ALWAYS LEARNING, and MyLab are exclusive trademarks owned by Pearson Education, Inc. or its affiliates in the U.S. and/or other countries.

Unless otherwise indicated herein, any third-party trademarks that may appear in this work are the property of their respective owners and any references to third-party trademarks, logos or other trade dress are for demonstrative or descriptive purposes only. Such references are not intended to imply any sponsorship, endorsement, authorization, or promotion of Pearson's products by the owners of such marks, or any relationship between the owner and Pearson Education, Inc. or its affiliates, authors, licensees or distributors.

Library of Congress Cataloging-in-Publication Data

Names: Sharpe, Norean Radke, author. | De Veaux, Richard D., author. | Velleman, Paul F., 1949- author. Title: Business statistics / Norean R. Sharpe, Georgetown University, Richard D. De Veaux, Williams College, Paul F. Velleman, Cornell University; with Contributions by David Bock and Eric Eisenstein.

Description: 4th Edition. | Boston, MA: Pearson, [2018] | Revised edition of the authors' Business statistics, [2015] | Includes index.

Identifiers: LCCN 2018019089 | ISBN 9780134705217 (student edition) | ISBN 0134705211

Subjects: LCSH: Commercial statistics.

Classification: LCC HF1017 .S467 2018 | DDC 650.01/5195—dc23 LC record available at https://lccn.loc.gov/2018019089



ISBN-10: 0-134-70521-1 ISBN-13: 978-0-134-70521-7



To my loving family for their patience and support —Norean

To my father, whose daily stories informed me how the world of business really worked, and to my family, for giving me the love and support that made this book possible

—Dick

To my father, who taught me about ethical business practice by his constant example as a small businessman and parent

—Paul









A01_SHAR5217_04_SE_FM.indd 4 13/07/18 10:33 AM



Meet the Authors



Norean R. Sharpe, Ph.D., is Dean and the Joseph H. and Maria C. Schwartz Distinguished Chair at The Peter J. Tobin College of Business at St. John's University. As the chief academic officer of the Tobin College of Business, she is responsible for the curriculum for 2500 undergraduate business majors and 600 graduate students in one of seven M.S./M.B.A. programs, all supported by more than 150 faculty and staff on the Manhattan, Queens, Staten Island, and Rome, Italy, campuses. Within the Tobin College is the Center for Enterprise Risk Management, the Applied Finance Institute, and the Global Business Stewardship Center, as well as the acclaimed School of Risk Management, Insurance, and Actuarial Science.

Dr. Sharpe is an accomplished scholar, with 30 years of teaching experience at Yale University, Bowdoin College, Babson College, and Georgetown University—and with more than 30 scholarly publications in analytics and statistics education. Her research interests include time series analysis, forecasting, analytics, and women's roles in entrepreneurship in the Middle East. Dr. Sharpe earned her B.A. from Mt. Holyoke College, her M.S. from the University of North Carolina, and her Ph.D. in Systems Engineering from the University of Virginia.



Richard D. De Veaux (Ph.D. Stanford University) is an internationally known educator, consultant, and lecturer. Dick has taught statistics at a business school (Wharton), an engineering school (Princeton), and a liberal arts college (Williams). While at Princeton, he won a Lifetime Award for Dedication and Excellence in Teaching. Since 1994, he has taught at Williams College, although he returned to Princeton for the academic year 2006-2007 as the William R. Kenan Jr. Visiting Professor of Distinguished Teaching. He is currently the C. Carlisle and Margaret Tippit Professor of Statistics at Williams College. Dick holds degrees from Princeton University in Civil Engineering and Mathematics and from Stanford University where he studied statistics with Persi Diaconis and dance with Inga Weiss. His research focuses on the analysis of large datasets and data mining in science and industry. Dick has won both the Wilcoxon and Shewell awards from the American Society for Quality. He is an elected member of the International Statistics Institute (ISI) and a Fellow of the American Statistical Association (ASA). Dick was elected Vice President of the ASA in 2018 and will serve from 2019 to 2021. Dick is also well known in industry, having consulted for such Fortune 500 companies as American Express, Hewlett-Packard, Alcoa, DuPont, Pillsbury, General Electric, and Chemical Bank. He was named the "Statistician of the Year" for 2008 by the Boston Chapter of the American Statistical Association. In his spare time he is an avid cyclist and swimmer, and is a frequent singer and soloist with various local choirs, including the Choeur Vittoria of Paris, France. Dick is the father of four children.



Paul F. Velleman (Ph.D. Princeton University) has an international reputation for innovative statistics education. He designed the Data Desk® software package and is also the author and designer of the award-winning ActivStats® multimedia software, for which he received the EDUCOM Medal for innovative uses of computers in teaching statistics and the ICTCM Award for Innovation in Using Technology in College Mathematics. He is the founder and CEO of Data Description, Inc. (www.datadesk.com), which supports both of these programs. Data Description also developed and maintains the Internet site Data and Story Library (DASL; dasl.datadescription.com), which provides all of the datasets used in this text as well as many others useful for teaching statistics, and the statistics conceptual tools at astools.datadesk.com. Paul coauthored (with David Hoaglin) the book ABCs of Exploratory Data Analysis. Paul is Emeritus Professor of Statistical Sciences, at Cornell University where he was awarded the MacIntyre Prize for Exemplary Teaching. Paul earned his M.S. and Ph.D. from Princeton University, where he studied with John Tukey. His research often focuses on statistical graphics and data analysis methods. Paul is a Fellow of the American Statistical Association and of the American Association for the Advancement of Science. He was a member of the working group that developed the GAISE 2016 guidelines for teaching statistics. Paul's experience as a professor, entrepreneur, and business leader brings a unique perspective to the book.

Richard De Veaux and Paul Velleman have authored successful books in the introductory college and AP High School market with David Bock, including *Intro Stats*, Fifth Edition (Pearson, 2018); *Stats: Modeling the World*, Fifth Edition (Pearson, 2019); and *Stats: Data and Models*, Fourth Edition (Pearson, 2016).





Special Contributor

Eric M. Eisenstein (Ph.D. Wharton School of Business) is an internationally known educator, researcher, and consultant. Eric has taught at multiple business schools, including Wharton, Cornell's Johnson School, ESADE, and Temple University's Fox School of Business. At Fox, he serves as the Director of the MS in Business Analytics in the department of Statistical Science, Director of Graduate Programs in the department of Marketing and Supply Chain Management, and Chair of the Undergraduate Program (curriculum) Committee. Eric teaches data analytics, quantitative strategy, and marketing. His research focuses on the psychology of expertise, how to improve decision making, and strategic analytics. Prior to becoming an academic, Eric worked at Mercer Management Consulting (now Oliver Wyman) where he focused on management of technology and marketing research in the financial services and telecommunications industries. His teams won the outstanding team award three times consecutively; clients invested over \$30 million based on the recommendations of his teams, and the teams' strategic recommendations affected more than \$10 billion in revenue and \$2 billion in profits. He continues to consult and serve on the board of numerous companies and charities. Eric earned his Ph.D. in Applied Economics and an M.A. in Statistics at the Wharton School of Business, University of Pennsylvania and graduated from the Management and Technology dual degree program at the University of Pennsylvania, where he concurrently earned a B.S. in Economics from Wharton and a B.S. in Computer Systems Engineering from the School of Engineering and Applied Science. He is the proud father to three children.







Contents

	Preface	XII
	Index of Applications x	cxvii
Part I	Exploring and Collecting Data	
Chapter 1	Data and Decisions (H&M) 1.1 Data, 3 ● 1.2 The Role of Data in Decision Making, 5 ● 1.3 Variable Types, 8 ■ 1.4 Data Sources: Where, How, and When, 10 Ethics in Action	1
	From Learning to Earning Tech Support: Entering Data Brief Case: Credit Card Bank	14 15 16
Chapter 2	Visualizing and Describing Categorical Data (Dalia Research) 2.1 Summarizing a Categorical Variable, 22 • 2.2 Displaying a Categorical Variable, 24 • 2.3 Exploring Relationships Between Two Categorical Variables: Contingency Tables, 28 • 2.4 Segmented Bar Charts and Mosaic Plots, 30 • 2.5 Three Categorical Variables, 37 • 2.6 Simpson's Paradox, 39 Ethics in Action From Learning to Earning Tech Support: Displaying Categorical Data Brief Case: Credit Card Bank	21 41 42 43 46
Chapter 3	Describing, Displaying, and Visualizing Quantitative Data (AIG) 3.1 Visualizing Quantitative Variables, 58 • 3.2 Shape, 60 • 3.3 Center, 62 • 3.4 Spread of the Distribution, 64 • 3.5 Shape, Center, and Spread—A Summary, 67 • 3.6 Standardizing Variables, 67 • 3.7 Five-Number Summary and Boxplots, 69 • 3.8 Comparing Groups, 72 • 3.9 Identifying Outliers, 75 • 3.10 Time Series Plots, 76 • *3.11 Transforming Skewed Data, 79 Ethics in Action From Learning to Earning Tech Support: Displaying and Summarizing Quantitative Variables	84 85 87
Chapter 4	 4.1 Looking at Scatterplots, 106 • 4.2 Assigning Roles to Variables in Scatterplots, 109 4.3 Understanding Correlation, 110 • 4.4 Lurking Variables and Causation, 115 4.5 The Linear Model, 116 • 4.6 Correlation and the Line, 117 • 4.7 Regression to the Mean, 120 • 4.8 Checking the Model, 121 • 4.9 Variation in the Model and R², 124 4.10 Reality Check: Is the Regression Reasonable? 126 • 4.11 Nonlinear Relationships, 130 • *4.12 Multiple Regression—A Glimpse Ahead, 133 Ethics in Action From Learning to Earning Tech Support: Correlation and Regression Brief Case: Fuel Efficiency, Cost of Living, and Mutual Funds 	90 105 137 138 139 142 155
Part II	Modeling with Probability	
Chapter 5	 5.1 Random Phenomena and Probability, 158 • 5.2 The Nonexistent Law of Averages, 160 • 5.3 Different Types of Probability, 161 • 5.4 Probability Rules, 163 • 5.5 Joint Probability and Contingency Tables, 168 • 5.6 Conditional Probability and the General Multiplication Rule, 169 • 5.7 Constructing Contingency Tables, 172 • 5.8 Probability Trees, 173 • *5.9 Reversing the Conditioning: Bayes' Rule, 175 	157 177
	From Learning to Earning Tech Support: Generating Random Numbers	177 179 180





xii

vii

Chapter 6



Trials, 201 • 6.5 Discrete Probability Models, 201

Tech Support: Random Variables and Probability Models

Insurance Company)

Ethics in Action

From Learning to Earning

Random Variables and Probability Models (Metropolitan Life

6.1 Expected Value of a Random Variable, 191 • **6.2** Standard Deviation of a Random Variable, 194 • 6.3 Properties of Expected Values and Variances, 197 • 6.4 Bernoulli

	Brief Case: Investment Options	212
Chapter 7	The Normal and Other Continuous Distributions (The NYSE) 7.1 The Standard Deviation as a Ruler, 221 • 7.2 The Normal Distribution, 223 • 7.3 Normal Probability Plots, 230 • 7.4 The Distribution of Sums of Normals, 231 • 7.5 The Normal Approximation for the Binomial, 234 • 7.6 Other Continuous Random Variables, 237 Ethics in Action From Learning to Earning Tech Support: Probability Calculations and Plots Brief Case: Price/Earnings and Stock Value	241 241 242 244
Part III	Gathering Data	
Chapter 8	Data Sources: Observational Studies and Surveys (Roper Polls) 8.1 Observational Studies and Found Data, 253 • 8.2 Sample Surveys, 255 • 8.3 Populations and Parameters, 259 • 8.4 Common Sampling Designs, 260 • 8.5 The Valid Survey, 265 • 8.6 How to Sample Badly, 267 Ethics in Action From Learning to Earning Tech Support	252 270 270 272
	Brief Case: Market Survey Research and The GfK Roper Reports Worldwide Survey	273
Chapter 9	Data Sources: Experiments (Capital One) 9.1 Randomized, Comparative Experiments, 283 • 9.2 The Four Principles of Experimental Design, 284 • 9.3 Experimental Designs, 286 • 9.4 Issues in Experimental Design, 291 • 9.5 Displaying Data from Designed Experiments, 293 Ethics in Action From Learning to Earning Brief Case: Design a Multifactor Experiment	300 300 302
Part IV	Inference for Decision Making	
Chapter 10	Sampling Distributions and Confidence Intervals for Proportions (Marketing Credit Cards: The MBNA Story) 10.1 The Distribution of Sample Proportions, 311 • 10.2 A Confidence Interval for a Proportion, 316 • 10.3 Margin of Error: Certainty vs. Precision, 321 • 10.4 Choosing the Sample Size, 325 Ethics in Action From Learning to Earning	310 330 330
	Tech Support: Confidence Intervals for Proportions Brief Case: Has Gold Lost its Luster? and Forecasting Demand Case Study: Real Estate Simulation	332 333 343
Chapter 11	Confidence Intervals for Means (Guinness & Co.)	344

11.1 The Central Limit Theorem, 345 • 11.2 The Sampling Distribution of the Mean, 349 • 11.3 How Sampling Distribution Models Work, 350 • 11.4 Gosset and the t-Distribution, 352 • 11.5 A Confidence Interval for Means, 354 • 11.6 Assumptions and Conditions, 356 • 11.7 Visualizing Confidence Intervals for the Mean, 363





190

209 210

211

368

368

370

371

Tech Support: Confidence Intervals for Means

Brief Case: Real Estate and Donor Profiles

Ethics in Action From Learning to Earning

Chapter 12	Testing Hypotheses (Casting Ingots) 12.1 Hypotheses, 382 ● 12.2 P-Values, 384 ● 12.3 The Reasoning of Hypothesis Testing, 387 ● 12.4 A Hypothesis Test for the Mean, 392 ● 12.5 Intervals and Tests, 398 ● 12.6 P-Values and Decisions: What to Tell About a Hypothesis Test, 403 Ethics in Action From Learning to Earning Tech Support: Hypothesis Tests Brief Case: Real Estate and Donor Profiles	381 406 406 408 411
Chapter 13	More About Tests and Intervals (Traveler's Insurance) 13.1 How to Think About P-Values, 421 • 13.2 Alpha Levels and Significance, 426 • 13.3 Critical Values, 428 • 13.4 Confidence Intervals and Hypothesis Tests, 429 • 13.5 Two Types of Errors, 432 • 13.6 Power, 434 Ethics in Action From Learning to Earning Brief Case: Confidence Intervals and Hypothesis Tests	419 438 438 439
Chapter 14	Comparing Two Means (Visa Global Organization) 14.1 Comparing Two Means, 448 • 14.2 The Two-Sample <i>t</i> -Test, 451 • 14.3 Assumptions and Conditions, 452 • 14.4 A Confidence Interval for the Difference Between Two Means, 456 • 14.5 The Pooled <i>t</i> -Test, 458 • 14.6 Paired Data, 463 • 14.7 Paired <i>t</i> -Methods, 464 Ethics in Action From Learning to Earning Tech Support: Comparing Two Groups Brief Case: Real Estate and Consumer Spending Patterns (Data Analysis)	447 470 470 472 476
Chapter 15	Inference for Counts: Chi-Square Tests (SAC Capital) 15.1 Goodness-of-Fit Tests, 495 • 15.2 Interpreting Chi-Square Values, 499 15.3 Examining the Residuals, 500 • 15.4 The Chi-Square Test of Homogeneity, 502 15.5 Comparing Two Proportions, 506 • 15.6 Chi-Square Test of Independence, 507 Ethics in Action From Learning to Earning Tech Support: Chi-Square Brief Case: Health Insurance and Loyalty Program Case Study: Investment Strategy Segmentation	513 514 515 518 530
Part V	Models for Decision Making	
Chapter 16	Inference for Regression (Nambé Mills) 16.1 A Hypothesis Test and Confidence Interval for the Slope, 532 • 16.2 Assumptions and Conditions, 536 • 16.3 Standard Errors for Predicted Values, 542 • 16.4 Using Confidence and Prediction Intervals, 545 Ethics in Action From Learning to Earning Tech Support: Regression Analysis Brief Case: Frozen Pizza and Global Warming?	531 547 547 549 551
Chapter 17	Understanding Residuals (Kellogg's) 17.1 Examining Residuals for Groups, 566 • 17.2 Extrapolation and Prediction, 569 • 17.3 Unusual and Extraordinary Observations, 571 • 17.4 Working with Summary Values, 575 • 17.5 Autocorrelation, 576 • 17.6 Transforming (Re-expressing) Data, 578 • 17.7 The Ladder of Powers, 582 Ethics in Action From Learning to Earning Tech Support: Examining Residuals Brief Case: Gross Domestic Product and Energy Sources	565 589 589 590 592

•





Chapter 18	Multiple Regression (Zillow.com) 18.1 The Multiple Regression Model, 609 • 18.2 Interpreting Multiple Regression Coefficients, 611 • 18.3 Assumptions and Conditions for the Multiple Regression Model, 613 • 18.4 Testing the Multiple Regression Model, 621 • 18.5 Adjusted R ² and the F-statistic, 623 • *18.6 The Logistic Regression Model, 625 Ethics in Action From Learning to Earning	607 632 633
	Tech Support: Regression Analysis Brief Case: Golf Success	634 636
Chapter 19	Building Multiple Regression Models (Bolliger and Mabillard) 19.1 Indicator (or Dummy) Variables, 650 • 19.2 Adjusting for Different Slopes—Interaction Terms, 654 • 19.3 Multiple Regression Diagnostics, 657 • 19.4 Building Regression Models, 663 • 19.5 Collinearity, 673 • 19.6 Quadratic Terms, 676 Ethics in Action From Learning to Earning Tech Support: Building Multiple Regression Models Brief Case: Building Models	
Chapter 20	Time Series Analysis (Whole Foods Market®) 20.1 What Is a Time Series? 699 • 20.2 Components of a Time Series, 699 • 20.3 Smoothing Methods, 702 • 20.4 Summarizing Forecast Error, 707 • 20.5 Autoregressive Models, 709 • 20.6 Multiple Regression—Based Models, 716 • 20.7 Choosing a Time Series Forecasting Method, 726 • 20.8 Interpreting Time Series Models: The Whole Foods Data Revisited, 727 Ethics in Action From Learning to Earning Tech Support: Time Series Brief Case: U.S. Trade with the European Union Case Study: Health Care Costs	728 728 731 731 745
Part VI	Analytics	
Chapter 21	Introduction to Big Data and Data Mining (Paralyzed Veterans of America) 21.1 Data Mining and the Big Data Revolution, 747 • 21.2 The Data Mining Process, 751 • 21.3 Data Mining Algorithms: A Sample, 757 • 21.4 Models Built from Combining Other Models, 765 • 21.5 Comparing Models, 768 • 21.6 Summary, 774 Ethics in Action From Learning to Earning	746 775 775
Part VII	Online Topics	
Chapter 22	From Learning to Earning Tech Support: Quality Control Charts	
Chapter 23	From Learning to Earning Tech Support: Nonparametric Methods	





Chapter 24	Decision Making and Risk (Data Description, Inc.) 24.1 Actions, States of Nature, and Outcomes, 24-2 ● 24.2 Payoff Tables and Decision Trees, 24-3 ● 24.3 Minimizing Loss and Maximizing Gain, 24-4 ● 24.4 The Expected Value of an Action, 24-5 ● 24.5 Expected Value with Perfect Information, 24-7 • 24.6 Decisions Made with Sample Information, 24-7 ● 24.7 Estimating Variation, 24-9 ● 24.8 Sensitivity, 24-11 ● 24.9 Simulation, 24-12 ● 24.10 More Compecisions, 24-14 Ethics in Action	24-14	
	From Learning to Earning	24-15	
	Brief Case: Texaco-Pennzoil and Insurance Services, Revisited	24-16	
Chapter 25	Analysis of Experiments and Observational Studies 25-1 25.1 Analyzing a Design in One Factor—The One-Way Analysis of Variance, 25-2 25.2 Assumptions and Conditions for ANOVA, 25-6 *25.3 Multiple Comparisons, 25-9 25.4 ANOVA on Observational Data, 25-11 25.5 Analysis of Multifactor Designs, 25-12		
	From Learning to Earning	25-21	
	Tech Support: Analysis of Variance	25-22	
	Brief Case: Analyze your Multifactor Experiment	25-24	
	Appendixes A. Answers B. Tables and Selected Formulas C. Credits	A-1 A-1 A-57 A-77	
	Index	I-1	

•







Preface

The question that should motivate a business student's study of statistics should be "Even without perfect information, how can I make better decisions?" As entrepreneurs and consultants, we know that in today's data-rich environment, knowledge of statistics is essential to survive and thrive in the business world. But, as educators, we've seen a disconnect between the way business statistics is traditionally taught and the way it should be used in making business decisions. In *Business Statistics*, we try to narrow the gap between theory and practice by presenting relevant statistical methods that will empower business students to make effective, data-informed decisions.

Of course, students should come away from their statistics course knowing how to think statistically and how to apply statistics methods with modern technology. But they must also be able to communicate their analyses effectively to others. When asked about statistics education, a group of CEOs from *Fortune* 500 companies recently said that although they were satisfied with the technical competence of students who had studied statistics, they found the students' ability to communicate their findings to be woefully inadequate.

Our Plan, Do, Report rubric provides a structure for solving business problems that mimics the correct application of statistics to solving real business problems. Unlike many other authors, we emphasize the often neglected thinking (Plan) and communication (Report) steps in problem solving in addition to the methodology (Do). This approach requires up-to-date, real-world examples and data. So we constantly strive to illustrate our lessons with current business issues and examples.

What's New in This Edition?

We've been delighted with the reaction to previous editions of *Business Statistics*. We've made some changes to the organization of the fourth edition to help students focus on the essentials and think about the data-rich world they will find in the workplace. And, of course, we continue to update examples and exercises so that the story we tell is always tied to the ways statistics informs modern business practice.

- Recent data. We teach with real data whenever possible, so we've updated data throughout the book. New examples reflect current stories in the news and recent economic and business events. When a historical dataset is especially good at illuminating a pedagogical point, we have, from time to time, chosen pedagogy over recency.
- **Improved organization.** We have retained our "data first" presentation of topics because we find that it provides students with both motivation and a foundation in real business decisions on which to build an understanding.
 - Chapters 1–4 have been streamlined to cover collecting, displaying, summarizing, and understanding data in four chapters. We find that this provides students with a solid foundation to launch their study of probability and statistics.
 - Chapters 5–7 introduce students to randomness and probability models.
 We've moved the discussion of probability trees and Bayes' rule into these chapters.
 - Chapters 8 and 9 cover data collection by survey and by designed experiments. New discussions here address technology-enabled sampling, online data, and Big Data. We've moved the discussion of experiments up front because of the increased importance of online testing, but we've



¹Unfortunately, not the question most students are asking themselves on the first day of the course.



- moved the analysis of such designs (ANOVA), which many instructors find difficult to cover in a first course, to the online Chapter 25.
- Chapters 10–15 cover inference for both proportions and means. We introduce inference by discussing proportions because most students are better acquainted with proportions reported in surveys and news stories. However, this edition ties in the discussion of means immediately so students can appreciate that the reasoning of inference is the same in a variety of contexts. We've added an optional discussion of bootstrapping. This may help students' intuition about inference as well as providing a relatively new modern method.
- Chapters 16–19 cover regression-based models for decision making.
- Chapter 20 discusses time series methods.
- Chapter 21 is a newly expanded discussion of data mining and Big Data.
- Chapters 22–24 discuss special topics that can be selected according to the needs of the course and the preferences of the instructor.
- Streamlined design. Our goal has always been a readable text. This edition sports a new design that clarifies the purpose of each text element. The major theme of each chapter is linear and easy to follow without distraction. Supporting material is clearly boxed and shaded, so students know where to focus their study efforts.
- **Enhanced Technology Help.** We've updated Technology Help (now called Tech Support) in almost every chapter.
- Updated examples to reflect the changing world. The time since our last revision has seen marked changes in the U.S. and world economies. This has required us to update many of our examples. Our selection of course content reflects the wisdom of the GAISE2016 report adopted by the American Statistical Association as a standard for introductory statistics teaching. Our "In Practice" elements have all been re-structured to reflect real-world business challenges. The result is a text that is realistic and useful.
- Increased focus on core material. Statistics in practice means making smart decisions based on data. Students need to know the methods, how to apply them, and the assumptions and conditions that make them work. We've tightened our discussions to get students there as quickly as possible, focusing increasingly on the central ideas and core material.

Our Approach

Statistical Thinking

For all of our improvements, examples, and updates in this edition of *Business Statistics* we haven't lost sight of our original mission—writing a modern business statistics text that addresses the importance of *statistical thinking* in making business decisions and that acknowledges how Statistics is actually used in business.

Statistics is practiced with technology, and this insight informs everything from our choice of forms for equations (favoring intuitive forms over calculation forms) to our extensive use of real data. But most important, understanding the value of technology allows us to focus on teaching statistical thinking rather than calculation. The questions that motivate each of our hundreds of examples are not "How do you find the answer?" but "How do you think about the answer?"; "How does it help you make a better decision?"; and "How can you best communicate your decision?" Our redesigned "In Practice" elements in each chapter have been recast as conversations between managers and analysts to emphasize the business relevance of each method and its importance in making good business decisions.







Our focus on statistical thinking ties the chapters of the book together. An introductory Business Statistics course covers an overwhelming number of new terms, concepts, and methods, and it is vital that students see their central core: how we can understand more about the world and make better decisions by understanding what the data tell us. From this perspective, it is easy to see that the patterns we look for in graphs are the same as those we think about when we prepare to make inferences. And it is easy to see that the many ways to draw inferences from data are several applications of the same core concepts. It follows naturally that when we extend these basic ideas into more complex (and even more realistic) situations, the same basic reasoning is still at the core of our analyses.

Our Goal: Read This Book!

The best textbook in the world is of little value if it isn't read. Here are some of the ways we made *Business Statistics* more approachable:

- *Readability*. We strive for a conversational, approachable style, and we introduce anecdotes to maintain interest. Instructors report (to their amazement) that their students read ahead of their assignments voluntarily. Students tell us (to *their* amazement) that they actually enjoy the book. In this edition, we've focused our discussions even more clearly on the central ideas we want to convey.
- Focus on assumptions and conditions. More than any other textbook, Business Statistics emphasizes the need to verify assumptions when using statistical procedures. We reiterate this focus throughout the examples and exercises. We make every effort to provide templates that reinforce the practice of checking these assumptions and conditions, rather than rushing through the computations. Business decisions have consequences. Blind calculations open the door to errors that could easily be avoided by taking the time to graph the data, check assumptions and conditions, and then check again that the results and residuals make sense.
- Emphasis on graphing and exploring data. Our consistent emphasis on the importance of displaying data is evident from the first chapters on understanding data to the sophisticated model-building chapters at the end. Examples often illustrate the value of examining data graphically, and the exercises reinforce this. Good graphics reveal structures, patterns, and occasional anomalies that could otherwise go unnoticed. These patterns often raise new questions and inform both the path of a resulting statistical analysis and the business decisions. Hundreds of new graphics found throughout the book demonstrate that the simple structures that underlie even the most sophisticated statistical inferences are the same ones we look for in the simplest examples. This helps tie the concepts of the book together to tell a coherent story.
- Consistency. We work hard to avoid the "do what we say, not what we do" trap. Having taught the importance of plotting data and checking assumptions and conditions, we are careful to model that behavior throughout the book. (Check the exercises in the chapters on multiple regression or time series and you'll find us still requiring and demonstrating the plots and checks that were introduced in the early chapters.) This consistency helps reinforce these fundamental principles and provides a familiar foundation for the more sophisticated topics.
- The need to read. In this book, important concepts, definitions, and sample solutions are not always set aside in boxes. The book needs to be read, so we've tried to make the reading experience enjoyable. The common approach of skimming for definitions or starting with the exercises and looking up examples just won't work here. (It never did work as a way to learn about and understand statistics.)







Coverage

The topics covered in a Business Statistics course are generally mandated by our students' needs in their studies and in their future professions. But the *order* of these topics and the relative emphasis given to each is not well established. *Business Statistics* presents some topics sooner or later than other texts. Although many chapters can be taught in a different order, we urge you to consider the order we have chosen.

We've been guided in the order of topics by the fundamental goal of designing a coherent course in which concepts and methods fit together to provide a new understanding of how reasoning with data can uncover new and important truths. Each new topic should fit into the growing structure of understanding that students develop throughout the course. For example, we teach inference concepts with proportions first and then with means. Most people have a wider experience with proportions, seeing them in polls and advertising. And by starting with proportions, we can teach inference with the Normal model and then introduce inference for means with the Student's *t*-distribution.

We introduce the concepts of association, correlation, and regression early in *Business Statistics*. Our experience in the classroom shows that introducing these fundamental ideas early makes statistics useful and relevant even at the beginning of the course. By Chapter 4, students can discuss relationships among variables in a meaningful way. Later in the semester, when we discuss inference, it is natural and relatively easy to build on the fundamental concepts learned earlier and enhance them with inferential methods.

GAISE Report

We've been guided in our choice of what to emphasize by the GAISE 2016 (Guidelines for Assessment and Instruction in Statistics Education) Report, which emerged from extensive studies of how students best learn Statistics (www.amstat.org/asa/files/pdfs/GAISE/GaiseCollege_Full.pdf). The GAISE Report was extensively revised in 2016 to reflect the evolution of technology and new wisdom about teaching statistics. The new recommendations have been officially adopted and recommended by the American Statistical Association and urge (among other detailed suggestions) that statistics education should:

- 1. Teach statistical thinking.
- 2. Focus on conceptual understanding.
- 3. Integrate real data with a context and a purpose.
- 4. Foster active learning.
- 5. Use technology to explore concepts and analyze data.
- 6. Use assessments to improve and evaluate student learning.

In this sense, this book is thoroughly modern.

Syllabus Flexibility

To be effective, a course must fit comfortably with the instructor's preferences. The early chapters—Chapters 1–15—cover core material that will be part of most introductory courses. Chapters 16–20—multiple regression, model building, and time series. Analysis of Variance—may be included in an introductory course, but our organization provides flexibility in the order and choice of specific topics. Chapters 21–25 may be viewed as "special topics" and selected and sequenced to suit the instructor or the course requirements.







Here are some specific notes:

- Chapter 4, Correlation and Linear Regression, may be postponed until just before covering regression inference in Chapter 16. (But we urge you to teach it where it appears.) Chapter 4 now includes an early glimpse of multiple regression (as advised by GAISE 2016). We urge you not to skip that discussion.
- Chapter 19, Building Multiple Regression Models, must follow the introductory material on multiple regression in Chapter 18.
- Chapters 20 and 25, Time Series Analysis and ANOVA, require material on multiple regression from Chapter 18.

The following topics can be introduced in any order (or omitted) after basic inference has been covered:

- Chapter 15, Inference for Counts: Chi-Square Tests
- Chapter 21, Introduction to Big Data and Data Mining
- Chapter 22, Quality Control
- Chapter 23, Nonparametric Methods
- Chapter 24, Decision Making and Risk

Continuing Features

A textbook isn't just words on a page. A textbook is many elements that come together to form a big picture. The features in *Business Statistics* provide a real-world context for concepts, help students apply these concepts, promote problem solving, and integrate technology—all of which help students understand and see the big picture of Business Statistics.

Providing Real-World Context

Motivating Vignettes. Each chapter opens with a motivating vignette, often taken from the authors' consulting experiences. Companies featured include Amazon.com, Zillow.com, Keen Inc., and Whole Foods Market. We analyze data from or about the companies in the motivating vignettes throughout the chapter.

Brief Cases. Each chapter includes one or more Brief Cases that use real data and ask students to investigate a question or make a decision. Students define the objective, plan the process, complete the analysis, and report a conclusion. Data for the Brief Cases are available on the website, formatted for various technologies.

Case Studies. Throughout the book we present Case Studies. Students are given realistically large datasets and challenged to respond to open-ended business questions using the data. Students can bring together methods they have learned throughout the book to address the issues raised. Students will have to use a computer to work with the large datasets that accompany these Case Studies.

What Can Go Wrong? In each chapter, What Can Go Wrong? highlights the most common statistical errors and the misconceptions about statistics. The most common mistakes for the new user of statistics often involve misusing a method—not miscalculating a statistic. One of our goals is to arm students with the tools to detect statistical errors and to offer practice in debunking misuses of Statistics, whether intentional or not.







Applying Concepts

In Practice. Almost every section of every chapter includes focused examples that illustrate and apply the concepts or methods of that section to a real-world business context. Each one now ends with a specific written report. They are now structured as conversations between a manager and an analyst or employee with the requirement that a report be made to the manager. This format helps to frame the issues in a practical way.

Step-by-Step Guided Examples. The answer to a statistical question is almost never just a number. Statistics is about understanding the world and making better decisions with data. Guided Examples model a thorough solution in the right column with commentary in the left column. The overall analysis follows our innovative **Plan, Do, Report** template. Each analysis begins with a clear question about a business decision and an examination of the data (**Plan**), moves to calculating the selected statistics (**Do**), and finally concludes with a **Report** that specifically addresses the question. To emphasize that our goal is to address the motivating question, we present the **Report** step as a business memo that summarizes the results in the context of the example and states a recommendation if the data are able to support one. To preserve the realism of the example, whenever it is appropriate, we include limitations of the analysis or models in the concluding memo, as one should in making such a report.

By Hand. Even though we encourage the use of technology to calculate statistical quantities, we recognize the pedagogical benefits of occasionally doing a calculation by hand. The By Hand boxes break apart the calculation of some of the simpler formulas and help the student through the calculation of a worked example.

Reality Check. We regularly offer reminders that statistics is about understanding the world and making decisions with data. Results that make no sense are probably wrong, no matter how carefully we think we did the calculations. Mistakes are often easy to spot with a little thought, so we ask students to stop for a reality check before interpreting results.

Notation Alert. Throughout this book, we emphasize the importance of clear communication. Proper notation is part of the vocabulary of statistics, but it can be daunting. We've found that it helps students when we are clear about the letters and symbols statisticians use to mean very specific things, so we've included Notation Alerts whenever we introduce a special notation that students will see again.

Math Boxes. When we present the mathematical underpinnings of the statistical methods and concepts, we set proofs, derivations, and justifications apart from the narrative. In this way, the underlying mathematics is there for those who want greater depth, but the text itself presents the logical development of the topic at hand without distractions.

From Learning to Earning. Each chapter ends with a From Learning to Earning summary that includes learning objectives and definitions of terms introduced in the chapter. Students should use these as study guides. We encourage them to take this opportunity to see the "big picture" of the chapter and see how it applies to making business decisions.

Promoting Problem Solving

Just Checking. Throughout each chapter we pose short questions to help students check their understanding. The answers are at the end of the exercise sets in each chapter to make them easy to check. The questions can also be used to motivate class discussion.







Ethics in Action. Statistics is not just plugging numbers into formulas; most statistical analyses require a fair amount of judgment. Ethics in Action vignettes—updated for this edition—in each chapter provide a context for some of the judgments needed in statistical analyses. Possible errors, a link to the American Statistical Association's Ethical Guidelines, and ethically and statistically sound alternative approaches are presented in the Instructor's Solutions Manual.

Section Exercises. The exercises for each chapter begin with straightforward exercises targeted at the topics in each section. These are designed to check understanding of specific topics. Because they are labeled by section, it is easy to turn back to the chapter to clarify a concept or review a method.

Chapter Exercises. These exercises are designed to be more realistic than section exercises and to lead to conclusions about the real world. They may combine concepts and methods from different sections, and they contain relevant, modern, and real-world questions. Many come from news stories; some come from recent research articles. The exercises marked with a T indicate that the data are available on the book's companion website, in a variety of formats. We pair the exercises so that each odd-numbered exercise (with answer in the back of the book) is followed by an even-numbered exercise on the same statistics topic. Exercises are roughly ordered within each chapter by both topic and level of difficulty.

Integrating Technology

Data and Sources. Most of the data used in examples and exercises are from real-world sources and whenever we can, we include URLs for Internet data sources. The data we use, are usually available at the online Data and Story Library (DASL) at dasl.datadescription.com and on the companion website, www.pearsonhighered.com/sharpe.

Videos with Optional Captioning. Videos, featuring the *Business Statistics* authors, review the high points of each chapter. The presentations feature the same student-friendly style and emphasis on critical thinking as the textbook. In addition, 10 *Business Insight Videos* feature Deckers, Southwest Airlines, Starwood, and other companies and focus on statistical concepts as they pertain to the real world. Videos are available with captioning. They can also be viewed from within the online MyLab Statistics course.

Tech Support. In business, statistics is practiced with computers using a variety of statistics packages. In Business-school statistics classes, however, Excel is the software most often used. In the Tech Support sections at the end of each chapter, we summarize what students can find in the most common software, often with annotated output. In updating for this edition, we offer extended guidance for Excel 2016, and start-up pointers for Minitab, SPSS, JMP, StatCrunch, R, and XLStat, formatted in easy-to-read bulleted lists. This advice is not intended to replace the documentation for any of the software, but rather to point the way and provide start-up assistance.







Get the Most Out of MyLab Statistics mm



MyLabTM Statistics is the leading online homework, tutorial, and assessment program for teaching and learning statistics, built around Pearson's best-selling content. MyLab Stats helps students and instructors improve results; it provides engaging experiences and personalized learning for each student so learning can happen in any environment. Plus, it offers flexible and time-saving course management features to allow instructors to easily manage their classes while remaining in complete control, regardless of course format.

Preparedness

One of the biggest challenges in many mathematics and statistics courses is making sure students are adequately prepared with the prerequisite skills needed to successfully complete their course work. Pearson offers a variety of content and course options to support students with just-in-time remediation and keyconcept review.

- Build homework assignments, quizzes, and tests to support your course learning outcomes. From Getting Ready (GR) questions to the Conceptual Question Library (CQL), we have your assessment needs covered from the mechanics to the critical understanding of Statistics. The exercise libraries include technology-led instruction, including new Excel-based exercises, and learning aids to reinforce your students' success.
- Using proven, field-tested technology, auto-graded Excel Projects allow instructors to seamlessly integrate Microsoft[®] Excel[®] content into their course without having to manually grade spreadsheets. Students have the opportunity to practice important statistical skills in Excel, helping them to master key concepts and gain proficiency with the program.



Resources for Success

Pearson MyLab

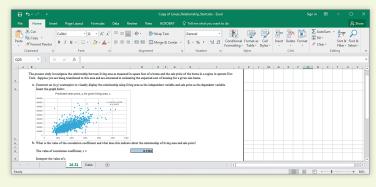
MyLab Statistics Online Course for Business

Statistics, Fourth Edition, by Sharpe/De Veaux/Velleman (access code required)

MyLabTM Stats is available to accompany Pearson's market leading text offerings. To give students a consistent tone, voice, and teaching method each text's flavor and approach is tightly integrated throughout the accompanying MyLab Statistics course, making learning the material as seamless as possible.

New! Auto-Graded Excel Grader Projects

Using proven, field-tested technology, auto-graded Excel Projects allow instructors to seamlessly integrate Microsoft® Excel® content into their course without having to manually grade spreadsheets.



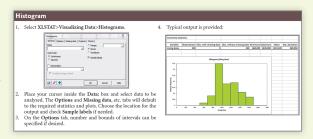
STACE CURCLE The region of Popular Section of Section of Section Sect

StatCrunch

StatCrunch, a powerful, web-based statistical software, is integrated into MyLab, so students can quickly and easily analyze datasets from their text and exercises. In addition, MyLab includes access to www.StatCrunch.com, the full web-based program where users can access tens of thousands of shared datasets, create and conduct online surveys, interact with a full library of applets, and perform complex analyses using the powerful statistical software.

Technology Tutorials and Study Cards

Excel[®] tutorials provide brief video walk-throughs and step-by-step instructional study cards on common statistical procedures such as Confidence Intervals, ANOVA, Simple & Multiple Regression, and Hypothesis Testing. Tutorials will capture methods in Microsoft Windows Excel[®] 2010, 2013, and 2016 versions.







Resources for Success

Instructor Supplements

Instructor's Edition contains answers to all exercises. (ISBN-13: 978-0-13-468758-2; ISBN-10: 0-13-468758-2)

Instructor's Resource Guide (download only), written by the authors, contains chapter-by-chapter comments on the major concepts, tips on presenting topics (and what to avoid), teaching examples, suggested assignments, basic exercises, and web links and lists of other resources. Available to qualified instructors through Pearson's online catalog at www.pearson.com/us/higher-education or within MyLab Statistics.

Online Test Bank (download only), by Dirk Tempelaar, Maastricht University, includes chapter quizzes and part-level tests. Available to qualified instructors through Pearson's online catalog at **www.pearson.com/us/higher-education** or within MyLab Statistics.

Instructor's Solutions Manual (download only), by Linda Dawson, University of Washington, contains detailed solutions to all of the exercises. The Instructor's Solutions Manual is available to qualified instructors through Pearson's online catalog at www.pearson.com/us/higher-education or within MyLab Statistics.

TestGen® Computerized Test Bank (www.pearsoned .com/testgen) enables instructors to build, edit, print, and administer tests using a computerized bank of questions developed to cover all the objectives of the text. TestGen is algorithmically based, allowing instructors to create multiple but equivalent versions of the same question or test with the click of a button. Instructors can also modify test bank questions or add new questions. The software and test bank are available for download from Pearson's online catalog at www.pearson.com/us/higher-education. Test Forms (download only) are also available from the online catalog.

PowerPoint Lecture Slides: Free to qualified adopters, this classroom lecture presentation software is geared specifically to the sequence and philosophy of *Business Statistics*. Key graphics from the book are included to help bring the statistical concepts alive in the classroom. These files are available to qualified instructors through Pearson's online catalog at **www.pearson.com/us/higher-education** or within MyLab Statistics.

Learning Catalytics™ is a web-based engagement and assessment tool. As a "bring-your-own-device" direct response system, Learning Catalytics offers a diverse library of dynamic question types that allow students to interact with and think critically about statistical concepts. As a real-time resource, instructors can take advantage of critical teaching moments both in the classroom and through assignable and gradable homework.

Student Resources

Business Statistics, for-sale student edition. (ISBN-13: 978-0-13-470521-7; ISBN-10: 0-13-470521-1)

Student's Solutions Manual, by Linda Dawson, University of Washington, provides detailed, worked-out solutions to odd-numbered exercises. (ISBN-13: 978-0-13-470548-4; ISBN-10: 0-13-470548-3)

Study Cards for Business Statistics Software: This series of study cards, available for Excel 2016 with DAT: 0-13-457679-9; Excel 2016 with XLSTAT: 0-13-457683-7; StatCrunch: 0-13-397513-4, R: 0-13-522870-0; and R Studio: 0-13-522869-7 provides students with easy step-by-step guides to the most common business statistics software.





Resources for Success

Technology Resources

MyLab Statistics Online Course (access code required) MyLab™ Statistics is the teaching and learning platform that empowers you to reach every student. By combining trusted author content with digital tools and a flexible platform, MyLab Statistics personalizes the learning experience and improves results for each student. With MyLab Statistics and StatCrunch®, an integrated web-based statistical software program, students learn the skills they need to interact with data in the real world. Learn more about MyLab Statistics at pearson.com/mylab/statistics.

Used by nearly one million students a year, MyLab Statistics is the world's leading online program for teaching and learning statistics. MyLab Statistics delivers assessment, tutorials, and multimedia resources that provide engaging and personalized experiences for each student, so learning can happen in any environment. Each course is developed to accompany Pearson's best-selling content, authored by thought leaders across the statistics curriculum, and can be easily customized to fit any course format.

Methods for teaching statistics are continuously evolving to provide today's students with the skills they need to interact with data in the real world. In addition, statistics students are coming to the classroom with a wide range of backgrounds and learner styles. The flexibility to build a course that fits instructors' individual course formats and every student's needs—with a variety of content options and multimedia resources all in one place—has made MyLab Statistics the market-leading solution for teaching and learning statistics since its inception.

Thanks to feedback from instructors and students from more than 10,000 institutions, MyLab Statistics continues to transform—delivering new content, innovative learning resources, and platform updates to support students and instructors, today and in the future.

Deliver Trusted Content

You deserve teaching materials that meet your own high standards for your course. That's why Pearson partners with highly respected authors to develop interactive content and course-specific resources that you can trust—and that keep your students engaged.

Tutorial Exercises with Multimedia Learning Aids:

The homework and practice exercises in MyLab Statistics align with the exercises in the textbook, and they regenerate algorithmically to give students unlimited opportunity for practice and mastery. Exercises offer immediate helpful feedback, guided solutions, sample problems, animations, videos, and eText clips for extra help at point-of-use.

Auto-Graded Excel Projects: Using proven, field-tested technology, auto-graded Excel Projects let you seamlessly integrate Microsoft® Excel® content into your course without having to manually grade spreadsheets. Students can practice important statistical skills in Excel, helping them master key concepts and gain proficiency with the program. They simply download a spreadsheet, work live on a statistics problem in Excel, and then upload that file back into the MyLab. Within minutes, they receive a report that provides personalized, detailed feedback to pinpoint where they went wrong in the problem.

StatCrunch: MyLab Statistics integrates the web-based statistical software, StatCrunch, within the online assessment platform so that students can easily analyze datasets from exercises and the text. In addition, MyLab Statistics includes access to **www.StatCrunch.com**, a website where users can access tens of thousands of shared datasets, conduct online surveys, perform complex analyses using the powerful statistical software, and generate compelling reports.

Business Insight Videos: Ten engaging videos show managers at top companies using statistics in their everyday work. Assignable questions encourage debate and discussion.

StatTalk Videos: Fun-loving statistician Andrew Vickers takes to the streets of Brooklyn, New York, to demonstrate important statistical concepts through interesting stories and real-life events. This series of 24 videos includes available assessment questions and an instructor's guide.

Empower Each Learner

Each student learns at a different pace. Personalized learning pinpoints the precise areas where each student needs practice, giving all students the support they need—when and where they need it—to be successful.





- Study Plan: Acts as a tutor, providing personalized recommendations for each of your students based on his or her ability to master the learning objectives in your course. This allows students to focus their study time by pinpointing the precise areas they need to review, and allowing them to use customized practice and learning aids—such as videos, eText, tutorials, and more—to get them back on track. Using the report available in the Gradebook, you can tailor course lectures to prioritize the content where students need the most support, offering you better insight into classroom and individual performance.
- With the Companion Study Plan Assignments you can now assign the Study Plan as a prerequisite to a test or quiz, guiding students through the concepts they need to master.
- Getting Ready for Statistics: A library of questions now appears within each MyLab Statistics course to offer the developmental math topics students need for the course. These can be assigned as a prerequisite to other assignments, if desired.

Conceptual Question Library: In addition to algorithmically regenerated questions that are aligned with your textbook, there is a library of 1,000 Conceptual Questions available in the assessment manager that require students to apply their statistical understanding.

Teach the Course Your Way

Your course is unique. So whether you'd like to build your own assignments, teach multiple sections, or set prerequisites, MyLab gives you the flexibility to easily create *your* course to fit *your* needs.

- Learning Catalytics: Generate class discussion, guide your lecture, and promote peer-to-peer learning with real-time analytics. MyLab Statistics now provides Learning Catalytics™—an interactive student response tool that uses students' smartphones, tablets, or laptops to engage them in more sophisticated tasks and thinking.
- LMS Integration: You can now link Blackboard Learn™, Brightspace® by D2L®, Canvas™, or Moodle® to the MyLabs. Access assignments, rosters, and resources, and synchronize grades with your LMS gradebook. For students, single

sign-on provides access to all the personalized learning resources that make studying more efficient and effective.

Improve Student Results

When you teach with MyLab, student performance improves. That's why instructors have chosen MyLab for over 15 years, touching the lives of more than 50 million students.

MathXL Online Course (access code required)

Part of the world's leading collection of online homework, tutorial, and assessment products, MathXL® delivers assessment and tutorial resources that provide engaging and personalized experiences for each student. Each course is developed to accompany Pearson's best-selling content, authored by thought leaders across the math curriculum, and can be easily customized to fit any course format.

With MathXL, instructors can:

- Create, edit, and assign online homework and tests using algorithmically generated exercises correlated at the objective level to the textbook.
- Create and assign their own online exercises and import TestGen tests for added flexibility.
- Maintain records of all student work tracked in MathXL's online gradebook.

With MathXL, students can:

- Take chapter tests in MathXL and receive personalized study plans and/or personalized homework assignments based on their test results.
- Use the study plan and/or the homework to link directly to tutorial exercises for the objectives they need to study.
- Access supplemental animations and video clips directly from selected exercises.

MathXL is available to qualified adopters. For more information, visit our web site at **www.mathxl.com** or contact your Pearson representative.

StatCrunch

Integrated directly into MyLab Statistics, StatCrunch® is powerful web-based statistical software that allows users to perform complex analyses, share datasets, and generate compelling reports of their data.





The vibrant online community offers tens of thousands of shared datasets for students to analyze.

- Collect. Users can upload their own data to StatCrunch or search a large library of publicly shared datasets, spanning almost any topic of interest. Datasets from the text and from online homework exercises can also be accessed and analyzed in StatCrunch. An online survey tool allows users to quickly collect data via web-based surveys.
- Crunch. A full range of numerical and graphical methods allows users to analyze and gain insights from any dataset. Interactive graphics help users understand statistical concepts, and are available for export to enrich reports with visual representations of data.
- **Communicate.** Reporting options help users create a wide variety of visually appealing representations of their data.

StatCrunch is also available by itself to qualified adopters. It can be accessed on your laptop, smartphone, or tablet when you visit the StatCrunch website from your device's browser. For more information, visit the StatCrunch website at www.StatCrunch.com or contact your Pearson representative.

TestGen

TestGen® (www.pearsoned.com/testgen) enables instructors to build, edit, print, and administer tests using a computerized bank of questions developed to cover all the objectives of the text. TestGen is algorithmically based, allowing instructors to create multiple but equivalent versions of the same question or test with the click of a button. Instructors can also modify test bank questions or add new questions. The software and test bank are available for download from Pearson's Instructor Resource Center at www.pearsonhighered.com/irc.

PowerPoint Lecture Slides

PowerPoint[®] Lecture Slides provide an outline to use in a lecture setting, presenting definitions, key concepts, and figures from the text. These slides are available within MyLab Statistics and in the Instructor Resource Center at www.pearsonhighered.com/irc.

Foster student engagement and peer-to-peer learning

Generate class discussion, guide your lecture, and promote peer-to-peer learning with real-time analytics.

MyLab™ Math and MyLab Statistics now provide Learning Catalytics™—an interactive student response tool that uses students' smartphones, tablets, or laptops to engage them in more sophisticated tasks and thinking.

Instructors, you can:

- Pose a variety of open-ended questions that help your students develop critical thinking skills.
- Monitor responses to find out where students are struggling.
- Use real-time data to adjust your instructional strategy and try other ways of engaging your students during class.
- Manage student interactions by automatically grouping students for discussion, teamwork, and peer-to-peer learning.

XLSTAT™ for Pearson

Used by leading businesses and universities, XLSTAT is an Excel® add-in that offers a wide variety of functions to enhance the analytical capabilities of Microsoft Excel, making it the ideal tool for your everyday data analysis and statistics requirements. XLSTAT is compatible with all Excel versions. Available for bundling with the text as ISBN-13: 978-0-321-75940-5; ISBN-10: 0-321-75940-0. Standalone: ISBN-13: 978-0-321-75932-0; ISBN-10: 0-321-75932-X

Minitab and Minitab Express™

Minitab and Minitab Express™ make learning statistics easy and provide students with a skill set that's in demand in today's data-driven workforce. Bundling Minitab software with educational materials ensures students have access to the software they need in the classroom, around campus, and at home. And having the latest version of Minitab ensures that students can use the software for the duration of their course. Access Card only; not sold as standalone: ISBN 13: 978-0-13-445640-9; ISBN 10: 0-13-445640-8.

JMP Student Edition

JMP Student Edition is an easy-to-use, streamlined version of JMP desktop statistical discovery software from SAS Institute, Inc., and is available for bundling with the text. Access Card only; not sold as standalone: ISBN-13: 978-0-13-467979-2; ISBN-10: 0-13-467979-2.







Acknowledgments

This book would not have been possible without many contributions from David Bock, our coauthor on several other texts. Many of the explanations and exercises in this book benefit from Dave's pedagogical flair and expertise. We are honored to have him as a colleague and friend.

Many people have contributed to this book from the first day of its conception to its publication. *Business Statistics* would have never seen the light of day without the assistance of the incredible team at Pearson. The Director of Portfolio Management, Deirdre Lynch, was central to the support, development, and realization of the book from day one. Patrick Barbera, Senior Portfolio Management Analyst; Morgan Danna, Editorial Assistant; Kaylee Karlson, Product Marketing Manager; and Shannon McCormack, Marketing Support Assistant, were essential in managing all of the behind-the-scenes work that needed to be done. Peggy McMahon, Content Producer, and Chere Bemelmans, Project Manager at SPi Global, worked miracles to get the book out the door. We are indebted to them. Aimee Thorne, Senior Producer, put together a top-notch media package for this book. Designer Jerilyn Bokorick and Cenveo® Publisher Services are responsible for the wonderful way the book looks.

We'd also like to thank our accuracy checker, whose monumental task was to make sure we said what we thought we were saying: Dirk Tempelaar, Maastricht University.

We also thank those who provided feedback through focus groups, class tests, and reviews:

Hope M. Baker, Kennesaw State University

John F. Beyers, University of Maryland—University College

Scott Callan, Bentley College

Laurel Chiappetta, University of Pittsburgh

Anne Davey, Northeastern State University

Joan Donohue, The University of South Carolina

Robert Emrich, Pepperdine University

Michael Ernst, St. Cloud State

Mark Gebert, University of Kentucky

Kim Gilbert, University of Georgia

Nicholas Gorgievski, Nichols College

Clifford Hawley, West Virginia University

Kathleen Iacocca, University of Scranton

Chun Jin, Central Connecticut State University

Austin Lampros, Colorado State University

Roger Lee, Salt Lake Community College

Monnie McGee, Southern Methodist University

Richard McGowan, Boston College

Mihail Motzev, Walla Walla University

Robert Potter, University of Central Florida

Eugene Round, Embry-Riddle Aeronautical University

Sunil Sapra, California State University—Los Angeles

Dmitry Shishkin, Georgia Gwinnett College

Courtenay Stone, Ball State University

Gordon Stringer, University of Colorado—Colorado Springs







xxvi Preface

Arnold J. Stromberg, University of Kentucky
Joe H. Sullivan, Mississippi State University
Timothy Sullivan, Towson University
Minghe Sun, University of Texas—San Antonio
Patrick Thompson, University of Florida
Jackie Wroughton, Northern Kentucky University
Ye Zhang, Indiana University—Purdue Indianapolis

Finally, we want to thank our families. This has been a long project, and it has required many nights and weekends. Our families have sacrificed so that we could write the book we envisioned.

Norean Sharpe Richard De Veaux Paul Velleman Eric Eisenstein







Index of Applications

Note: Page numbers followed by n indicate footnotes.

Accounting

Accounting procedures, 278 Audits and taxes, 184, 379

Company assets and sales, 103-104, 132, 557, 562,

580-582 735

IT training, 480

Movie budgets/revenues, 598, 637-638, 686-687,

694-695, 740 School budgets, 338

Statistical training, 480

Advertising

Advertising expenditures and sales, 152

Advertising strategies, 24-19

Competitors' advertising, 24-18

Cookies, 417

Department store, 54

Direct mail, 340

Driving after drinking, 479

Grocery stores, 308

International advertising, 188

Philanthropic organizations, 342

Political ads. 413

Recall of ads, 485

Sales and money spend on, 152

Trade show, 41-42

TV ads, 416

 \bigoplus

Agriculture

Cloud seeding, 488

Global climate change, 274, 275

Livestock, 375

Lobster fishing industry, 603, 604, 643-644

Orange production, 606

Pesticides 309

Seeds, 338, 416

Wine production, 305, 25-27

Banking

Age distribution of customers, 519-520

Credit card charges, 152, 376

Credit card companies, 310-311

Credit card customers, 71-72, 91, 158-160, 164, 217,

280-282, 412

Credit card debt, 486

Credit card fraud, 447-448

Credit card interest rate/fees, 292

Credit card promotions, 289-290, 293-294, 295-298, 326, 327, 341, 391, 415, 430-431, 454-456, 519,

571-572, 25-12-14, 25-16-20

Credit card purchases, 342, 454-456, 457-458, 593

Debt collection, 444, 445

Foreclosures, 51, 23-24

Loans, 338, 442, 443

MetLife Bank, 191

Mortgages, 20, 154, 315-316, 338, 524, 758-759,

Online banking, 181

Queues, 25-27

Websites, 412, 440

Business (General)

Assets and sales, 132, 557, 562

Best places to work, 527

Bossnappings, 334, 323-325

Brands, 48

Business expenses, 600

CEO compensation, 100, 357-358, 375

Company assets, 103-104, 132, 557, 562, 580-582,

Company earnings, 735

Computer skills training, 441, 442

Contracts, 186, 215, 241, 300

Customer growth, 596

Elder care business, 547

Enterprise Resource Planning (ERP), 484, 23-25

Entrepreneurial skill development, 525, 526

Equipment investment, 24-20-21

Ergonomics, 478, 489-490

Financial planning, 20

Fishing industry, 276

Food stores, 92

Incubator sites, 279 International business, 188, 340

Internet activity of consumers, 527-528

Job growth, 561

Market share, 47

Office coffee stations, 453

Organization for Economic Cooperation and

Development (OECD), 95, 97

Outsourcing, 527, 24-18

Peer-to-peer businesses, 9, 22

Ratings, 9, 18

Repair calls, 215, 216

Restaurants, 303

Sawmills, 20

Small businesses, 526

Startups, 102

Vineyards, 18, 91, 97

Woman-owned businesses, 214

Women executives, 416

Company Names

ACT, Inc., 338 Adair Vineyard, 91

AirBnB, 9, 22

Allied Signal, 22-26

Amazon, 698, 723

American Express, 447

American International Group (AIG), 56-58, 62, 63,

64-66, 70, 72, 73-74, 75, 77-79

American Red Cross, 184, 205-206

American Stock Exchange, 220

American Veterinary Association, 249

Apple, Inc., 52

Arby's, 18

Balderton Capital, 21

Bank of America, 310, 447

Bank of New York Company, 735

Battle Creek Toasted Corn Flake Company, 565 Bell Telephone Laboratories, 22-3, 23-1

Bitcoin, 22

Bollinger and Mabillard Consulting Engineers, Inc.

(B&M), 648-649

Boston Red Sox, 690

Bread & Circus, 697

Buick, 148

Burger King, 646-647, 654-656

Capital One, 281-282, 283

Casualty Actuarial Society, 420

Caterpillar, 324

Cherington, Wood, and Roper, 252

Circuit City, 373

Clarksville Natural Grocery, 697

CompUSA, 373

Crossley, 252 Dalia Research, 21-22

Data Description, 24-1-7, 24-8, 24-9-10, 24-11

Diners Club, 447

Eastman Kodak Company, 22-31

eBay, 22

Equifax, 158

Euronext, 220 Expedia.com, 607

Fair Isaacs Corporation (FICO), 157

First USA, 415

Ford, 148 Fresh & Wild, 697

Gallup, 252

General Electric Company, 22-3, 22-26, 23-1

General Motors, 23-1

Gesellschaft für Konsumforschung, 253 Gettv. 24-16

GfK Roper Consulting, 253, 273, 274, 340, 524

Giant, 308

Google Inc., 201, 202-203, 736 Guinness, 207

Guinness Brewery, 344

Guinness Company, 352

H&M, 1-2, 4 Home Depot, 602, 713-715, 716, 719, 23-28

Honda, 148

Human Resource Institute (HRI), 23-1

ING Bank, 281

Institute for Corporate Productivity (i4cp), 23-1 Institute for Social Research (ISR), 23-1

InterCon Travel Health, 24-12-13, 24-17-18 J. Crew, 712

Jeep, 189 Juno, 22

Kellogg Company, 565-568

Kiva, 22

KomTek Technologies, 22-18-21

Lending Club, 22

L.L. Bean, 19 Los Alamos National Laboratory, 531

Lyft, 22

Mars, 184

Maryland Bank National Association (MBNA), 310-311

Mellon Financial Corporation, 735

Metropolitan Life (MetLife), 190-193

Motorola, 22-26

xxvii

Index of Applications XXVIII

Mrs. Gooch's Natural Foods, 697 Nambé Mills, Inc., 531-532, 538-540, 542-546 National BankAmericard, Inc. (NBI), 447 Neverware 442 New York Mets, 690

New York State Electric and Gas (NYSEG), 333 New York Stock Exchange (NYSE), 220, 221

Numbeo.com, 153

Paralyzed Veterans of America (PVA), 155-156, 257

Pennzoil, 24-16-17 Pillsbury, 655 Pixar, 46 Pontiac, 148

Preusser Group, 420

Roper, 252

Roper Organization, 253 Roper Research Associates, 253

SAC Capital, 493-494 SaferWay, 697

Sanitas Food Company, 565

Sara Lee Corp., 735 Signet, 280-281 SmartWool, 383, 384 Society of Actuaries, 420

Sony Corporation, 324, 22-7, 23-1-2

Spectrum, 313-314, 315

St. Paul Fire and Marine Insurance Company, 419

Starbucks, 10 Systemax, 373

Summit Projects, 383, 428, 434

Target Corp., 735 Texaco, 24-16-17 3M, 324

Tiffany & Co., 732

Tokyo Communication Engineering Company, 22-2

Tokyo Tsushin Kogyo K.K., 23-1

Toyota, 148

Toyota Motor Manufacturing, 735–736 Travelers Insurance Company, 419-420

Uber, 22, 25, 26 Verizon, 34-35 Via, 22 Visa, 447-448

Walmart, 491-492, 643, 740

Walt Disney, 687 Wellspring Grocery, 697

Western Electric Company, 22-3

Whole Foods Market, 697-699, 701, 716-717, 719-722, 723, 727

Wild Oats, 697

WinCo Foods, 491-492

W.K. Kellogg Institute for Food and Nutrition Research,

World Fertility Study, 23-14 Yellow Cab, 22, 23, 25, 26, 27

Zagat.com, 18

Zillow.com, 105-106, 607-608, 617

Consumers

Attracting customers, 23-13-14 Categorizing consumers, 46, 92, 169, 373 Color preference, 217 Consumer Price Index (CPI), 245, 733, 738 Consumer research, 19 Credit card customers, 71-72, 91, 158-160, 164, 217, 280-282, 293-294, 295-298, 412

Credit card purchases, 342, 454-456, 457-458, 593 Customer databases, 100, 248, 777

Customer satisfaction, 218, 246, 23-24-25, 23-8-10

Gender of customers, 92 Handedness, 218, 219

Laundry detergents, 304, 309

Loyalty programs, 274, 518 Municipal playground, 278

Patient complaints, 22-36

Product ratings, 23-21, 23-22, 23-23

Shopping patterns, 111-113, 152, 163, 164-165

Spending patterns, 621-622 Veterinary costs, 249

Demographics

Age, 46, 54, 90, 91, 339, 373, 413, 439, 508-512, 519-520, 596-597, 601

Crowdedness, 23-27 Customer databases, 248

Ethnicity, 182

Gender, 169-171, 214, 334, 441

Gender and wages, 54 Gender of customers, 92 Handedness, 218, 219, 250

Heights, 244

High school graduation rate, 646

Hispanics, 412, 416 Illiteracy, 646 Income levels, 274, 646

Life expectancy, 115-116, 605, 691-692 Marriage, 413, 596-597, 601, 25-25 Multigenerational households, 181 Murder rate, 646

Racial discrimination, 277, 526, 527 Small businesses, 526

U.S. Census Bureau. 55 Women executives, 416

Distribution and Operations

Management

Delivery services and times, 55, 484-485 Enterprise Resource Planning (ERP), 484, 528, 23-25

Packaging, 417 Product placement, 481

Production schedules, 531-532, 538-540, 542-546

Project completion times, 241

Shipping, 350 Waiting lines, 66, 25-27

E-Commerce

Book purchases, 524 Clothing purchases, 151-152 Customer trust. 25-28 Cybershopping, 52, 526, 528, 554 E-mail, 339

Internet coupons, 438

Internet transactions, 218, 246, 251, 303, 334,

338-339, 383, 384, 521, 528 Loyalty programs, 518

Marketing research, 100-101 Online banking, 181

Online sales and blizzards, 144 Promotions, 181-182Sales trends, 743

Economics

Banana price fluctuations, 735

Business startups, 102

Consumer Price Index (CPI), 245, 733, 738 Cost of living, 143, 153, 560, 561, 693

Crowdedness, 23-27

Employment/unemployment, 97, 103

Forecasting, 183, 333, 569-571, 688, 723-725 GDP, 150-151, 152, 528-529, 592, 603, 604-605,

643, 695

Gemstone imports, 577-578

Great Recession and energy use, 562, 563

Health expenditures, 647

Human Development Index (HDI), 130-131, 597.

644-645, 696

Income and housing cost, 23-28 Income spent on food, 553 Interest rates, 600, 601, 739, 23-28 OECG GDP, 605, 641

Oil prices, 569-571, 743 Organization for Economic Cooperation and

Development (OECD), 95, 97 Poverty, 53

Unemployment, 556, 562-563, 743-744, 24-18

U.S. international trade, 723-725, 731-732, 737-738 Views on the economy, 185, 317, 318, 340, 505

World Bank, 18

Education

ACT scores 248

AP Statistics exam scores, 416

Business school, 18, 52-53, 214, 226, 227, 244,

263-264, 470

College admissions, 39

College attendance, 413 College graduation, 92

College retention rate, 338

College tuition, 102, 645

Computer lab fees, 377, 417 Computer skills, 441, 442

Course choice, 520

Course ratings, 23-21

Credit card debt of college students, 486 Distance learning, 23-21, 23-22, 23-23

Freshman 15, 23-25

GPA, 152

Grades, 23-21

Graduate school admissions, 55

GRE scores, 412, 413 High school dropouts, 416

High school graduates, 335, 342 Internet access, 486

Internet transactions, 521 IQ tests, 244-245, 247

IT training, 480

Maternal level of education, 415 Math instruction, 479-480

Reading instruction, 308, 23-23 SAT scores, 248, 305, 309, 558, 559, 561

School absenteeism, 415 School budgets, 338 Software for learning, 444 Statistical training, 480

Test scores, 98-99, 226, 227, 244-245, 248, 486, 23-21

Training centers, 552 Value of college, 524





Energy

Alternative energy company investment, 24-20

Energy use, 95

Fuel economy, 97, 142-143, 146-147, 149, 154, 230, 244, 278, 305, 308, 557, 559, 561, 562, 578-579, 600, 25-26-27

Gas additives, 25-32-33

Gas prices, 97, 102, 733-734, 738, 739, 742, 743

Gasoline octane, 441

Great Recession and energy use, 562, 563

Hydroelectric power, 592 Oil prices, 569-571, 743 Solar energy, 596, 24-18

Wind power, 379, 488, 489, 575-576, 592

Environment

Acid rain, 416

Air pollution, 342, 378, 415, 416, 559, 560, 25-30-31

Carbon footprint, 149, 23-28

Chemicals and congenital abnormalities, 415

Cloud seeding, 488 CO2 and temperature, 153 Cyclones, 482 Dowsing, 308, 414

Earthquakes, 23-21, 23-22, 23-23

FI Niño 153

Environmental Protection Agency (EPA), 18 Global climate change, 181, 274, 275, 277, 551, 554

Hazards, 49

Hurricanes, 101, 482, 599 Ozone levels, 97-98, 559, 560 Pollution cleanup, 278

River restoration/conservation, 270

Toxic waste, 277 Water hardness, 483-484 Water pollution, 279 Weather forecasting, 182

Ethics

Advertising, 41-42

Angel investors, 177

Anti-aging products, 513 Awareness of ethical issues, 340 Bicycle manufacture, 22-27 Bossnappings, 323-325, 334 Cereal and weight loss, 137 Chia seeds, 589 Computer repair, 368, 406 Cybershopping, 528 Elder care, 547 Gas drilling, 23-17-18

Government contracts, 241, 300 Hybrid cars 775 Internet coupons, 438 Investment advice, 209 Job discrimination, 25-29 MBA enrollment, 470 Medical equipment sales, 632 Project completion times, 241 Racial discrimination, 526, 527 Real estate, 330, 24-14-15 Research funding and data, 13, 137 River restoration/conservation, 270

Social networking, 728 Social responsibility, 84 Travel packages, 681

Famous People

Albran, Kehlog, 701

American Society for Quality (ASQ), 22-3 American Society for Quality Control (ASQC),

Archimedes, 572 Arrow, Kenneth, 121 Bacon, Francis, 537, 573

Barton, Rich, 607 Bayes, Thomas, 176 Bernoulli, Jacob, 160 Bernoulli, Daniel, 202 Berra, Yogi, 160, 163

Bohr. Niels. 571 Bonferroni, Carlo, 25-9 Box, George, 117, 223 Castle, Mike, 310

Cohen, Steven A., 493, 494 De Moivre, Abraham, 222n

Deming, W. Edwards, 22-2, 22-3, 22-4, 22-25-26

Descartes, René, 109 Dewey, Thomas, 252, 266n Einstein, Albert, 4 Fairbank, Richard, 280-282

Fisher, Ronald Aylmer, 352, 356, 385, 426, 621, 25-1,

25-3

Franklin, Benjamin, 419 Friedman, Milton, 121 Frink, Lloyd, 607 Galton, Francis, 120 Gates, Bill, 61 Gauss, Carl Friedrich, 119 Gosset, William S., 207, 344-345, 352

Gretzky, Wayne, 94 Guinness, Arthur, 344

Guinness, Arthur, II, 344 Hamilton, Alexander, 735 Hotelling, Harold, 121 Howe, Gordie, 94 Hume, David, 421

Ibuka, Masaru, 22-1-2 Juran, Joseph, 22-2 Kahneman, Daniel, 121 Kellogg, John Harvey, 565 Kellogg, Will Keith, 565-566 Kendall, Maurice, 713n Laplace, Pierre-Simon, 347, 348 Legendre, Adrien-Marie, 119

Likert, Rensis, 23-1 Lowell, James Russell, 390 MacArthur, Douglas, 22-2 Malkiel, Burton, 713n Mann, H. B., 23-4 Mao Zedong, 56 Martinez, Pedro, 690 McGwire, Mike, 94 Morita, Akio, 22-1-2 Morris, Nigel, 280-281 Obama, Barack, 747 Pepys, Samuel, 22-3 Persson, Karl-Johan, 1

Poisson, Simeon Denis, 206 Rukeyser, Louis, 160 Sarasohn, Homer, 22-2, 22-4 Secrist, Horace, 121

Shewhart, Walter A., 22-3, 22-26

Shiller, Robert, 221 Smith, Rick, 158

Spearman, Charles Edward, 131n, 23-16

Starr, Cornelius Vander, 56 Street, Picabo, 676-678

Taleb, Nassim Nicholas, 161, 223n

Thurmond, Strom, 266n Tiffany, Charles Lewis, 732 Truman, Harry, 252, 266 Truzzi, Marcello, 404 Tukey, John W., 318 Twain, Mark, 494-495 Wallace, Henry, 266n

Wanamaker, John, 382 Wayne, John, 416 Whitney, D. R., 23-4 Wilcoxon, Frank, 23-3, 23-4 William of Occam, 663n

Wunderlich, Carl, 398

Finance and Investments

Alternative energy company investment, 24-20

Angel investors, 177 Biotechnology firm, 339 Bond funds, 480 Business expenses, 600 Business finances, 52 Business financial planning, 20

Charitable donations, 371-372, 411, 415, 439, 444, 445, 746-747, 749, 753-754, 756-757, 758-759

Company assets, 103-104, 132, 580-582, 735

Company profits, 735 Credit scores, 157-158

Currency, 247, 278, 705-706, 709, 711, 23-21 Cyclically Adjusted Price/Earnings Ratio (CAPE10),

221-222, 231, 244 Day trading, 216 Diversification, 199-200

Dow Jones Industrial Average (DJIA), 603, 604-605, 702-704, 707, 708, 709-711, 721

Equipment investment, 24-20-21

Evaluating investment options, 212-213, 214

Financial planning, 20 Fundraising, 336 Gold, 333

Hedge funds, 493-494

Hormones and profits, 23-12-13 Income and housing costs, 153-154

Interest rates, 154, 207 Investment advice, 209

Investment in technology companies, 484

Investment options, 524-525 Investment patterns, 520

Investment strategies, 303, 304, 24-22 Movie budgets/revenues, 598, 637-638, 686-687,

694-695, 740

Mutual funds, 93-94, 98, 100, 143, 144, 151, 246, 247,

248, 487, 556, 24-22 Personal finances, 48-49, 50

Profits, 215

Purchase amounts, 373

Stock market and prices, 19, 51, 56-58, 62, 63, 64-66. 70, 72, 73-74, 75, 77-79, 150, 182, 213, 220-222, 225, 231, 244, 247, 249, 337, 494-495, 498-499, 603, 604–605, 702–704, 705, 707, 708, 709–711, 735-736, 25-29







Stock ownership, 525 Trading via smartphones, 333, 334 Venture capital, 208 Wages and gender, 54

Food/Drink

Advertising, 308

Alcoholic beverages, 277, 334, 338, 479, 480, 595, 641, 25-27

Apples, 338, 733–734 Arby's menu, 18 Bananas, 735 Candy, 414, 637

Cereal, 137, 227-229, 249, 480, 692-693, 23-24, 25-31

Coffee, 737–738 Cookies, 303, 304, 417 Cranberry juice, 523 Diet drinks, 23-21, 23-22, 23-23

Farmed salmon, 355-356, 358-359, 363, 393-394, 397

Farmers' market, 216 Fast food, 524, 646-647, 654-656

Fish, 524–525 Food consumption, 102 Food sales, 307

Food science research, 25-30

Frozen foods, 303 Hot dogs, 417, 479 Income spent on food, 553 Irradiation, 340 Meal costs, 375

Milk, 277, 22-31 Nutrition information, 646-647, 654-656 Organic food, 23-21, 23-22, 23-23 Pizza, 413, 417, 486, 551, 576, 689, 691, 25-25 Popcorn, 417, 445-446

Seafood, 603

Wine, 97, 305, 307, 480, 595, 641, 25-27 Yogurt, 379–380, 417, 23-23, 25-30

Games

Casino gambling, 182, 183, 185, 216, 378, 412, 22-32
Coin spins/tosses, 246, 339, 413, 414, 445
Computer games, 600
Dice, 192, 414, 521
Keno, 161
Lottery, 193, 195, 522, 22-32
Smartphone games, 23-21, 23-22, 23-23
Video games, 307

Government, Labor, and Law

Approval ratings, 342
Audits and taxes, 416–417
Bureau of Labor Statistics, 530
Consumer Financial Protection Bureau, 281
GDP, 95
Government contracts, 241, 300
Health Insurance Portability and Accountability
Act (HIPAA), 752–753
Internal Revenue Service (IRS), 530
Investment Company Act, 143
IRS, 341
Juries, 384, 385, 416, 421–422
Jury duty, 416
National Highway Transportation Safety Administration, 25-32

Presidential elections, 252, 266, 341, 559, 747
Public hearings, 340
Sales taxes, 376–377
Seatbelt use, 250
Securities Act, 143
Securities Exchange Act, 143
Troubled Asset Relief Program (TARP), 56
Unemployment, 562–563
U.S. Census Bureau, 182, 214, 530, 747
U.S. Customs and Border Protection, 182
U.S. Energy Information Administration (EIA), 95
U.S. Fish and Wildlife Service, 276
U.S. Securities and Exchange Commission (SEC), 493, 494

Human Resource Management/ Personnel

Zoning laws, 319, 321, 323, 327-328

Working hours, 560

Worker productivity, 101-102, 478, 489-490, 558, 733

Bonuses, 25-29 Bossnappings, 323-325, 334 CEO compensation, 80 CEO experience, 249 Day care, 334, 335, 412 Dress codes, 278 Education levels of employees, 46, 47 Employee athletes, 489-490 Employee attendance, 24-18 Employee experience, 183, 184 Employee performance, 20, 144 Ergonomic furniture, 478 Executive aptitude, 244 Hiring and recruiting, 49, 279, 342 Immigrants in labor force, 524 IQ testing, 246, 247 IT training, 480 Job discrimination, 444, 522, 25-29 Job interviews, 214 Job satisfaction, 49, 217, 248, 279, 527, 23-25 Placement exam scores, 440 Promotions, 217, 522–523 Second jobs, 441 Statistical training, 480 Stock ownership, 525 Tenure of employees, 47 Training, 441, 442, 480 Unemployment, 562-563 Worker productivity, 101-102, 478, 489-490, 558, 733

Insurance

Working hours, 560

Auto insurance, 148, 339
Death and disability insurance, 191
Fire insurance, 419
Health insurance, 48, 55, 213, 275, 279, 341, 518, 745, 24-12-13, 24-17-18
Homeowners insurance, 183
Hurricane insurance, 218
Insurance company profits, 96-97, 197-199, 394-395
Life insurance, 190-193, 194-195, 419-420, 691-692
National Insurance Crime Bureau, 148
Online insurance, 488-489, 23-26
Premiums, 191
Sales force performance, 152, 359-361

Management

Bossnappings, 323–325, 334
CEO compensation, 100, 357–358, 375
Entrepreneurial skill development, 525, 526
Management styles, 527
Managers' hourly wages, 25-26
Marketing managers' salaries, 25-25
Product introduction, 24-20
Social responsibility, 84
Women executives, 416

Manufacturing

Automobiles, 523, 22-4 Bicycles, 22-27 Candy, 184, 22-6, 22-10, 22-15-16, 22-17-18 Car wheels, 251 CDs, 341 Cell phones, 218, 24-19 Ceramics, 147 Cereal, 227-229 Clothing, 93, 304, 306, 763-764, 766-768, 769-773 Computer chips, 217 Computers, 22-30-31, 22-35 Dental drills, 25-29 Efficiency, 479, 25-30 Enterprise Resource Planning (ERP), 484, 528, 23-25 Gas drilling, 23-17-18 Graphite production, 22-33-34 Injection molding, 25-28-29 Japanese firms, 22-1-2, 22-3 Metal manufacturing, 381-384 Outsourcing, 24-18 Product development, 24-19 Prosthetic hips, 22-18-21

Metal manufacturing, 381–384
Outsourcing, 24-18
Product development, 24-19
Prosthetic hips, 22-18–21
Rulers and yardsticks, 22-33
Safety, 305, 309
Shirt sizes, 763–764, 766–768, 769–773
Shoes, 305
Silicon wafers, 22-7–8, 22-11–13, 22-23–24
Smokestack scrubbers, 25-30–31
Solar panels, 596
Sound systems, 232–234
Toys, 49
TV panels, 237
Worker productivity, 483

Marketing

Anti-aging products, 513 Branding, 485 Coffee shop, 234-235 Credit card promotions, 289–290, 293–294, 295–298. 326, 327, 341, 391, 415, 430-431, 454-456, 519, 571-572, 25-12-14, 25-16-20 Direct mail, 289-290, 293-294, 295-298 Livestock feed, 375 Loyalty programs, 274, 518 Market research, 92, 100-101, 166-168, 187, 273, 277, 305, 327, 334, 440, 24-18 Market segmentation, 71-72, 91, 24-21 Marketing program test, 441 Marketing strategies, 214 Music, 487 Sales predictions, 686 Telemarketing, 496-497, 501



Media and Entertainment

Amusement park rides, 278, 648–652, 658–659, 660–662

Books, 124–125, 594–595 British Medical Journal, 523

Broadway shows, 20, 638–639, 640

Business publications, 47, 93

Chicago Tribune, 252

Computer games, 600 Consumer Reports, 18, 523

Electronic communications and car purchases,

187, 188

Facebook, 181

Fortune magazine, 527

Magazines, 339, 415, 504

Movies, 46, 47, 52, 53, 54, 92, 93, 552, 554–555, 556, 598, 637–638, 686–688, 694–695, 740

Music, 304, 334, 340, 341, 342, 487, 593-594, 25-2

News sources, 186 Online magazine, 415

Theme parks, 19

W's, 18

Pharmaceuticals, Medicine, and Health

Alzheimer's disease, 443

Analgesics, 23-27, 25-28

Binge drinking, 338

Biotechnology, 339

Blood pressure, 187, 306, 600

Blood types, 184, 187, 205-206, 217

Body fat, 600

Body temperature, 398, 399-400

Cancer, 136, 416

Catheters, 444-445

Cholesterol, 187, 248, 305, 307, 372-373, 374,

413, 417

 $Congenital\ abnormalities,\ 415$

Dental floss, 22-31

Diabetes, 424, 426

Diet, 306

Drug costs, 413

Drug research, 412, 600

Drug side effects, 217, 413, 424, 426

Drug testing, 18, 414, 440, 442

Elder care, 547

Exercise, 248, 490

Flu shots, 274, 335

FIU SHOTS, 274, 333

Friday the 13th, 23-26 Genetic defects, 338

Gestation times, 392-393

Ginkgo biloba, 482–483

Health data, 752-753

Health expenditures, 647, 694, 745

Hearing aids, 25-27

Heart attacks, 412, 424, 426, 745

Heights, 244

Hormones and profits, 23-12-13

Injury treatment, 306-307

Life expectancy, 115-116, 605, 691-692

Marijuana, 510-512

Market research, 187

Measles, 441, 442 Men's weights, 230-231

Obesity, 414

Orthodontist costs, 213

Patient complaints, 22-36

Patient forms, 22-36

Pregnancy, 415

Prosthetic hips, 22-18-21

Shingles treatment, 308-309

Smoking, 136, 337, 597

 $Smoking\ cessation\ programs,\ 303,\ 413$

Therapeutic touch (TT), 424–425

Urinary tract infections, 523

Vision, 338

Vitamins, 250, 308, 341

Weight loss, 137

Politics and Popular Culture

Advertising, 413

Amusement park rides, 278, 648-652, 658-659,

660-662

Anti-aging products, 513

Hawaii tourism, 740-741, 744

Municipal playground, 278

Political ads, 413

Political surveys, 338

Political surveys and polls, 277

Polls, 258, 276

Presidential elections, 252, 266, 341, 559, 747

Psychics, 412

Tattoos, 53

Theme parks, 19

Titanic, 30-32, 33-34, 37-38, 186, 420, 522, 526

Quality Control

Cell phones, 218

 $Computers,\, 22\text{--}30\text{--}31,\, 22\text{--}35$

Concrete formulation, 25-26 Customer satisfaction, 22-24-25

Dental floss, 22-31

DVDs, 22-32

Electronic components, 246

Games, 22-32

Graphite production, 22-33–34

Historical background, 22-3-6

Milk, 22-31

Packaging defects, 217

Product defects, 97, 173-176, 195-196, 214-215, 216,

217, 251, 443, 22-34-35

Product inspections and testing, 99, 183, 214–215, 217, 237, 251, 277, 279, 337, 338, 339, 444–445,

481, 521, 552, 561, 562, 22-35, 25-27 Product recalls, 215, 217

Product reliability, 189

Product weight, 22-6, 22-10, 22-15-16,

22-17-18, 22-31

Production process, 25-29-30

Rulers and yardsticks, 22-33

Six Sigma, 22-26, 25-28

Specifications, 22-26, 22-30-31

Sports equipment, 22-31, 22-32-33, 22-36-37

Warranties, 186, 217

Web browsers, 201, 202-203

Real Estate

Broker profit, 217

Commercial real estate, 584–587, 23-6, 23-8, 23-16

Empty houses, 412

Foreclosures, 51, 23-24

Home features, 184, 188, 189

Home ownership, 443

Home sales and prices, 99, 102, 150, 172–173, 330,

371, 376, 411, 476, 478, 490, 555, 556, 596, 602,

611-613, 614-615, 617-621, 624-625, 637,

640-641, 642, 667-671, 672-675, 688-689, 23-20, 24-14-15

Home size and prices, 50-51, 105-106, 109, 116-117,

118, 120, 122–123, 133–134

Home values, 67–69, 90, 607–610 Homeowners planning to sell, 334

House ages, 476, 477, 478, 596, 688–689, 23-21, 23-22, 23-23

Housing bubble crash, 379

Housing costs, 153-154

Income and housing cost, 23-28

Property values, 188–189, 557

Racial discrimination, 277, 526, 527

Swimming pools, 341 Time on market, 628–630

Zillow.com, 607–608, 617, 105–106

Salary and Benefits

Baseball players, 148

Bonuses, 25-29

CEO compensation, 100, 357–358, 375 Day care, 334, 335, 412

Football players, 148

GDP and salary, 152

Job types, 149

Managers' hourly wages, 25-26

Police pay, 638, 639–640 Salaries, 54, 144, 146, 152, 213, 525, 595, 25-25

Secretaries' salaries, 642–643

Weekly earnings, 736–737

0.1

Sales and Retail

Advertising, 54, 152 Appliance sales, 641

Assets and sales, 132, 557, 562

Bicycles, 216, 250, 24-22

Bookstores, 144, 145, 146, 213, 521, 553, 554

Business-to-business sales, 49 Buying from a friend, 458–462, 23-6–7

Car prices, 94, 100, 450, 451, 453, 462–463, 464 Car sales, 20, 219

Catalog purchases, 25-2, 25-4 Catalogs, 19, 610–611, 613, 616–617, 622–623, 625,

628

Cell phone screen defroster, 24-19 Cereal, 235

Chia seeds, 589

Clothing, 687

Coffee, 147, 250 Concert tickets, 593–594, 595

Convenience stores, 90

Coupons, 306, 307

Department stores, 121 Diamond prices, 568–569, 571, 574–575, 583–584, 653–654, 656–657, 662–663, 666–667, 679–680,

23-15

eBay, 216 Food stores, 92, 96, 25-31-32

Forecasting, 595, 687, 712, 719-722, 734, 737, 739





Index of Applications xxxii

Grocery shopping, 441, 479, 491-492

Growth of sales, 735, 740

Housing starts and Home Depot sales, 23-28

International sales index, 556

Inventories, 195-196

Loyalty programs, 274, 518

Medical equipment sales, 632

Motorcycles, 20

Movie concessions, 552, 553

Number of employees, 118

Packaging and sales, 148

Pizza sales and prices, 95, 148

Price and demand, 146-147

Profits, 559, 560

Promotions, 168-171, 181-182, 183

Regional sales, 149, 480

Restaurant spending, 553

Retail trade index, 556

Sales growth, 602

Sales predictions, 686

Sales representatives, 217, 219, 521

Seasonal spending, 111-113, 342, 465-467, 476, 564,

593, 735, 739, 777

Self-checkout stations, 312-313

Solar panels, 596

Store performance, 480

Travel packages, 681

Used cars, 189, 556, 557

Walmart revenue 643 645

Weekly sales, 146-147

Wine prices, 97, 641

Science

Activating yeast, 25-25

Biotechnology, 339

Chemicals and congenital abnormalities, 415

Cloud seeding, 488

Colorblindness, 602

Concrete formulation, 25-26

Cuckoos, 23-26

Intelligence and foot size, 573

Intelligence of dogs, 23-21, 23-22, 23-23

Mineral hardness, 23-21, 23-22, 23-23

Noise and mazes, 25-25

Observatories, 22-32

Rat reaction times, 418

Research funding and data, 13, 137

Seasonality of births, 519

Space flights, 278

Twins, 415

Water height and phase of moon, 23-21, 23-22

Service Industries and Social Issues

Fundraising, 336

Online dating and divorce, 521

Paralyzed Veterans of America (PVA), 155–156, 685–686, 746-747. 749. 753-754. 756-757

Police pay, 638, 639-640

Power, 50

Sports

Archery, 218, 219

Baseball, 20, 94-95, 151, 182, 276, 401, 483, 488, 561, 562, 690, 22-31, 22-36-37, 23-24, 23-27

Bicycling, 250, 580, 24-22, 22-27

Dirt bikes, 645-646, 694, 695 Employee athletes, 489-490

Fishing, 215, 373

Football, 24, 148, 415, 416, 506-507, 558-559

Frisbee, 25-25

Golf, 96, 380, 413, 487, 636

Hockey, 94

Horse racing, 98, 627

Olympics, 50, 486, 676-678

Running, 305

Skiing, 445, 676-678

Skydiving, 306

Swimming, 245-246, 304, 306, 307, 486-487

Tennis, 250

Trophies, 23-24

Weightlifting, 250

Surveys and Opinion Polls

Cell phone surveys, 278

Company surveys, 334, 335, 341, 342

Consumer polls and surveys, 20, 185–186, 259, 261, 268, 276, 277, 334, 342, 507-510, 520, 523, 524,

553, 22-24-25

E-mail surveys, 273, 275, 334

Fortune Survey, 252

Gallup polls, 252, 276, 317, 333, 340, 372, 738

Instant polls, 277

International polls and surveys, 180, 274, 276-277, 340

Internet polls and surveys, 268, 275

Library use, 524

Mail surveys, 275, 334

Market research surveys, 186-187

Market surveys, 51, 90

Paper polls, 277

Pew Research Center for the People and the Press, 258,

Political surveys and polls, 277, 338, 341, 738

Public opinion polls, 181, 252-253, 256, 276, 324, 559

Real estate, 341

Student surveys, 18, 275, 334, 335, 374

Telephone surveys, 188, 258, 278, 334, 541-542

Value of college, 524

Technology

Apps, 23, 28, 29, 35-36

Area codes, 9

Bank websites, 412, 440

Big Data, 777

Blogs, 527-528

Cable, phone, and Internet packages, 313-314, 315

Cell phones, 34-35, 92, 93, 131, 146-147, 218, 246, 249, 251, 277, 278, 307-308, 333, 334, 377-378,

414, 520, 25-24 Character recognition, 336, 337

Computers, 144, 145, 185, 189, 195-196, 217, 277, 278, 334, 335, 368, 406, 479, 553, 554, 560, 594,

595, 22-30-31, 22-35

Customer satisfaction, 218

Databases, 18, 19

Digital TV, 246 DVDs, 22-32

Electronic components, 246

E-mail, 185, 339, 442, 443

Help desk, 24-2-8, 24-9-10, 24-11

Immigration kiosks, 182 Information technology, 524

Internet access, 563

Internet activity of consumers, 527-528

Internet music, 341, 342

Internet use, 520

Investment in technology companies, 484

iPads, 372

iPods and MP3 players, 97

Online magazine, 415

PDAs, 24-19

Security, 25-27-28

Self-checkout stations, 312-313

Social media, 374, 418, 502-503, 504, 520, 728

Software, 276

Technology adoption, 480

Telemarketing, 496-497, 501

Video games, 307 Web browsers, 201, 202-203

Web servers, 442 Website design, 181-182, 293, 303, 304, 441,

476-477, 478

Websites, 18, 215, 340, 412

Transportation

Air, 154, 182-183, 214, 216, 246, 274, 275, 279,

289-290, 334, 377, 416, 441, 491, 598, 602, 741–743, 24-3, 24-5, 24-6, 24-7, 24-11, 24-19,

24-20, 25-28

Auto batteries, 557-558

Auto repair, 413

Auto warranties, 183, 184

Automotive safety, 25-32

Border crossings, 702, 722 Car dealerships, 219

Car inspection, 187

Car ownership, 335, 339, 414

Car prices, 94, 100, 126-130, 152-153

Car purchases, 450, 451, 453, 462-463, 464

Car quality, 521

Car rentals, 23-2-4, 23-8-10

Car speeds, 245, 249, 337

Cars, 18, 189, 342

Commuting, 215-216, 345-347, 364-366, 23-11 Driving after drinking, 479

Driving tests, 388

Energy use, 95

Emissions testing, 415, 443

Freeway speed and congestion, 106-107

Gas prices, 93, 97, 102

Horsepower of cars, 665-666, 675 Hybrid vehicles, 485, 775

Motorcycles, 420, 422-424, 645-646, 694

Parking fees, 376

Road signs, 444 Seatbelts, 250, 412

Ship, 30-32, 33-34, 37-38, 186, 420, 522

Stopping distance, 490-491

Texas Transportation Institute (TTI), 106 Tire mileage, 245, 249

Traffic accidents, 108, 23-26

Traffic congestion, 689, 690, 691

Traffic speed, 378 Train, 254-255, 283-284, 285-286, 288, 25-5, 25-8,

25-10-11, 25-14





