Preface xxv
About the Authors xxix
Chapter 1 Data and Statistics 1
Chapter 2 Descriptive Statistics: Tabular and Graphical Presentations 31
Chapter 3 Descriptive Statistics: Numerical Measures 85
Chapter 4 Introduction to Probability 148
Chapter 5 Discrete Probability Distributions 193
Chapter 6 Continuous Probability Distributions 232
Chapter 7 Sampling and Sampling Distributions 265
Chapter 8 Interval Estimation 308
Chapter 9 Hypothesis Tests 348
Chapter 10 Inference About Means and Proportions with Two Populations 406
Chapter 11 Inferences About Population Variances 448
Chapter 12 Tests of Goodness of Fit and Independence 472
Chapter 13 Experimental Design and Analysis of Variance 506
Chapter 14 Simple Linear Regression 560
Chapter 15 Multiple Regression 642
Chapter 16 Regression Analysis: Model Building 712
Chapter 17 Index Numbers 763
Chapter 18 Time Series Analysis and Forecasting 784
Chapter 19 Nonparametric Methods 855
Chapter 20 Statistical Methods for Quality Control 903
Chapter 21 Decision Analysis 937
Chapter 22 Sample Survey On Website
Appendix A References and Bibliography 976
Appendix B Tables 978
Appendix C Summation Notation 1005
Appendix D Self-Test Solutions and Answers to Even-Numbered Exercises 1007
Appendix E Using Excel Functions 1062
Appendix F Computing $p$-Values Using Minitab and Excel 1067
Index 1071
Preface xxv
About the Authors xxix

Chapter 1  Data and Statistics  1

Statistics in Practice: BusinessWeek  2

1.1 Applications in Business and Economics  3
  Accounting  3
  Finance  4
  Marketing  4
  Production  4
  Economics  4

1.2 Data  5
  Elements, Variables, and Observations  5
  Scales of Measurement  6
  Categorical and Quantitative Data  7
  Cross-Sectional and Time Series Data  7

1.3 Data Sources  10
  Existing Sources  10
  Statistical Studies  11
  Data Acquisition Errors  13

1.4 Descriptive Statistics  13

1.5 Statistical Inference  15

1.6 Computers and Statistical Analysis  17

1.7 Data Mining  17

1.8 Ethical Guidelines for Statistical Practice  18

Summary  20
Glossary  20

Supplementary Exercises  21
Appendix: An Introduction to StatTools  28

Chapter 2  Descriptive Statistics: Tabular and Graphical Presentations  31

Statistics in Practice: Colgate-Palmolive Company  32

2.1 Summarizing Categorical Data  33
  Frequency Distribution  33
  Relative Frequency and Percent Frequency Distributions  34
  Bar Charts and Pie Charts  34
Contents

2.2 Summarizing Quantitative Data 39
   Frequency Distribution 39
   Relative Frequency and Percent Frequency Distributions 41
   Dot Plot 41
   Histogram 41
   Cumulative Distributions 43
   Ogive 44

2.3 Exploratory Data Analysis: The Stem-and-Leaf Display 48

2.4 Crosstabulations and Scatter Diagrams 53
   Crosstabulation 53
   Simpson’s Paradox 56
   Scatter Diagram and Trendline 57

Summary 63

Glossary 64

Key Formulas 65

Supplementary Exercises 65

Case Problem 1: Pelican Stores 71

Case Problem 2: Motion Picture Industry 72

Appendix 2.1 Using Minitab for Tabular and Graphical Presentations 73

Appendix 2.2 Using Excel for Tabular and Graphical Presentations 75

Appendix 2.3 Using StatTools for Tabular and Graphical Presentations 84

Chapter 3 Descriptive Statistics: Numerical Measures 85

Statistics in Practice: Small Fry Design 86

3.1 Measures of Location 87
   Mean 87
   Median 88
   Mode 89
   Percentiles 90
   Quartiles 91

3.2 Measures of Variability 95
   Range 96
   Interquartile Range 96
   Variance 97
   Standard Deviation 99
   Coefficient of Variation 99

3.3 Measures of Distribution Shape, Relative Location, and Detecting Outliers 102
   Distribution Shape 102
   z-Scores 103
   Chebyshev’s Theorem 104
   Empirical Rule 105
   Detecting Outliers 106
<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.4 Exploratory Data Analysis</td>
<td>109</td>
</tr>
<tr>
<td>Five-Number Summary</td>
<td>109</td>
</tr>
<tr>
<td>Box Plot</td>
<td>110</td>
</tr>
<tr>
<td>3.5 Measures of Association Between Two Variables</td>
<td>115</td>
</tr>
<tr>
<td>Covariance</td>
<td>115</td>
</tr>
<tr>
<td>Interpretation of the Covariance</td>
<td>117</td>
</tr>
<tr>
<td>Correlation Coefficient</td>
<td>119</td>
</tr>
<tr>
<td>Interpretation of the Correlation Coefficient</td>
<td>120</td>
</tr>
<tr>
<td>3.6 The Weighted Mean and Working with Grouped Data</td>
<td>124</td>
</tr>
<tr>
<td>Weighted Mean</td>
<td>124</td>
</tr>
<tr>
<td>Grouped Data</td>
<td>125</td>
</tr>
<tr>
<td>Summary</td>
<td>129</td>
</tr>
<tr>
<td>Glossary</td>
<td>130</td>
</tr>
<tr>
<td>Key Formulas</td>
<td>131</td>
</tr>
<tr>
<td>Supplementary Exercises</td>
<td>133</td>
</tr>
<tr>
<td>Case Problem 1: Pelican Stores</td>
<td>137</td>
</tr>
<tr>
<td>Case Problem 2: Motion Picture Industry</td>
<td>138</td>
</tr>
<tr>
<td>Case Problem 3: Business Schools of Asia-Pacific</td>
<td>139</td>
</tr>
<tr>
<td>Case Problem 4: Heavenly Chocolates Website Transactions</td>
<td>139</td>
</tr>
<tr>
<td>Appendix 3.1 Descriptive Statistics Using Minitab</td>
<td>142</td>
</tr>
<tr>
<td>Appendix 3.2 Descriptive Statistics Using Excel</td>
<td>143</td>
</tr>
<tr>
<td>Appendix 3.3 Descriptive Statistics Using StatTools</td>
<td>146</td>
</tr>
<tr>
<td>Chapter 4 Introduction to Probability</td>
<td>148</td>
</tr>
<tr>
<td>Statistics in Practice: Oceanwide Seafood</td>
<td>149</td>
</tr>
<tr>
<td>4.1 Experiments, Counting Rules, and Assigning Probabilities</td>
<td>150</td>
</tr>
<tr>
<td>Counting Rules, Combinations, and Permutations</td>
<td>151</td>
</tr>
<tr>
<td>Assigning Probabilities</td>
<td>155</td>
</tr>
<tr>
<td>Probabilities for the KP&amp;L Project</td>
<td>157</td>
</tr>
<tr>
<td>4.2 Events and Their Probabilities</td>
<td>160</td>
</tr>
<tr>
<td>4.3 Some Basic Relationships of Probability</td>
<td>164</td>
</tr>
<tr>
<td>Complement of an Event</td>
<td>164</td>
</tr>
<tr>
<td>Addition Law</td>
<td>165</td>
</tr>
<tr>
<td>4.4 Conditional Probability</td>
<td>171</td>
</tr>
<tr>
<td>Independent Events</td>
<td>174</td>
</tr>
<tr>
<td>Multiplication Law</td>
<td>174</td>
</tr>
<tr>
<td>4.5 Bayes’ Theorem</td>
<td>178</td>
</tr>
<tr>
<td>Tabular Approach</td>
<td>182</td>
</tr>
<tr>
<td>Summary</td>
<td>184</td>
</tr>
<tr>
<td>Glossary</td>
<td>184</td>
</tr>
</tbody>
</table>
Chapter 7  Sampling and Sampling Distributions  265

Statistics in Practice: MeadWestvaco Corporation  266
7.1 The Electronics Associates Sampling Problem  267
7.2 Selecting a Sample  268
   Sampling from a Finite Population  268
   Sampling from an Infinite Population  270
7.3 Point Estimation  273
   Practical Advice  275
7.4 Introduction to Sampling Distributions  276
7.5 Sampling Distribution of $\bar{x}$  278
   Expected Value of $\bar{x}$  279
   Standard Deviation of $\bar{x}$  280
   Form of the Sampling Distribution of $\bar{x}$  281
   Sampling Distribution of $\bar{x}$ for the EAI Problem  283
   Practical Value of the Sampling Distribution of $\bar{x}$  283
   Relationship Between the Sample Size and the Sampling Distribution of $\bar{x}$  285
7.6 Sampling Distribution of $\bar{p}$  289
   Expected Value of $\bar{p}$  289
   Standard Deviation of $\bar{p}$  290
   Form of the Sampling Distribution of $\bar{p}$  291
   Practical Value of the Sampling Distribution of $\bar{p}$  291
7.7 Properties of Point Estimators  295
   Unbiased  295
   Efficiency  296
   Consistency  297
7.8 Other Sampling Methods  297
   Stratified Random Sampling  297
   Cluster Sampling  298
   Systematic Sampling  298
   Convenience Sampling  299
   Judgment Sampling  299

Summary  300
Glossary  300
Key Formulas  301
Chapter 8  Interval Estimation  308

Statistics in Practice: Food Lion  309
8.1 Population Mean: $\sigma$ Known  310
   Margin of Error and the Interval Estimate  310
   Practical Advice  314
8.2 Population Mean: $\sigma$ Unknown  316
   Margin of Error and the Interval Estimate  317
   Practical Advice  320
   Using a Small Sample  320
   Summary of Interval Estimation Procedures  322
8.3 Determining the Sample Size  325
8.4 Population Proportion  328
   Determining the Sample Size  330

Summary  333
Glossary  334
Key Formulas  335
Supplementary Exercises  335
Case Problem 1: Young Professional Magazine  338
Case Problem 2: Gulf Real Estate Properties  339
Case Problem 3: Metropolitan Research, Inc.  341
Appendix 8.1 Interval Estimation with Minitab  341
Appendix 8.2 Interval Estimation with Excel  343
Appendix 8.3 Interval Estimation with StatTools  346

Chapter 9  Hypothesis Tests  348

Statistics in Practice: John Morrell & Company  349
9.1 Developing Null and Alternative Hypotheses  350
   The Alternative Hypothesis as a Research Hypothesis  350
   The Null Hypothesis as an Assumption to Be Challenged  351
   Summary of Forms for Null and Alternative Hypotheses  352
9.2 Type I and Type II Errors  353
9.3 Population Mean: $\sigma$ Known  356
   One-Tailed Test  356
   Two-Tailed Test  362
   Summary and Practical Advice  365
Chapter 11  Inferences About Population Variances  448
Statistics in Practice: U.S. Government Accountability Office  449
11.1  Inferences About a Population Variance  450
  Interval Estimation  450
  Hypothesis Testing  454
11.2  Inferences About Two Population Variances  460
Summary  466
Key Formulas  467
Supplementary Exercises  467
Case Problem: Air Force Training Program  469
Appendix 11.1 Population Variances with Minitab  470
Appendix 11.2 Population Variances with Excel  470
Appendix 11.3 Population Standard Deviation with StatTools  471

Chapter 12  Tests of Goodness of Fit and Independence  472
Statistics in Practice: United Way  473
12.1  Goodness of Fit Test: A Multinomial Population  474
12.2  Test of Independence  479
12.3  Goodness of Fit Test: Poisson and Normal Distributions  487
  Poisson Distribution  487
  Normal Distribution  491
Summary  496
Glossary  497
Key Formulas  497
Supplementary Exercises  497
Case Problem: A Bipartisan Agenda for Change  501
Appendix 12.1 Tests of Goodness of Fit and Independence Using Minitab  502
Appendix 12.2 Tests of Goodness of Fit and Independence Using Excel  503

Chapter 13  Experimental Design and Analysis of Variance  506
Statistics in Practice: Burke Marketing Services, Inc.  507
13.1  An Introduction to Experimental Design and Analysis of Variance  508
13.2 Analysis of Variance and the Completely Randomized Design

Between-Treatments Estimate of Population Variance 514
Within-Treatments Estimate of Population Variance 515
Comparing the Variance Estimates: The $F$ Test 516
ANOVA Table 518
Computer Results for Analysis of Variance 519
Testing for the Equality of $k$ Population Means: An Observational Study 520

13.3 Multiple Comparison Procedures 524
Fisher’s LSD 524
Type I Error Rates 527

13.4 Randomized Block Design 530
Air Traffic Controller Stress Test 531
ANOVA Procedure 532
Computations and Conclusions 533

13.5 Factorial Experiment 537
ANOVA Procedure 539
Computations and Conclusions 539

Summary 544
Glossary 545
Key Formulas 545
Supplementary Exercises 547
Case Problem 1: Wentworth Medical Center 552
Case Problem 2: Compensation for Sales Professionals 553
Appendix 13.1 Analysis of Variance with Minitab 554
Appendix 13.2 Analysis of Variance with Excel 555
Appendix 13.3 Analysis of Variance with StatTools 557

Chapter 14 Simple Linear Regression 560
Statistics in Practice: Alliance Data Systems 561

14.1 Simple Linear Regression Model 562
Regression Model and Regression Equation 562
Estimated Regression Equation 563

14.2 Least Squares Method 565

14.3 Coefficient of Determination 576
Correlation Coefficient 579

14.4 Model Assumptions 583

14.5 Testing for Significance 585
Estimate of $\sigma^2$ 585
$t$ Test 586
Confidence Interval for $\beta_1$ 587
F Test 588
Some Cautions About the Interpretation of Significance Tests 590

14.6 Using the Estimated Regression Equation for Estimation and Prediction 594
  Point Estimation 594
  Interval Estimation 594
  Confidence Interval for the Mean Value of $y$ 595
  Prediction Interval for an Individual Value of $y$ 596

14.7 Computer Solution 600

14.8 Residual Analysis: Validating Model Assumptions 605
  Residual Plot Against $x$ 606
  Residual Plot Against $\hat{y}$ 607
  Standardized Residuals 607
  Normal Probability Plot 610

14.9 Residual Analysis: Outliers and Influential Observations 614
  Detecting Outliers 614
  Detecting Influential Observations 616

Summary 621
Glossary 622
Key Formulas 623
Supplementary Exercises 625
Case Problem 1: Measuring Stock Market Risk 631
Case Problem 2: U.S. Department of Transportation 632
Case Problem 3: Alumni Giving 633
Case Problem 4: PGA Tour Statistics 633
Appendix 14.1 Calculus-Based Derivation of Least Squares Formulas 635
Appendix 14.2 A Test for Significance Using Correlation 636
Appendix 14.3 Regression Analysis with Minitab 637
Appendix 14.4 Regression Analysis with Excel 638
Appendix 14.5 Regression Analysis with StatTools 640

Chapter 15 Multiple Regression 642
Statistics in Practice: dunnhumby 643
15.1 Multiple Regression Model 644
  Regression Model and Regression Equation 644
  Estimated Multiple Regression Equation 644
15.2 Least Squares Method 645
  An Example: Butler Trucking Company 646
  Note on Interpretation of Coefficients 648
15.3 Multiple Coefficient of Determination 654
15.4 Model Assumptions 657
Transformations Involving the Dependent Variable 720
Nonlinear Models That Are Intrinsically Linear 724

16.2 Determining When to Add or Delete Variables 729
   General Case 730
   Use of p-Values 732

16.3 Analysis of a Larger Problem 735

16.4 Variable Selection Procedures 739
   Stepwise Regression 739
   Forward Selection 740
   Backward Elimination 741
   Best-Subsets Regression 741
   Making the Final Choice 742

16.5 Multiple Regression Approach to Experimental Design 745

16.6 Autocorrelation and the Durbin-Watson Test 750

Summary 754
Glossary 754
Key Formulas 754
Supplementary Exercises 755
Case Problem 1: Analysis of PGA Tour Statistics 758
Case Problem 2: Fuel Economy for Cars 759
Appendix 16.1 Variable Selection Procedures with Minitab 760
Appendix 16.2 Variable Selection Procedures with StatTools 761

Chapter 17 Index Numbers 763

Statistics in Practice: U.S. Department of Labor,
Bureau of Labor Statistics 764

17.1 Price Relatives 765

17.2 Aggregate Price Indexes 765

17.3 Computing an Aggregate Price Index from
   Price Relatives 769

17.4 Some Important Price Indexes 771
   Consumer Price Index 771
   Producer Price Index 771
   Dow Jones Averages 772

17.5 Deflating a Series by Price Indexes 773

17.6 Price Indexes: Other Considerations 777
   Selection of Items 777
   Selection of a Base Period 777
   Quality Changes 777

17.7 Quantity Indexes 778

Summary 780
Chapter 18  Time Series Analysis and Forecasting  784

Statistics in Practice: Nevada Occupational Health Clinic  785

18.1 Time Series Patterns  786
   Horizontal Pattern  786
   Trend Pattern  788
   Seasonal Pattern  788
   Trend and Seasonal Pattern  789
   Cyclical Pattern  789
   Selecting a Forecasting Method  791

18.2 Forecast Accuracy  792

18.3 Moving Averages and Exponential Smoothing  797
   Moving Averages  797
   Weighted Moving Averages  800
   Exponential Smoothing  800

18.4 Trend Projection  807
   Linear Trend Regression  807
   Holt's Linear Exponential Smoothing  812
   Nonlinear Trend Regression  814

18.5 Seasonality and Trend  820
   Seasonality Without Trend  820
   Seasonality and Trend  823
   Models Based on Monthly Data  825

18.6 Time Series Decomposition  829
   Calculating the Seasonal Indexes  830
   Deseasonalizing the Time Series  834
   Using the Deseasonalized Time Series to Identify Trend  834
   Seasonal Adjustments  836
   Models Based on Monthly Data  837
   Cyclical Component  837

Summary  839

Glossary  840

Key Formulas  841

Supplementary Exercises  842

Case Problem 1: Forecasting Food and Beverage Sales  846
Case Problem 2: Forecasting Lost Sales  847

Appendix 18.1 Forecasting with Minitab  848
Appendix 18.2 Forecasting with Excel  851
Appendix 18.3 Forecasting with StatTools  852
Chapter 19  Nonparametric Methods  855
Statistics in Practice: West Shell Realtors  856
19.1  Sign Test  857
       Hypothesis Test About a Population Median  857
       Hypothesis Test with Matched Samples  862
19.2  Wilcoxon Signed-Rank Test  865
19.3  Mann-Whitney-Wilcoxon Test  871
19.4  Kruskal-Wallis Test  882
19.5  Rank Correlation  887
Summary  891
Glossary  892
Key Formulas  893
Supplementary Exercises  893
Appendix 19.1 Nonparametric Methods with Minitab  896
Appendix 19.2 Nonparametric Methods with Excel  899
Appendix 19.3 Nonparametric Methods with StatTools  901

Chapter 20  Statistical Methods for Quality Control  903
Statistics in Practice: Dow Chemical Company  904
20.1  Philosophies and Frameworks  905
       Malcolm Baldrige National Quality Award  906
       ISO 9000  906
       Six Sigma  906
20.2  Statistical Process Control  908
       Control Charts  909
       \bar{x} Chart: Process Mean and Standard Deviation Known  910
       \bar{x} Chart: Process Mean and Standard Deviation Unknown  912
       R Chart  915
       p Chart  917
       np Chart  919
       Interpretation of Control Charts  920
20.3  Acceptance Sampling  922
       KALI, Inc.: An Example of Acceptance Sampling  924
       Computing the Probability of Accepting a Lot  924
       Selecting an Acceptance Sampling Plan  928
       Multiple Sampling Plans  930
Summary  931
Glossary  931
Key Formulas  932
Supplementary Exercises  933
Appendix 20.1 Control Charts with Minitab  935
Appendix 20.2 Control Charts with StatTools  935
Chapter 21  Decision Analysis  937

Statistics in Practice: Ohio Edison Company  938

21.1  Problem Formulation  939
    Payoff Tables  940
    Decision Trees  940

21.2  Decision Making with Probabilities  941
    Expected Value Approach  941
    Expected Value of Perfect Information  943

21.3  Decision Analysis with Sample Information  949
    Decision Tree  950
    Decision Strategy  951
    Expected Value of Sample Information  954

21.4  Computing Branch Probabilities Using Bayes’ Theorem  960

Summary  964

Glossary  965

Key Formulas  966

Supplementary Exercises  966

Case Problem: Lawsuit Defense Strategy  969

Appendix: An Introduction to PrecisionTree  970

Chapter 22  Sample Survey  On Website

Statistics in Practice: Duke Energy  22-2

22.1  Terminology Used in Sample Surveys  22-2

22.2  Types of Surveys and Sampling Methods  22-3

22.3  Survey Errors  22-5
    Nonsampling Error  22-5
    Sampling Error  22-5

22.4  Simple Random Sampling  22-6
    Population Mean  22-6
    Population Total  22-7
    Population Proportion  22-8
    Determining the Sample Size  22-9

22.5  Stratified Simple Random Sampling  22-12
    Population Mean  22-12
    Population Total  22-14
    Population Proportion  22-15
    Determining the Sample Size  22-16

22.6  Cluster Sampling  22-21
    Population Mean  22-23
    Population Total  22-24
    Population Proportion  22-25
    Determining the Sample Size  22-26

22.7  Systematic Sampling  22-29

Summary  22-29