Thomas Quirk

Excel 2010 for Business Statistics

A Guide to Solving Practical Business Problems

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*This book is dedicated to the more than 3,000 students
I have taught at Webster University's campuses
in St. Louis, London, and Vienna; the students at
Principia College in Elsah, Illinois; and the students
at the Cooperative State University of
Baden-Wuerttemburg in Heidenheim, Germany.
These students taught me a great deal about the art
of teaching. I salute them all, and I thank them for
helping me to become a better teacher.*

Preface

Excel 2010 for Business Statistics: A Guide to Solving Practical Business Problems helps anyone who wants to learn the basics of applying Excel's powerful statistical tools to their business or to their classes. If understanding statistics isn't your strongest suit, you are not mathematically inclined, or you are wary of computers, then this is the book for you.

You'll learn how to perform key statistical tests in Excel without being over-whelmed by statistical theory. This book clearly and logically shows how to run statistical tests to solve practical business problems.

Excel is a widely available computer program for students, instructors, and business managers. It is also an effective teaching and learning tool for quantitative analyses in business courses. Its powerful computational ability and graphical functions make learning statistics much easier than in years past. However, this is the first book to showcase Excel's usefulness in teaching business statistics, and it focuses exclusively on this topic in order to render the subject matter applicable and practical – and easy to comprehend and apply.

Unique features of this book:

- Includes 165 color screen shots so you can be sure you are performing Excel steps correctly.
- You will be told each step of the way, not only *how* to use Excel, but also *why* you are doing each step.
- Includes specific objectives embedded in the text for each concept, so you can know the purpose of the Excel steps.
- You will learn both how to write statistical formulas using Excel and how to use Excel's drop-down menus that will create the formulas for you.
- Statistical theory and formulas are explained in clear language without bogging you down in mathematical fine points.
- Practical examples of problems are taken from several functional areas of business, including marketing, management, human resources, and production.

- Each chapter presents key steps to solve practical business problems using Excel. In addition, three practice problems at the end of each chapter enable you to test your new knowledge. Answers to these problems appear in Appendix A.
- A "Practice Test" is given in Appendix B to test your knowledge at the end of the book. Answers to this test appear in Appendix C.
- This book does not come with a CD of Excel files which you can upload to your computer. Instead, you'll be shown how to create each Excel file yourself. In business, your colleagues will not give you an Excel file. You will be expected to create your own. This book will give you ample practice in developing this important skill.
- This book is a tool that can be used either by itself or along with *any* good statistics book.

This book is appropriate for use in any course – graduate of undergraduate – in business statistics, as well as for managers who want to improve their Excel skills. It will also benefit students who are taking courses in psychology, education, sociology, or computer science who want to learn how to use Excel to solve statistics problems.

The ideas in this book have been thoroughly tested by its author, Professor Tom Quirk, in marketing statistics and marketing research courses. Prof. Quirk has written more than 60 textbook supplements in management and marketing, published more than 20 articles in professional journals, and presented more than 20 papers at professional meetings. He holds a B.S. in mathematics from John Carroll University, both an M.A. in education and a Ph.D. in educational psychology from Stanford University, and an M.B.A. from the University of Missouri, St. Louis.

St. Louis, Missouri   Thomas Quirk

Acknowledgements

Contents

Chapter 1
Sample Size, Mean, Standard Deviation, and Standard Error of the Mean

This chapter deals with how you can use Excel to find the average (i.e., "mean") of a set of scores, the standard deviation of these scores (STDEV), and the standard error of the mean (s.e.) of these scores. All three of these statistics are used frequently and form the basis for additional statistical tests.

1.1 Mean

The *mean* is the "arithmetic average" of a set of scores. When my daughter was in the fifth grade, she came home from school with a sad face and said that she didn't get "averages." The book she was using described how to find the mean of a set of scores, and so I said to her:

"Jennifer, you add up all the scores and divide by the number of numbers that you have."
She gave me "that look," and said: "Dad, this is serious!" She thought I was teasing her. So I said:
"See these numbers in your book; add them up. What is the answer?" (She did that.)
"Now, how many numbers do you have?" (She answered that question.)
"Then, take the number you got when you added up the numbers, and divide that number by the number of numbers that you have."
She did that, and found the correct answer. You will use that same reasoning now, but it will be much easier for you because Excel will do all of the steps for you.

We call this average of the scores the "mean," which we symbolize as: $\overline{X}$, and we pronounce it as: "Xbar."

The formula for finding the mean with your calculator looks like this:

$$\overline{X} = \frac{\sum X}{n} \tag{1.1}$$

The symbol Σ is the Greek letter sigma, which stands for "sum." It tells you to add up all the scores that are indicated by the letter X, and then to divide your answer by n (the number of numbers that you have).

Let's give a simple example:

Suppose that you had these six scores:

6
4
5
3
2
5

To find the mean of these scores, you add them up, and then divide by the number of scores. So, the mean is: $25/6 = 4.17$

1.2   Standard Deviation

The *standard deviation* tells you "how close the scores are to the mean." If the standard deviation is a small number, this tells you that the scores are "bunched together" close to the mean. If the standard deviation is a large number, this tells you that the scores are "spread out" a greater distance from the mean. The formula for the standard deviation (which we will call STDEV) and use the letter, S, to symbolize is:

$$STDEV = S = \sqrt{\frac{\sum (X - \overline{X})^2}{n - 1}} \tag{1.2}$$

The formula look complicated, but what it asks you to do is this:

1. Subtract the mean from each score $(X - \overline{X})$.
2. Then, square the resulting number to make it a positive number.
3. Then, add up these squared numbers to get a total score.
4. Then, take this total score and divide it by $n - 1$ (where n stands for the number of numbers that you have).
5. The final step is to take the square root of the number you found in step 4.

You will not be asked to compute the standard deviation using your calculator in this book, but you could see examples of how it is computed in any basic statistics book. Instead, we will use Excel to find the standard deviation of a set of scores. When we use Excel on the six numbers we gave in the description of the mean above, you will find that the *STDEV* of these numbers, *S*, is 1.47.

1.3   Standard Error of the Mean

The formula for the *standard error of the mean* (s.e., which we will use $S_{\bar{X}}$ to symbolize) is:

$$\text{s.e.} = S_{\bar{X}} = \frac{S}{\sqrt{n}} \tag{1.3}$$

To find s.e., all you need to do is to take the standard deviation, STDEV, and divide it by the square root of *n*, where *n* stands for the "number of numbers" that you have in your data set. In the example under the standard deviation description above, the s.e. $= 0.60$. (You can check this on your calculator.)

If you want to learn more about the standard deviation and the standard error of the mean, see Weiers (2011).

Fig. 1.1 Worksheet data for First-year sales (practical example)

Year	First-year sales ($000)
1	10
2	10
3	12
4	16
5	22
6	29
7	39
8	47

Now, let's learn how to use Excel to find the sample size, the mean, the standard deviation, and the standard error or the mean using a problem from sales:

Suppose that you wanted to estimate the first-year sales of a new product that your company was about to launch into the marketplace. You have decided to look at the first-year sales of similar products that your company has launched to get an idea of what sales are typical for your new product launches.

You decide to use the first-year sales of a similar product over the past 8 years, and you have created the table in Fig. 1.1:

Note that the first-year sales are in thousands of dollars ($000), so 10 means that the first-year sales of that product were really $10,000.

1.4   Sample Size, Mean, Standard Deviation, and Standard Error of the Mean

> Objective: To find the sample size (n), mean, standard deviation (STDEV), and standard error of the mean (s.e.) for these data

Start your computer, and click on the Excel 2010 icon to open a blank Excel spreadsheet.

Enter the data in this way:

A3: Year
B3: First-year sales ($000)
A4: 1

1.4.1   Using the Fill/Series/Columns Commands

> Objective: To add the years 2–8 in a column underneath year 1

Put pointer in A4
Home (top left of screen)
Fill (top right of screen: click on the down arrow; see Fig. 1.2)
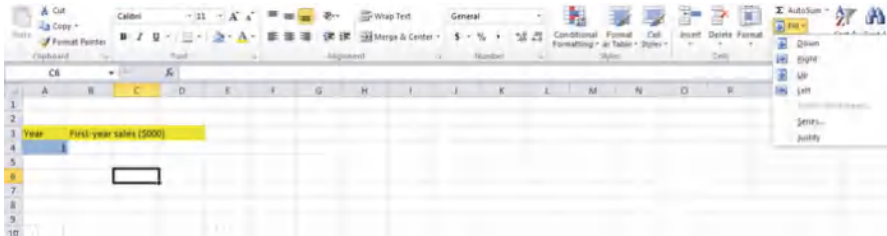
Fig. 1.2 Home/Fill/Series commands

Series
Columns
Step value: 1
Stop value: 8 (see Fig. 1.3)
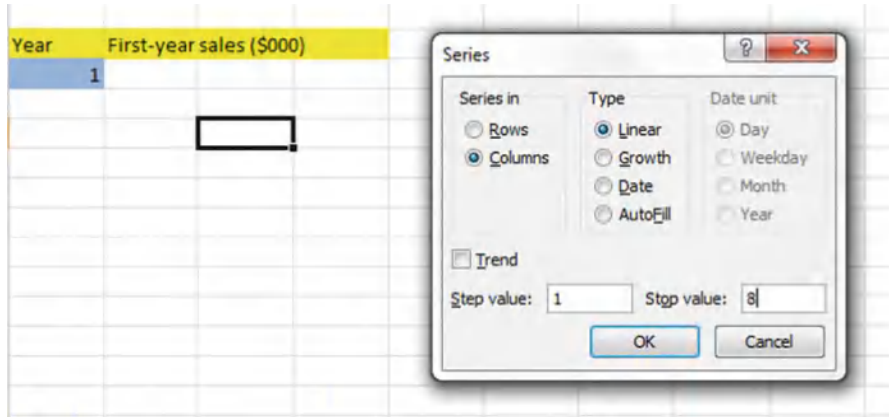
Fig. 1.3   Example of dialogue box for Fill/Series/Columns/Step value/Stop value commands

OK

The years should be identified as 1–8, with 8 in cell A11.

Now, enter the first-year sales figures in cells B4: B11 using the above table.

Since your computer screen shows the information in a format that does not look professional, you need to learn how to "widen the column width" and how to "center the information" in a group of cells. Here is how you can do those two steps:

1.4.2   Changing the Width of a Column

Objective: To make a column width wider so that all of the information fits inside that column

If you look at your computer screen, you can see that Column B is not wide enough so that all of the information fits inside this column. To make Column B wider:

Click on the letter, B, at the top of your computer screen

Place your mouse pointer at the far right corner of B until you create a "cross sign" on that corner

Left-click on your mouse, hold it down, and move this corner to the right until it is "wide enough to fit all of the data"

Take your finger off the mouse to set the new column width (see Fig. 1.4)

Fig. 1.4 Example of how to widen the column width

Then, click on any empty cell (i.e., any blank cell) to "deselect" column B so that it is no longer a darker color on your screen.

When you widen a column, you will make all of the cells in all of the rows of this column that same width.

Now, let's go through the steps to center the information in both Column A and Column B.

1.4.3   Centering Information in a Range of Cells

> Objective: To center the information in a group of cells

In order to make the information in the cells look "more professional," you can center the information using the following steps:

Left-click your mouse on A3 and drag it to the right and down to highlight cells A3: B11 so that these cells appear in a darker color

At the top of your computer screen, you will see a set of "lines" in which all of the lines are "centered" to the same width under "Alignment" (it is the second icon at the bottom left of the Alignment box; see Fig. 1.5)
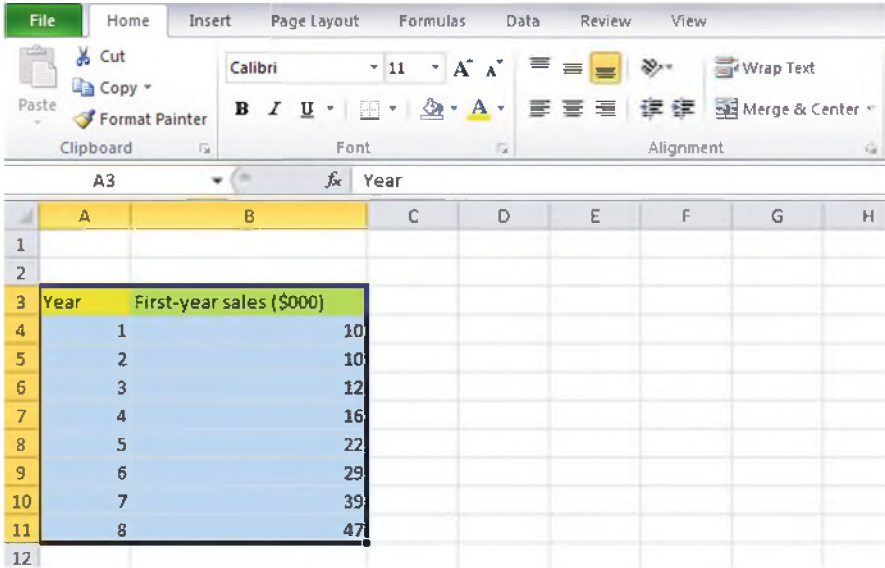
Fig. 1.5 Example of how to center information within cells

Click on this icon to center the information in the selected cells (see Fig. 1.6)
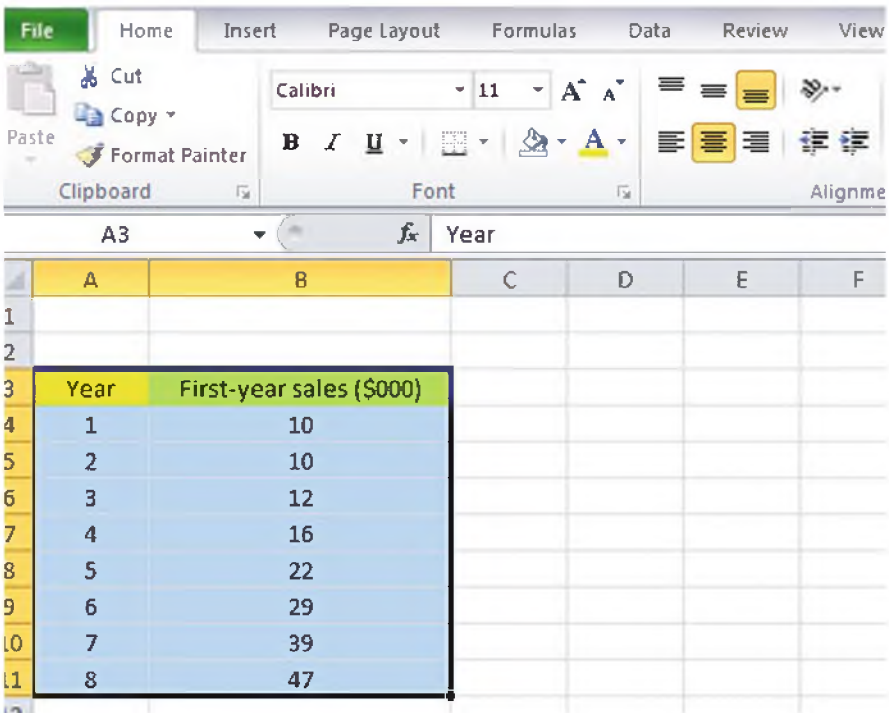
Fig. 1.6 Final result of centering information in the cells

Since you will need to refer to the first-year sales figures in your formulas, it will be much easier to do this if you "name the range of data" with a name instead of having to remember the exact cells (B4: B11) in which these figures are located. Let's call that group of cells Product, but we could give them any name that you want to use.

1.4.4 Naming a Range of Cells

> Objective: To name the range of data for the first-year sales figures with the name: Product

Highlight cells B4: B11 by left-clicking your mouse on B4 and dragging it down to B11
Formulas (top left of your screen)
Define Name (top center of your screen)
Product (type this name in the top box; see Fig. 1.7)
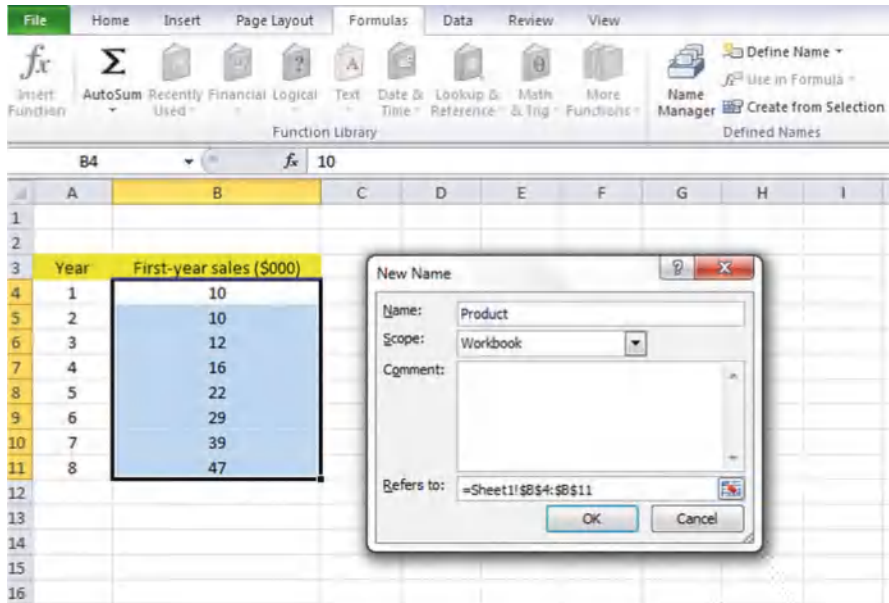
Fig. 1.7 Dialogue box for "naming a range of cells" with the name: Product

OK

Then, click on any cell of your spreadsheet that does not have any information in it (i.e., it is an "empty cell") to deselect cells B4:B11

Now, add the following terms to your spreadsheet:

E6:   n
E9:   Mean
E12: STDEV
E15: s.e. (see Fig. 1.8)

◢	A	B	C	D	E	F
1						
2						
3	Year	First-year sales ($000)				
4	1	10				
5	2	10				
6	3	12			n	
7	4	16				
8	5	22				
9	6	29			Mean	
10	7	39				
11	8	47				
12					STDEV	
13						
14						
15					s.e.	
16						

Fig. 1.8 Example of entering the sample size, Mean, STDEV, and s.e. labels

Note: Whenever you use a formula, you must add an equal sign (=) at the beginning of the name of the function so that Excel knows that you intend to use a formula.

1.4.5   Finding the Sample Size Using the =COUNT Function

Objective: To find the sample size (*n*) for these data using the =COUNT function

F6:   =COUNT(Product)

This command should insert the number 8 into cell F6 since there are eight first-year sales figures.

1.4.6 Finding the Mean Score Using the =AVERAGE Function

Objective: To find the mean sales figure using the =AVERAGE function

F9:   =AVERAGE(Product)

This command should insert the number 23.125 into cell F9.

1.4.7 Finding the Standard Deviation Using the =STDEV Function

Objective: To find the standard deviation (STDEV) using the =STDEV function

F12:   =STDEV(Product)

This command should insert the number 14.02485 into cell F12.

1.4.8 Finding the Standard Error of the Mean

Objective: To find the standard error of the mean using a formula for these eight data points

F15:   =F12/SQRT(8)

This command should insert the number 4.958533 into cell F15 (see Fig. 1.9).

	A	B	C	D	E	F	G
1							
2							
3	Year	First-year sales ($000)					
4	1	10					
5	2	10					
6	3	12			n	8	
7	4	16					
8	5	22					
9	6	29			Mean	23.125	
10	7	39					
11	8	47					
12					STDEV	14.02485	
13							
14							
15					s.e.	4.958533	
16							

Fig. 1.9 Example of using Excel formulas for sample size, Mean, STDEV, and s.e.

Important note: Throughout this book, be sure to double-check all of the figures in your spreadsheet to make sure that they are in the correct cells, or the formulas will not work correctly!

1.4.8.1   Formatting Numbers in Number Format (2 Decimal Places)

Objective: To convert the mean, STDEV, and s.e. to two decimal places

Highlight cells F9: F15

Home (top left of screen)

Look under "Number" at the top center of your screen. In the bottom right corner, gently place your mouse pointer on your screen at the bottom of the .00.0 until it says: "Decrease Decimals" (see Fig. 1.10)
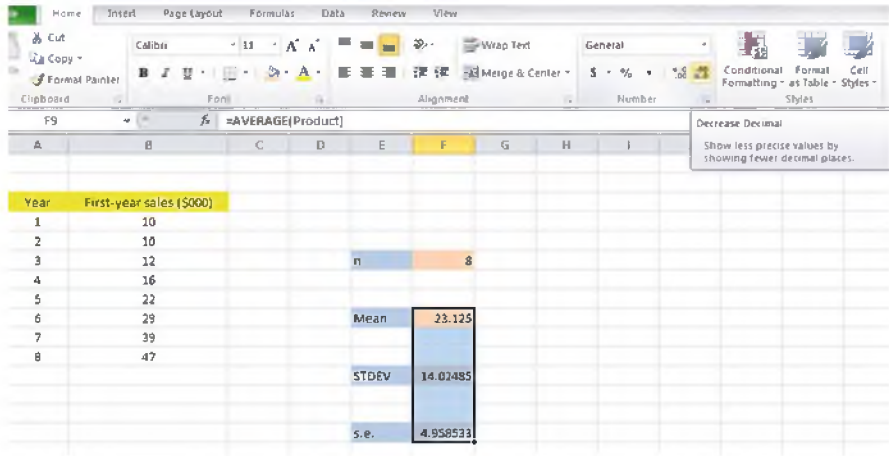
Fig. 1.10 Using the "Decrease Decimal Icon" to convert numbers to fewer decimal places

Click on this icon *once* and notice that the cells F9:F15 are now all in just two
   decimal places (see Fig. 1.11)

Fig. 1.11 Example of converting numbers to two decimal places

Important note: *The sales figures are in thousands of dollars ($000), so that the
mean is $23,130, the standard deviation is $14,020, and the standard error of
the mean is $4,960.*

Now, click on any "empty cell" on your spreadsheet to deselect cells F9 : F15.

1.5   Saving a Spreadsheet

Objective: To save this spreadsheet with the name: Product3

In order to save your spreadsheet so that you can retrieve it sometime in the future, your first decision is to decide "where" you want to save it. That is your decision and you have several choices. If it is your own computer, you can save it onto your hard drive (you need to ask someone how to do that on your computer). Or, you can save it onto a "CD" or onto a "flash drive." You then need to complete these steps:

File
Save as

(select the place where you want to save the file by scrolling either down or up the bar on the left, and click on the place where you want to save the file; for example: Documents: My Documents location)

File name: Product3 (enter this name to the right of File name; see Fig. 1.12)
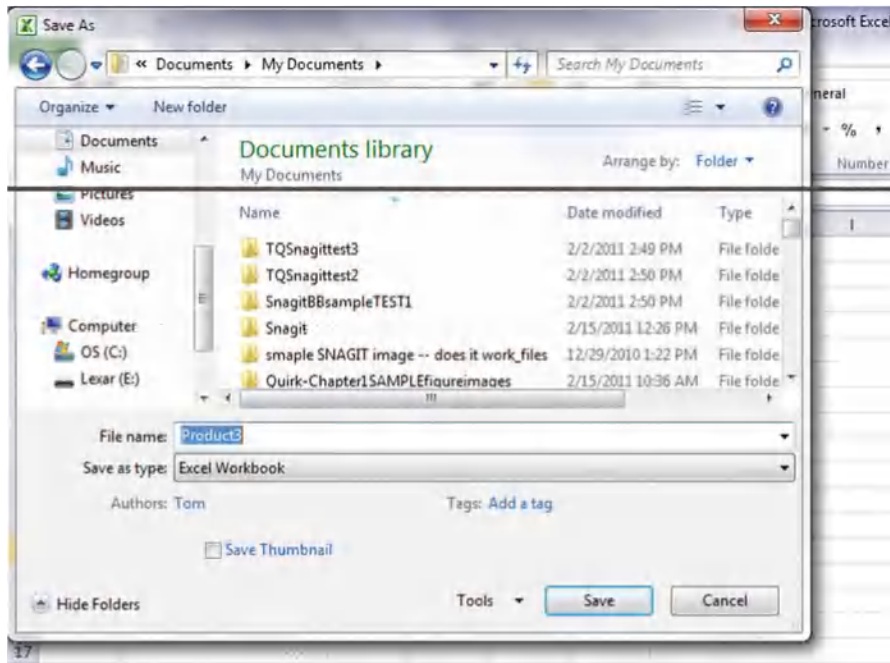
Fig. 1.12 Dialogue box of saving an Excel Workbook file as "Product3" in Documents: My Documents location

Save

Important note: *Be very careful to save your Excel file spreadsheet every few minutes so that you do not lose your information!*

1.6   Printing a Spreadsheet

Objective: To print the spreadsheet

Use the following procedure when printing any spreadsheet.

File
Print
Print Active Sheets (see Fig. 1.13)
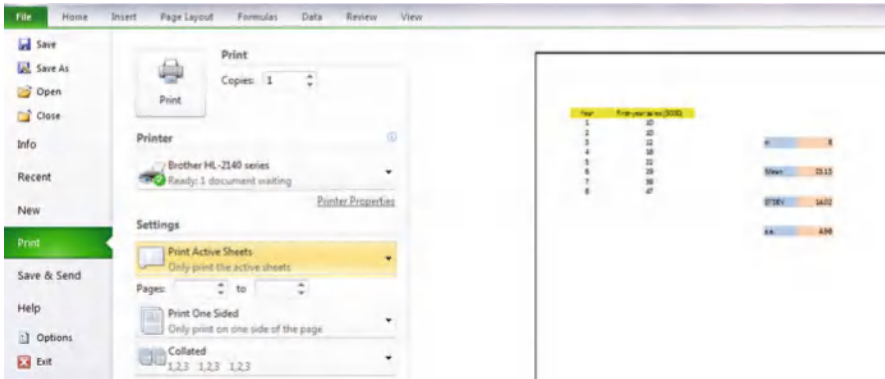
Fig. 1.13 Example of how to print an Excel worksheet using the File/Print/Print Active Sheets commands

Print (top of your screen)

The final spreadsheet is given in Fig 1.14

Year	First-year sales ($000)				
1	10				
2	10				
3	12			n	8
4	16				
5	22				
6	29			Mean	23.13
7	39				
8	47				
				STDEV	14.02
				s.e.	4.96

Fig. 1.14 Final result of printing an Excel spreadsheet

Before you leave this chapter, let's practice changing the format of the figures on a spreadsheet with two examples: (1) using two decimal places for figures that are dollar amounts, and (2) using three decimal places for figures.

Close your spreadsheet by: File/Close, and open a blank Excel spreadsheet by using File/New/Create (on the far right of your screen).

1.7 Formatting Numbers in Currency Format (2 Decimal Places)

Objective: To change the format of figures to dollar format with two decimal places

A3: Price
A4: 1.25
A5: 3.45
A6: 12.95

Home
Highlight cells A4:A6 by left-clicking your mouse on A4 and dragging it down so that these three cells are highlighted in a darker color
Number (top center of screen: click on the down arrow on the right; see Fig. 1.15)
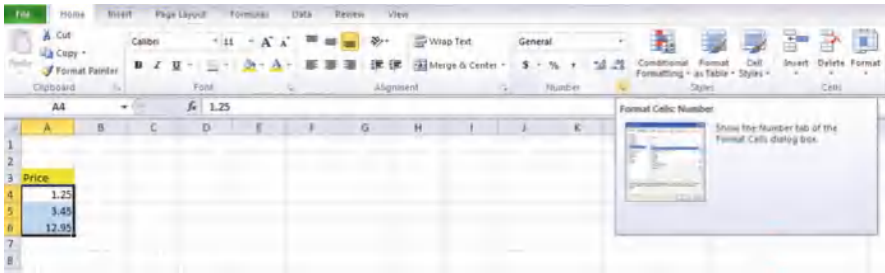
Fig. 1.15   Dialogue box for number format choices

Category: Currency
Decimal places: 2 (then see Fig. 1.16)
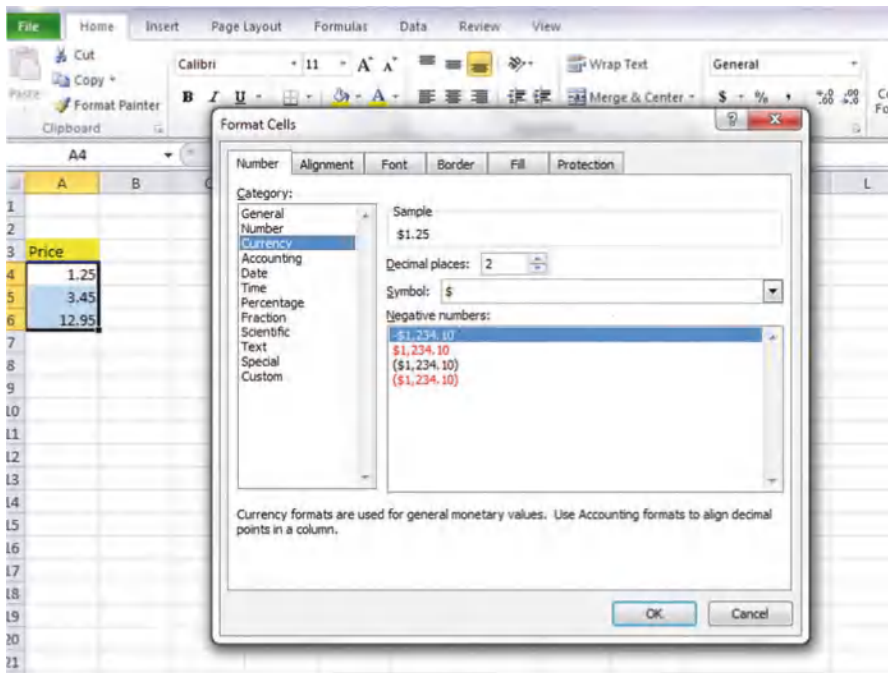
Fig. 1.16   Dialogue box for currency (2 decimal places) format for numbers

OK

The three cells should have a dollar sign in them and be in two decimal places.

Next, let's practice formatting figures in number format, three decimal places.

1.8   Formatting Numbers in Number Format (3 Decimal Places)

Objective: To format figures in number format, three decimal places

Home
Highlight cells A4:A6 on your computer screen
Number (click on the down arrow on the right)
Category: number
At the right of the box, change two decimal places to three decimal places by clicking on the "up arrow" once
OK

The three figures should now be in number format, each with three decimals.

Now, click on any blank cell to deselect cells A4:A6. Then, close this file by File/ Close/Don't Save (since there is no need to save this practice problem).

You can use these same commands to format a range of cells in percentage format (and many other formats) to whatever number of decimal places you want to specify.

1.9   End-of-Chapter Practice Problems

1. Suppose that you have selected a random sample from last week's customers at Wal-Mart. You then created Fig. 1.17:

DOLLAR SALES PER CUSTOMER LAST WEEK
127.12
140.45
104.64
80.06
114.07
109.35
117.28
72.84
67.67
79.85
109.96
117.13
85.25
149.36
147.57
153.54
118.76
69.86
154.47
154.88
109.44
97.36
87.55
154.85
143.82
145.55
142.33
122.57
128.75

Fig. 1.17 Worksheet data for Chap. 1: Practice Problem #1

(a) Use Excel to the right of the table to find the sample size, mean, standard deviation, and standard error of the mean for these data. Label your answers, and round off the mean, standard deviation, and standard error of the mean to two decimal places; use currency format for these three figures.

(b) Print the result on a separate page.

(c) Save the file as: WAL6

2. Suppose that the Human Resources department of your company has administered a "Morale Survey" to all middle-level managers and that you have been asked to summarize the results of the survey. You have decided to test your Excel skills on one item to see if you can do this assignment correctly, and you have selected item #21 to test out your skills. The data are given in Fig. 1.18.

HUMAN RESOURCES MORALE SURVEY								
Item #21: "Management is doing a good job of keeping employee morale at a high level."								
1	2	3	4	5	6	7		
Disagree						Agree		
			Rating					
			3					
			6					
			5					
			7					
			2					
			3					
			6					
			5					
			4					
			7					
			6					
			1					
			3					
			2					
			4					
			5					
			6					
			4					
			5					
			3					
			6					
			4					
			7					

Fig. 1.18 Worksheet data for Chap. 1: Practice Problem #2

(a) Use Excel to create a table of these ratings, and at the right of the table use Excel to find the sample size, mean, standard deviation, and standard error of the mean for these data. Label your answers, and round off the mean, standard deviation, and standard error of the mean to two decimal places using number format.
(b) Print the result on a separate page.
(c) Save the file as: MORALE4

3. Suppose that you have been hired to do analysis of data from the previous 18 days at a Ford assembly plant that produces Ford Focus automobiles. The plant manager wants you to summarize the number of defects per day of this car produced during this 3-week period. A "defect" is defined as any irregularity of the car at the end of the production line that requires the car to be brought off the line and repaired before it is shipped to a dealer. The data from the previous 3 weeks are given in Fig. 1.19:

Fig. 1.19 Worksheet data for Chap. 1: Practice Problem #3

Ford Motor Co.				
Number of defects per day for the Ford Focus				
	Day	No. of defects		
	1	6		
	2	8		
	3	14		
	4	12		
	5	6		
	6	8		
	7	23		
	8	17		
	9	14		
	10	16		
	11	18		
	12	12		
	13	13		
	14	15		
	15	8		
	16	6		
	17	9		
	18	10		

(a) Use Excel to create a table for these data, and at the right of the table, use Excel to find the sample size, mean, standard deviation, and standard error of the mean for these data. Label your answers, and round off the mean, standard deviation, and standard error of the mean to three decimal places using number format.
(b) Print the result on a separate page.
(c) Save the file as: DEFECTS4

Reference

Weiers, R.M. Introduction to Business Statistics (7th ed.). Mason, OH: South-Western Cengage Learning, 2011.

Chapter 2
Random Number Generator

Suppose that you wanted to take a random sample of five of your company's 32 salespeople using Excel so that you could interview these five salespeople about their job satisfaction at your company.

To do that, you need to define a "sampling frame." A sampling frame is a list of people from which you want to select a random sample. This frame starts with the identification code (ID) of the number 1 that is assigned to the name of the first salesperson in your list of 32 salespeople in your company. The second salesperson has a code number of 2, the third a code number of 3, and so forth until the last salesperson has a code number of 32.

Since your company has 32 salespeople, your sampling frame would go from 1 to 32 with each salesperson having a unique ID number.

We will first create the frame numbers as follows in a new Excel worksheet:

2.1 Creating Frame Numbers for Generating Random Numbers

Objective: To create the frame numbers for generating random numbers

A3: FRAME NO.
A4: 1

Now, create the frame numbers in column A with the Home/Fill commands that were explained in the first chapter of this book (see Sect. 1.4.1), so that the frame numbers go from 1 to 32, with the number 32 in cell A35. If you need to be reminded about how to do that, here are the steps:

Click on cell A4 to select this cell
Home
Fill (then click on the "down arrow" next to this command and select)
Series (see Fig. 2.1)
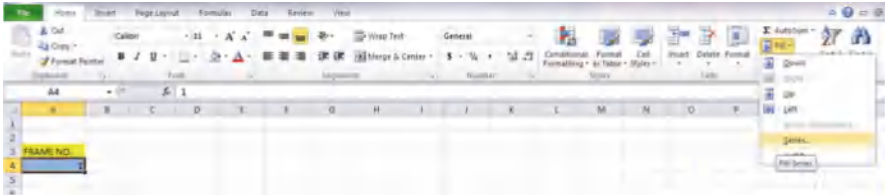
Fig. 2.1 Dialogue Box for Fill/Series commands

Columns
Step value: 1
Stop value: 32 (see Fig. 2.2)
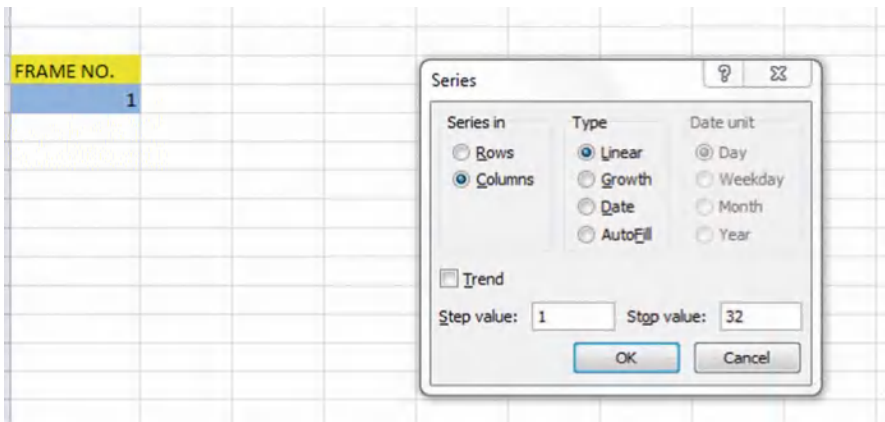
Fig. 2.2 Dialogue box for Fill/Series/Columns/Step value/ Stop value commands

OK

Then, save this file as: Random2. You should obtain the result in Fig. 2.3.

Fig. 2.3 Frame numbers
from 1 to 32

FRAME NO.			
1			
2			
3			
4			
5			
6			
7			
8			
9			
10			
11			
12			
13			
14			
15			
16			
17			
18			
19			
20			
21			
22			
23			
24			
25			
26			
27			
28			
29			
30			
31			
32			

Now, create a column next to these frame numbers in this manner:

B3: DUPLICATE FRAME NO.
B4: 1

Next, use the Home/Fill command again, so that the 32 frame numbers begin in cell B4 and end in cell B35. Be sure to widen the columns A and B so that all of the information in these columns fits inside the column width. Then, center the information inside both Column A and Column B on your spreadsheet. You should obtain the information given in Fig. 2.4.

FRAME NO.	DUPLICATE FRAME NO.			
1	1			
2	2			
3	3			
4	4			
5	5			
6	6			
7	7			
8	8			
9	9			
10	10			
11	11			
12	12			
13	13			
14	14			
15	15			
16	16			
17	17			
18	18			
19	19			
20	20			
21	21			
22	22			
23	23			
24	24			
25	25			
26	26			
27	27			
28	28			
29	29			
30	30			
31	31			
32	32			

Fig. 2.4 Duplicate frame numbers from 1 to 32

Save this file as: Random3

You are probably wondering why you created the same information in both Column A and Column B of your spreadsheet. This is to make sure that before you sort the frame numbers that you have exactly 32 of them when you finish sorting them into a random sequence of 32 numbers.

Now, let's add a random number to each of the duplicate frame numbers as follows:

2.2   Creating Random Numbers in an Excel Worksheet

C3: RANDOM NO.
    (then widen columns A, B, C so that their labels fit inside the
    columns; then center the information in A3:C35)
C4: =RAND()
Next, hit the Enter key to add a random number to cell C4.

Note that you need *both* an open parenthesis *and* a closed parenthesis after
=*RAND*(). The RAND command "looks to the left of the cell with the RAND()
COMMAND in it" and assigns a random number to that cell.

   Now, put the pointer using your mouse in cell C4 and then move the pointer to
the bottom right corner of that cell until you see a "plus sign" in that cell. Then,
click and drag the pointer down to cell C35 to add a random number to all 32 ID
frame numbers (see Fig. 2.5).

FRAME NO.	DUPLICATE FRAME NO.	RANDOM NO.		
1	1	0.690332931		
2	2	0.022334603		
3	3	0.89452184		
4	4	0.981573849		
5	5	0.698381228		
6	6	0.611413628		
7	7	0.013551391		
8	8	0.036862479		
9	9	0.412932328		
10	10	0.460808373		
11	11	0.533416136		
12	12	0.988470378		
13	13	0.097821358		
14	14	0.881481661		
15	15	0.352287507		
16	16	0.344014139		
17	17	0.084570168		
18	18	0.467909507		
19	19	0.904917153		
20	20	0.252482436		
21	21	0.788783634		
22	22	0.592964999		
23	23	0.946665187		
24	24	0.214249616		
25	25	0.509340791		
26	26	0.439105519		
27	27	0.086378662		
28	28	0.975489923		
29	29	0.120077924		
30	30	0.216062043		
31	31	0.353995884		
32	32	0.558171248		

Fig. 2.5 Example of random numbers assigned to the duplicate frame numbers

Then, click on any empty cell to deselect C4:C35 to remove the dark color highlighting these cells.

Save this file as: Random3A

Now, let's sort these duplicate frame numbers into a random sequence:

2.3 Sorting Frame Numbers into a Random Sequence

Objective: To sort the duplicate frame numbers into a random sequence

Highlight cells B3: C35 (include the labels at the top of columns B and C)
Data (top of screen)
Sort (click on this word at the top center of your screen; see Fig. 2.6)
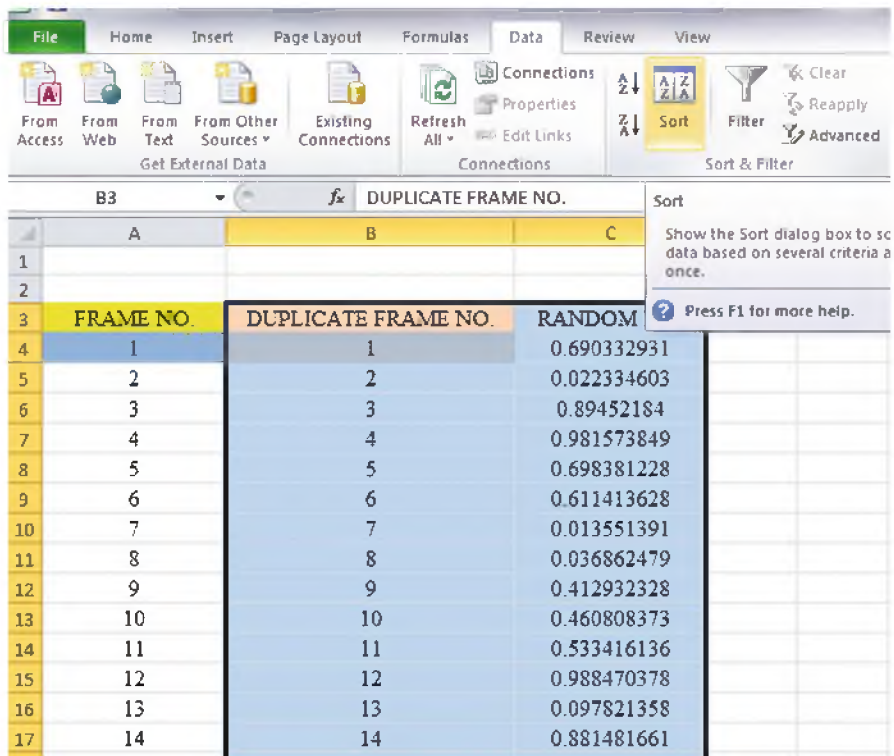
Fig. 2.6 Dialogue box for Data/Sort commands

Sort by: RANDOM NO. (click on the down arrow)
Smallest to Largest (see Fig. 2.7)

Fig. 2.7   Dialogue box for Data/Sort/RANDOM NO./Smallest to Largest commands

OK

Click on any empty cell to deselect B3:C35.
Save this file as: Random4
Print this file now.

These steps will produce Fig. 2.8 with the DUPLICATE FRAME NUMBERS
sorted into a random order:

*Important note: Because Excel randomly assigns these random numbers, your
Excel commands will produce a different sequence of random numbers from
everyone else who reads this book!*

FRAME NO.	DUPLICATE FRAME NO.	RANDOM NO.		
1	7	0.343261283		
2	2	0.929607291		
3	8	0.914304212		
4	17	0.903618324		
5	27	0.257228182		
6	13	0.456204036		
7	29	0.390622986		
8	24	0.222210116		
9	30	0.432155483		
10	20	0.219982266		
11	16	0.842461398		
12	15	0.3781508		
13	31	0.694049089		
14	9	0.939764564		
15	26	0.075689667		
16	10	0.302227714		
17	18	0.468687794		
18	25	0.148502036		
19	11	0.49462371		
20	32	0.87719372		
21	22	0.413151766		
22	6	0.094310793		
23	1	0.962115342		
24	5	0.528964967		
25	21	0.401140496		
26	14	0.403327013		
27	3	0.865025638		
28	19	0.517332393		
29	23	0.968085821		
30	28	0.647609375		
31	4	0.670143403		
32	12	0.09483352		

Fig. 2.8 Duplicate frame numbers sorted by random number

Because your objective at the beginning of this chapter was to select randomly 5 of your company's 32 salespeople for a personal interview, you now can do that by selecting the *first five ID numbers* in DUPLICATE FRAME NO. column after the sort.

Although your first five random numbers will be different from those we have selected in the random sort that we did in this chapter, we would select these five IDs of salespeople to interview using Fig. 2.9.

7, 2, 8, 17, 27

FRAME NO.	DUPLICATE FRAME NO.	RANDOM NO.
1	7	0.343261283
2	2	0.929607291
3	8	0.914304212
4	17	0.903618324
5	27	0.257228182
6	13	0.456204036
7	29	0.390622986
8	24	0.222210116
9	30	0.432155483
10	20	0.219982266
11	16	0.842461398
12	15	0.3781508
13	31	0.694049089
14	9	0.939764564
15	26	0.075689667
16	10	0.302227714
17	18	0.468687794
18	25	0.148502036
19	11	0.49462371
20	32	0.87719372
21	22	0.413151766
22	6	0.094310793
23	1	0.962115342
24	5	0.528964967
25	21	0.401140496
26	14	0.403327013
27	3	0.865025638
28	19	0.517332393
29	23	0.968085821
30	28	0.647609375
31	4	0.670143403
32	12	0.09483352

Fig. 2.9 First five salespeople selected randomly

Remember, your five ID numbers selected after your random sort will be different from the five ID numbers in Fig. 2.9 because Excel assigns a different random number *each time the =RAND() command is given.*

Before we leave this chapter, you need to learn how to print a file so that all of the information on that file fits onto a single page without "dribbling over" onto a second or third page.

2.4 Printing an Excel File So That All of the Information Fits onto One Page

Objective: To print a file so that all of the information fits onto one page

Note that the three practice problems at the end of this chapter require you to sort random numbers when the files contain 63 customers, 114 counties of the state of Missouri, and 76 key accounts, respectively. These files will be "too big" to fit onto one page when you print them unless you format these files so that they fit onto a single page when you print them.

Let's create a situation where the file does not fit onto one printed page unless you format it first to do that.

Go back to the file you just created, Random 4, and enter the name: *Jennifer* into cell: A50.

If you printed this file now, the name, *Jennifer*, would be printed onto a second page because it "dribbles over" outside of the page rage for this file in its current format.

So, you would need to change the page format so that all of the information, including the name, Jennifer, fits onto just one page when you print this file by using the following steps:

Page Layout (top left of the computer screen)

(Notice the "Scale to Fit" section in the center of your screen; see Fig. 2.10)
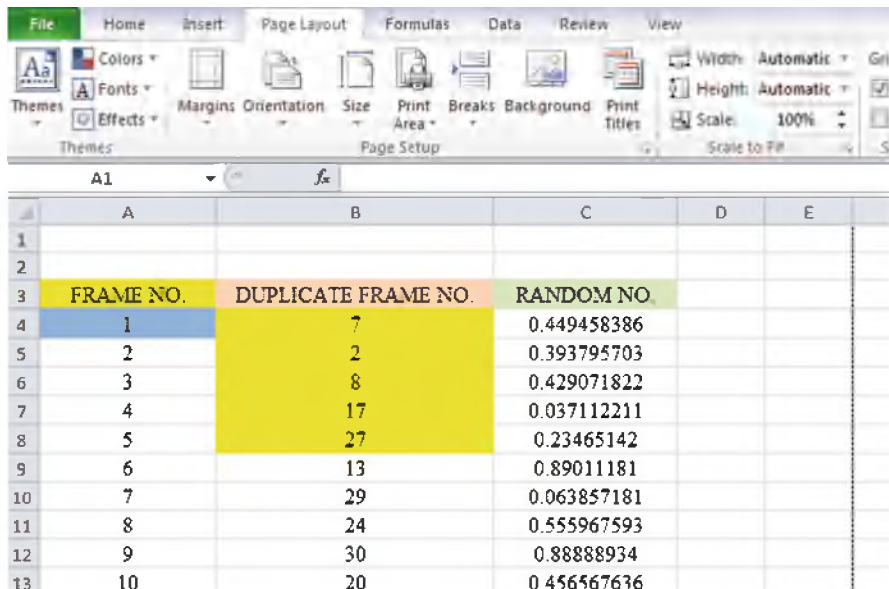
Fig. 2.10 Dialogue box for page Layout/Scale-to-Fit commands

Hit the down arrow to the right of 100% *once* to reduce the size of the page to 95%

Now, note that the name, Jennifer, is still on a second page on your screen because her name is below the horizontal dotted line on your screen in Fig. 2.11 (the dotted lines tell you outline dimensions of the file if you printed it now).
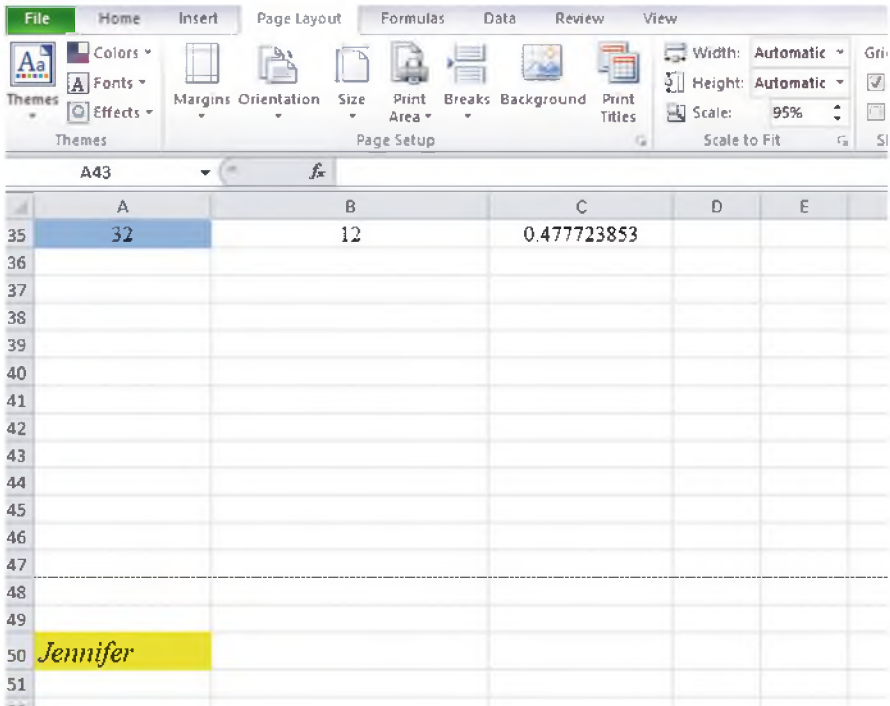
Fig. 2.11 Example of scale reduced to 95% with "Jennifer" to be printed on a second page

So, you need to repeat the "scale change steps" by hitting the down arrow on the right once more to reduce the size of the worksheet to 90% of its normal size.

Notice that the "dotted lines" on your computer screen in Fig. 2.12 are now below Jennifer's name to indicate that all of the information, including her name, is now formatted to fit onto just one page when you print this file.
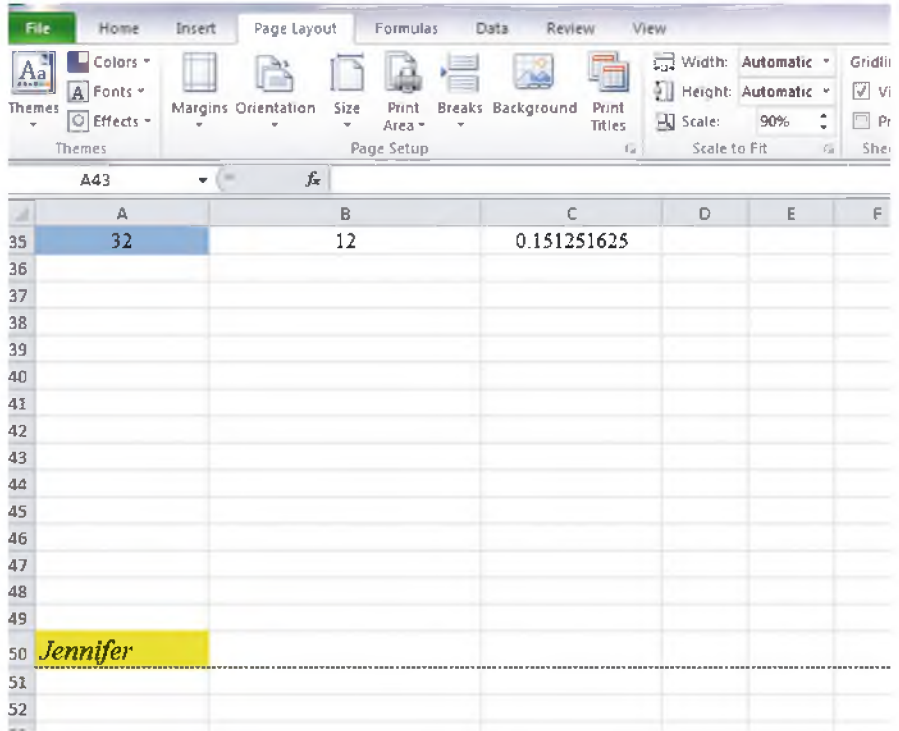
Fig. 2.12 Example of scale reduced to 90% with "Jennifer" to be printed on the first page (note the *dotted line* below Jennifer on your screen)

Save the file as: Random4A
Print the file. Does it all fit onto one page? It should (see Fig. 2.13).

FRAME NO.	DUPLICATE FRAME NO.	RANDOM NO.		
1	7	0.661660768		
2	2	0.408218127		
3	8	0.360146461		
4	17	0.547997374		
5	27	0.821419485		
6	13	0.654126828		
7	29	0.704348993		
8	24	0.687297652		
9	30	0.577967707		
10	20	0.0981433		
11	16	0.609199142		
12	15	0.287862572		
13	31	0.435789306		
14	9	0.104459646		
15	26	0.805430237		
16	10	0.039516242		
17	18	0.734135176		
18	25	0.566571959		
19	11	0.381795818		
20	32	0.11660887		
21	22	0.891887278		
22	6	0.370903093		
23	1	0.109567029		
24	5	0.94724966		
25	21	0.650861462		
26	14	0.678153692		
27	3	0.081214079		
28	19	0.421424271		
29	23	0.817358479		
30	28	0.573849656		
31	4	0.597010138		
32	12	0.853493587		
Jennifer				

Fig. 2.13 Final spreadsheet of 90% scale to fit

2.5   End-of-Chapter Practice Problems

1. Suppose that you wanted to do a "customer satisfaction phone survey" of 15 of 63 customers who purchased at least $1,000 worth of merchandise from your company during the last 60 days.

   (a) Set up a spreadsheet of frame numbers for these customers with the heading: FRAME NUMBERS using the Home/Fill commands.
   (b) Then, create a separate column to the right of these frame numbers which duplicates these frame numbers with the title: Duplicate frame numbers
   (c) Then, create a separate column to the right of these duplicate frame numbers and use the =RAND() function to assign random numbers to all of the frame numbers in the duplicate frame numbers column, and change this column format so that 3 decimal places appear for each random number
   (d) Sort the duplicate frame numbers and random numbers into a random order
   (e) Print the result so that the spreadsheet fits onto one page
   (f) Circle on your printout the I.D. number of the first 15 customers that you would call in your phone survey
   (g) Save the file as: RAND9

   Important note: Note that everyone who does this problem will generate a different random order of customer ID numbers since Excel assigns a different random number each time the RAND() command is used. For this reason, the answer to this problem given in this Excel Guide will have a completely different sequence of random numbers from the random sequence that you generate. This is normal and what is to be expected.

2. Suppose that you wanted to do a random sample of 10 of the 114 counties in the state of Missouri as requested by a political pollster who wants to select registered voters by county in Missouri for a phone survey of their voting preferences in the next election. You know that there are 114 counties in Missouri because you have accessed the Web site for the U.S. census (U.S. Census Bureau 2000). For your information, the United States has a total of 3,140 counties in its 50 states (U.S. Census Bureau 2000).

   (a) Set up a spreadsheet of frame numbers for these counties with the heading: FRAME NO.
   (b) Then, create a separate column to the right of these frame numbers which duplicates these frame numbers with the title: Duplicate frame no.
   (c) Then, create a separate column to the right of these duplicate frame numbers entitled "Random number" and use the =RAND() function to assign random numbers to all of the frame numbers in the duplicate frame numbers column. Then, change this column format so that 3 decimal places appear for each random number
   (d) Sort the duplicate frame numbers and random numbers into a random order
   (e) Print the result so that the spreadsheet fits onto one page

    (f) Circle on your printout the I.D. number of the first ten counties that the pollster would call in his phone survey

    (g) Save the file as: RANDOM6

3. Suppose that your Sales department at your company wants to do a "customer satisfaction survey" of 20 of your company's 76 "key accounts." Suppose, further, that your Sales Vice President has defined a key account as a customer who purchased at least $30,000 worth of merchandise from your company in the past 90 days.

    (a) Set up a spreadsheet of frame numbers for these customers with the heading: FRAME NUMBERS.

    (b) Then, create a separate column to the right of these frame numbers which duplicates these frame numbers with the title: Duplicate frame numbers

    (c) Then, create a separate column to the right of these duplicate frame numbers entitled "Random number" and use the =RAND() function to assign random numbers to all of the frame numbers in the duplicate frame numbers column. Then, change this column format so that 3 decimal places appear for each random number

    (d) Sort the duplicate frame numbers and random numbers into a random order

    (e) Print the result so that the spreadsheet fits onto one page

    (f) Circle on your printout the I.D. number of the first 20 customers that your Sales Vice President would call for his phone survey

    (g) Save the file as: RAND5

Reference

U.S. Census Bureau Census 2000 PHC-T-4. Ranking tables for counties 1990 and 2000. Retrieved from http://www.census.gov/population/www/cen2000/briefs/phc-t4/tables/tab01.pdf

Chapter 3
Confidence Interval About the Mean Using the TINV Function and Hypothesis Testing

This chapter focuses on two ideas: (1) finding the 95% confidence interval about the mean, and (2) hypothesis testing.

Let's talk about the confidence interval first.

3.1 Confidence Interval About the Mean

In statistics, we are always interested in *estimating the population mean*. How do we do that?

3.1.1 How to Estimate the Population Mean

Objective: To estimate the population mean, μ

Remember that the population mean is the average of all of the people in the target population. For example, if we were interested in how well adults aged 25–44 liked a new flavor of Ben & Jerry's ice cream, we could never ask this question to all of the people in the U.S. who were in that age group. Such a research study would take way too much time to complete and the cost of doing that study would be prohibitive.

So, instead of testing *everyone* in the population, we take a sample of people in the population and use the results of this sample to estimate the mean of the entire population. This saves both time and money. When we use the results of a sample to estimate the population mean, this is called "*inferential statistics*" because we are inferring the population mean from the sample mean.

When we study a sample of people in business research, we know the size of our sample (n), the mean of our sample ($\bar{X}$), and the standard deviation of our sample (STDEV). We use these figures to estimate the population mean with a test called the "confidence interval about the mean."

3.1.2   Estimating the Lower Limit and the Upper Limit of the 95% Confidence Interval About the Mean

The theoretical background of this test is beyond the scope of this book, and you can learn more about this test from studying any good statistics textbook (e.g., Levine 2011), but the basic ideas are as follows.

We assume that the population mean is somewhere in an interval, which has a "lower limit" and an "upper limit" to it. We also assume in this book that we want to be "95% confident" that the population mean is inside this interval somewhere. So, we intend to make the following type of statement:

> "We are 95% confident that the population mean in miles per gallon (mpg) for the Chevy Impala automobile is between 26.92 and 29.42 mpg."

If we want to create a billboard for this car that claims that this car gets 28 miles per gallon (mpg), we can do that because 28 is *inside the 95% confidence interval* in our research study in the above example. We do not know exactly what the population mean is, only that it is somewhere between 26.92 and 29.42 mpg, and 28 is inside this interval.

But we are only 95% confident that the population mean is inside this interval, and 5% of the time we will be wrong in assuming that the population mean is 28 mpg.

But, for our purposes in business research, we are happy to be 95% confident that our assumption is accurate. We should also point out that 95% is an arbitrary level of confidence for our results. We could choose to be 80% confident, or 90% confident, or even 99% confident in our results if we wanted to do that. But, in this book, *we will always assume that we want to be 95% confident of our results.* That way, you will not have to guess on how confident you want to be in any of the problems in this book. We will always want to be 95% confident of our results in this book.

So, how do we find the 95% confidence interval about the mean for our data? In words, we will find this interval this way:

> "Take the sample mean ($\bar{X}$), *and add to it* 1.96 times the standard error of the mean (s.e.) to get the upper limit of the confidence interval. Then, take the sample mean, *and subtract from it* 1.96 times the standard error of the mean to get the lower limit of the confidence interval."

You will remember (see Sect. 1.3) that the standard error of the mean (s.e.) is found by dividing the standard deviation of our sample (STDEV) by the square root of our sample size, n.

In mathematical terms, the formula for the 95% confidence interval about the mean is:

$$\bar{X} \pm 1.96 \text{ s.e.} \tag{3.1}$$

Note that the "$\pm$ *sign*" stands for "plus or minus," and this means that you first add 1.96 times the s.e. to the mean to get the upper limit of the confidence interval, and then subtract 1.96 times the s.e. from the mean to get the lower limit of the confidence interval. Also, the symbol 1.96 s.e. means that you multiply 1.96 times the standard error of the mean to get this part of the formula for the confidence interval.

Note: We will explain shortly where the number 1.96 came from.

Let's try a simple example to illustrate this formula.

3.1.3   Estimating the Confidence Interval for the Chevy Impala in Miles Per Gallon

Let's suppose that you asked owners of the Chevy Impala to keep track of their mileage and the number of gallons used for two tanks of gas. Let's suppose that 49 owners did this, and that they average 27.83 miles per gallon (mpg) with a standard deviation of 3.01 mpg. The standard error (s.e.) would be 3.01 divided by the square root of 49 (i.e., 7) which gives a s.e. equal to 0.43.

The 95% confidence interval for these data would be:

$$27.83 \pm 1.96(0.43)$$

The *upper limit of this confidence interval* uses the plus sign of the $\pm$ sign in the formula. Therefore, the upper limit would be:

$$27.83 + 1.96(0.43) = 27.83 + 0.84 = 28.67 \text{ mpg}$$

Similarly, *the lower limit of this confidence interval* uses the minus sign of the $\pm$ sign in the formula. Therefore, the lower limit would be:

$$27.83 - 1.96(0.43) = 27.83 - 0.84 = 26.99 \text{ mpg}$$

The result of our research study would, therefore, be the following:

"We are 95% confident that the population mean for the Chevy Impala is somewhere between 26.99 and 28.67 mpg."

If we were planning to create a billboard that claimed that this car got 28 mpg, we would be able to do that based on our data, since 28 is inside of this 95% confidence interval for the population mean.

You are probably asking yourself: "Where did that 1.96 in the formula come from?"

3.1.4   Where Did the Number "1.96" Come From?

A detailed mathematical answer to that question is beyond the scope of this book, but here is the basic idea.

We make an assumption that the data in the population are "normally distributed" in the sense that the population data would take the shape of a "normal curve" if we could test all of the people in the population. The normal curve looks like the outline of the Liberty Bell that sits in front of Independence Hall in Philadelphia, Pennsylvania. The normal curve is "symmetric" in the sense that if we cut it down the middle, and folded it over to one side, the half that we folded over would fit perfectly onto the half on the other side.

A discussion of integral calculus is beyond the scope of this book, but essentially we want to find the lower limit and the upper limit of the population data in the normal curve so that 95% of the area under this curve is between these two limits. *If we have more than 40 people in our research study*, the value of these limits is plus or minus 1.96 times the standard error of the mean (s.e.) of our sample. The number 1.96 times the s.e. of our sample gives us the upper limit and the lower limit of our confidence interval. If you want to learn more about this idea, you can consult a good statistics book (e.g., Salkind 2010).

The number 1.96 would change if we wanted to be confident of our results at a different level from 95% as long as we have more than 40 people in our research study.

For example:

1. If we wanted to be 80% confident of our results, this number would be 1.282.
2. If we wanted to be 90% confident of our results, this number would be 1.645.
3. If we wanted to be 99% confident of our results, this number would be 2.576.

But since we always want to be 95% confident of our results in this book, we will always use 1.96 in this book whenever we have more than 40 people in our research study.

By now, you are probably asking yourself: "Is this number in the confidence interval about the mean always 1.96?" The answer is: "No!", and we will explain why this is true now.

3.1.5   Finding the Value for t in the Confidence Interval Formula

Objective: To find the value for *t* in the confidence interval formula

The correct formula for the confidence interval about the mean for different sample sizes is the following:

$$\bar{X} \pm t \text{ s.e.} \tag{3.2}$$

To use this formula, you find the sample mean, $\bar{X}$, *and add to it the value of t times the s.e. to get the upper limit* of this 95% confidence interval. Also, you take the sample mean, $\bar{X}$, and *subtract from it the value of t times the s.e. to get the lower limit* of this 95% confidence interval. And, you find the value of t in the table given in Appendix E of this book in the following way:

Objective: To find the value of t in the t-table in Appendix E

Before we get into an explanation of what is meant by "the value of t," let's give you practice in finding the value of t by using the t-table in Appendix E.

Keep your finger on Appendix E as we explain how you need to "read" that table.

Since the test in this chapter is called the "confidence interval about the mean test," you will use the first column on the left in Appendix E to find the critical value of t for your research study (note that this column is headed: "sample size n").

To find the value of t, you go down this first column until you find the sample size in your research study, and then you go to the right and read the value of t for that sample size in the "critical t column" of the table (note that this column is the column that you would use for the 95% confidence interval about the mean).

For example, if you have 14 people in your research study, the value of t is 2.160.

If you have 26 people in your research study, the value of t is 2.060.

If you have more than 40 people in your research study, the value of t is always 1.96.

Note that the "critical t column" in Appendix E represents the value of t that you need to use to obtain to be 95% confident of your results as "significant" results.

Throughout this book, we are assuming that you want to be 95% confident in the results of your statistical tests. Therefore, the value for t in the t-table in Appendix E tells you which value you should use for t when you use the formula for the 95% confidence interval about the mean.

Now that you know how to find the value of t in the formula for the confidence interval about the mean, let's explore how you find this confidence interval using Excel.

3.1.6 Using Excel's TINV Function to Find the Confidence Interval About the Mean

---

Objective: To use the TINV function in Excel to find the confidence interval about the mean

---

When you use Excel, the formulas for finding the confidence interval are:

$$\text{Lower limit: } = \bar{X} - \text{TINV}(1 - 0.95, \; n - 1) * \text{s.e.}$$
$$\text{(no spaces between these symbols)} \tag{3.3}$$

$$\text{Upper limit: } = \bar{X} + \text{TINV}(1 - 0.95, n - 1) * \text{s.e.}$$
$$\text{(no spaces between these symbols)} \tag{3.4}$$

Note that the "* *symbol*" in this formula tells Excel to use the multiplication step in the formula, and it stands for "times" in the way we talk about multiplication.

You will recall from Chap. 1 that n stands for the sample size, and so $n - 1$ stands for the sample size minus one.

You will also recall from Chap. 1 that the standard error of the mean, s.e., equals the STDEV divided by the square root of the sample size, n (See Sect. 1.3).

Let's try a sample problem using Excel to find the 95% confidence interval about the mean for a problem.

General Motors claimed that its Chevy Impala (Anonymous 2005) achieved 28 miles per gallon (mpg) on the highway. A billboard in St. Louis at the Vandeventer entrance to Route 44 soon after this proclaimed: "The new Chevy Impala gets 28 miles to the gallon." This same advertisement claim also appeared in *Time* magazine over a several month period. Let's call 28 mpg the "reference value" for this car.

Suppose that you work for Ford Motor Co. and that you want to check this claim to see if it holds up based on some research evidence. You decide to collect some data and to use a two-side 95% confidence interval about the mean to test your results:

3.1.7   Using Excel to Find the 95% Confidence Interval for a Car's Miles Per Gallon Claim

Objective: To analyze the data using a two-side 95% confidence interval about the mean

You select a sample of new car owners for this car and they agree to keep track of their mileage for two tanks of gas and to record the average miles per gallon they achieve on these two tanks of gas. Your research study produces the results given in Fig. 3.1:

Chevy Impala				
Miles per gallon				
30.9				
24.5				
31.2				
28.7				
35.1				
29.0				
28.8				
23.1				
31.0				
30.2				
28.4				
29.3				
24.2				
27.0				
26.7				
31.0				
23.5				
29.4				
26.3				
27.5				
28.2				
28.4				
29.1				
21.9				
30.9				

Fig. 3.1 Worksheet data for Chevy Impala (practical example)

Create a spreadsheet with these data and use Excel to find the sample size (n), the mean, the standard deviation (STDEV), and the standard error of the mean (s.e.) for these data using the following cell references.

A3: Chevy Impala
A5: Miles per gallon
A6: 30.9
Enter the other mpg data in cells A7:A30
    Now, highlight cells A6:A30 and format these numbers in number format (one decimal place). Center these numbers in Column A. Then, widen columns A and B by making both of them twice as wide as the original width of column A. Then, widen column C so that it is three times as wide as the original width of column A so that your table looks more professional.
 C7: n
C10: Mean
C13: STDEV
C16: s.e.
C19: 95% confidence interval
D21: Lower limit:
D23: Upper limit: (see Fig. 3.2)

Chevy Impala					
Miles per gallon					
30.9					
24.5		n			
31.2					
28.7					
35.1		Mean			
29.0					
28.8					
23.1		STDEV			
31.0					
30.2					
28.4		s.e			
29.3					
24.2					
27.0		95% confidence interval			
26.7					
31.0				Lower limit:	
23.5					
29.4				Upper Limit:	
26.3					
27.5					
28.2					
28.4					
29.1					
21.9					
30.9					

Fig. 3.2 Example of Chevy Impala format for the confidence interval about the mean labels

B26: Draw a picture below this confidence interval

B28: 26.92

B29: lower

B30: limit

C28: '- - - - - - - - 28 - - - - - - - -28.17 - - - - - - - - - - - (note that you need to begin cell C28 with a *single quotation mark* (') to tell Excel that this is a *label*, and not a number)

E28: '29.42 (note the single quotation mark)

C29: ref. Mean

C30: value

E29: upper

E30: limit

B33: Conclusion:

Now, align the labels underneath the picture of the confidence interval so that they look like Fig. 3.3.

Chevy Impala					
Miles per gallon					
30.9					
24.5		n			
31.2					
28.7					
35.1		Mean			
29.0					
28.8					
23.1		STDEV			
31.0					
30.2					
28.4		s.e			
29.3					
24.2					
27.0		95% confidence interval			
26.7					
31.0				Lower limit:	
23.5					
29.4				Upper Limit:	
26.3					
27.5					
28.2	Draw a picture below this confidence interval				
28.4					
29.1		26.92 ——— 28 ——— 28.17 —————		29.42	
21.9		lower ref. Mean		upper	
30.9		limit value		limit	
	Conclusion:				

Fig. 3.3 Example of drawing a picture of a confidence interval about the mean result

Next, name the range of data from A6:A30 as: miles

 D7: Use Excel to find the sample size
D10: Use Excel to find the mean
D13: Use Excel to find the STDEV
D16: Use Excel to find the s.e.

Now, you need to find the lower limit and the upper limit of the 95% confidence interval for this study.

We will use Excel's TINV function to do this. We will assume that you want to be 95% confident of your results.

F21: $= D10 - TINV(1 - .95, 24)*D16$

Note that this TINV formula uses 24 since 24 is one less than the sample size of 25 (i.e., 24 is $n - 1$). Note that D10 is the mean, while D16 is the standard error of the mean. The above formula gives the *lower limit of the confidence interval*, 26.92.

F23: $= D10 + TINV(1 - .95, 24)*D16$

The above formula gives the *upper limit of the confidence interval*, 29.42.

Now, use number format (two decimal places) in your Excel spreadsheet for the mean, standard deviation, standard error of the mean, and for both the lower limit and the upper limit of your confidence interval. If you printed this spreadsheet now, the lower limit of the confidence interval (26.92) and the upper limit of the confidence interval (29.42) would "dribble over" onto a second printed page because the information on the spreadsheet is too large to fit onto one page in its present format.

So, you need to use Excel's "Scale to Fit" commands that we discussed in Chap. 2 (see Sect. 2.4) to reduce the size of the spreadsheet to 95% of its current size using the Page Layout/Scale-to-Fit function. Do that now, and notice that the dotted line to the right of 26.92 and 29.42 indicates that these numbers would now fit onto one page when the spreadsheet is printed out (see Fig. 3.4)

F21		f_x	=D10-TINV(1-0.95,24)*D16				
	A	B	C	D	E	F	G
	31.2						
	28.7						
	35.1		Mean	28.17			
	29.0						
	28.8						
	23.1		STDEV	3.03			
	31.0						
	30.2						
	28.4		s.e	0.61			
	29.3						
	24.2						
	27.0		95% confidence interval				
	26.7						
	31.0			Lower limit:		26.92	
	23.5						
	29.4			Upper Limit:		29.42	
	26.3						
	27.5						
	28.2		Draw a picture below this confidence interval				
	28.4						
	29.1		26.92 -------- 28 --------- 28.17 -----------	29.42			
	21.9		lower ref. Mean	upper			

Fig. 3.4 Result of using the TINV function to find the confidence interval about the mean

Note that you have drawn a picture of the 95% confidence interval beneath cell B26, including the lower limit, the upper limit, the mean, and the reference value of 28 mpg given in the claim that the company wants to make about the car's miles per gallon performance.

Now, let's write the conclusion to your research study on your spreadsheet:

C33: Since the reference value of 28 is inside
C34: the confidence interval, we accept that
C35: the Chevy Impala does get 28 mpg.

Your research study accepted the claim that the Chevy Impala did get 28 mpg. The average miles per gallon in your study was 28.17 (see Fig. 3.5).

Save your resulting spreadsheet as: CHEVY7

Chevy Impala				
Miles per gallon				
30.9				
24.5		n	25	
31.2				
28.7				
35.1		Mean	28.17	
29.0				
28.8				
23.1		STDEV	3.03	
31.0				
30.2				
28.4		s.e	0.61	
29.3				
24.2				
27.0		95% confidence interval		
26.7				
31.0			Lower limit:	26.92
23.5				
29.4			Upper Limit:	29.42
26.3				
27.5				
28.2	Draw a picture below this confidence interval			
28.4				
29.1	26.92 ---------- 28 ---------- 28.17 ---------------		29.42	
21.9	lower	ref.	Mean	upper
30.9	limit	value		limit
	Conclusion:	Since the reference value of 28 is inside		
		the confidence interval, we accept that		
		the Chevy Impala does get 28 mpg.		

Fig. 3.5 Final spreadsheet for the Chevy Impala confidence interval about the mean

3.2   Hypothesis Testing

One of the important activities of researchers, whether they are in business research, marketing research, psychological research, educational research, or in any of the social sciences is that they attempt to "check" their assumptions about the world by testing these assumptions in the form of hypotheses.

A typical hypothesis is in the form: "*If x, then y.*"
Some examples would be:

1. "If we raise our price by 5%, then our sales dollars for our product will decrease by 8%."
2. "If we increase our advertising budget by $400,000 for our product, then our market share will go up by two points."
3. "If we use this new method of teaching mathematics to ninth graders in algebra, then our math achievement scores will go up by 10%."
4. "If we change the raw materials for this product, then our production cost per unit will decrease by 5%."

A hypothesis, then, to a social science researcher, is a "guess" about what we think is true in the real world. We can test these guesses using statistical formulas to see if our predictions come true in the real world.

So, in order to perform these statistical tests, we must first state our hypotheses so that we can test our results against our hypotheses to see if our hypotheses match reality.

So, how do we generate hypotheses in business?

3.2.1   Hypotheses Always Refer to the Population of People or Events That You Are Studying

The first step is to understand that our hypotheses always refer to the *population* of people under study.

For example, if we are interested in studying 18–24 year-olds in St. Louis as our target market, and we select a sample of people in this age group in St. Louis, depending on how we select our sample, we are hoping that our results of this study are useful in generalizing our findings to *all* 18–24 year-olds in St. Louis, and not just to the particular people in our sample.

The entire group of 18–24 year-olds in St. Louis would be the *population* that we are interested in studying, while the particular group of people in our study is called the *sample* from this population.

Since our sample sizes typically contain only a few people, we interested in the results of our sample *only insofar as the results of our sample can be "generalized" to the population in which we are really interested.*

That is why our hypotheses always refer to the population, and never to the sample of people in our study.

You will recall from Chap. 1 that we used the symbol: $\bar{X}$ to refer to the mean of the sample we use in our research study (See Sect. 1.1).

We will use the symbol: μ (the Greek letter "mu") to refer to the *population mean*.

In testing our hypotheses, we are trying to decide which one of two competing hypotheses *about the population mean* we should accept given our data set.

3.2.2 The Null Hypothesis and the Research (Alternative) Hypothesis

These two hypotheses are called the *null hypothesis* and the *research hypothesis*.

Statistics textbooks typically refer to the *null hypothesis* with the notation: H_0.

The *research hypothesis* is typically referred to with the notation: H_1, and it is sometimes called the *alternative hypothesis*.

Let's explain first what is meant by the null hypothesis and the research hypothesis:

1. *The null hypothesis is what we accept as true unless we have compelling evidence that it is not true.*
2. *The research hypothesis is what we accept as true whenever we reject the null hypothesis as true.*

This is similar to our legal system in America where we assume that a supposed criminal is innocent until he or she is proven guilty in the eyes of a jury. Our null hypothesis is that this defendant is innocent, while the research hypothesis is that he or she is guilty.

In the great state of Missouri, every license plate has the state slogan: "Show me." This means that people in Missouri think of themselves as not gullible enough to accept everything that someone says as true unless that person's actions indicate the truth of his or her claim. In other words, people in Missouri believe strongly that a person's actions speak much louder than that person's words.

Since both the null hypothesis and the research hypothesis cannot both be true, the task of hypothesis testing using statistical formulas is to decide which one you will accept as true, and which one you will reject as true.

Sometimes in business research, a series of rating scales is used to measure people's attitudes toward a company, toward one of its products, or toward their intention to buy that company's products. These rating scales are typically 5-point, 7-point, or 10-point scales, although other scale values are often used as well.

3.2.2.1   Determining the Null Hypothesis and the Research Hypothesis When Rating Scales Are Used

Here is a typical example of a 7-point scale in attitude research in customer satisfaction studies (see Fig. 3.6):

How would you rate your overall experience in purchasing your new car?						
1	2	3	4	5	6	7
Poor						Excellent
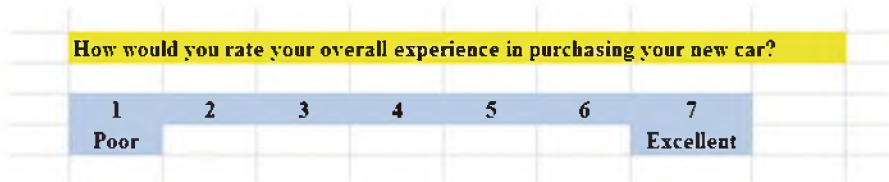
Fig. 3.6   Example of a rating scale item for a new car purchase (practical example)

So, how do we decide what to use as the null hypothesis and the research hypothesis whenever rating scales are used?

> Objective: To decide on the null hypothesis and the research hypothesis whenever rating scales are used.

In order to make this determination, we will use a simple rule:

Rule: Whenever rating scales are used, we will use the "middle" of the scale as the null hypothesis and the research hypothesis.

In the above example, since 4 is the number in the middle of the scale (i.e., three numbers are below it, and three numbers are above it), our hypotheses become:

$$\text{Null hypothesis:} \quad \mu = 4$$
$$\text{Research hypothesis:} \quad \mu \neq 4$$

In the above rating scale example, if the result of our statistical test for this one attitude scale item indicates that our population mean is "close to 4," we say that we accept the null hypothesis that our new car purchase experience was neither positive nor negative.

In the above example, if the result of our statistical test indicates that the population mean is significantly different from 4, we reject the null hypothesis and accept the research hypothesis by stating either that:

"The new car purchase experience was significantly positive" (this is true whenever our sample mean is significantly greater than our expected population mean of 4).

or

"The new car purchase experience was significantly negative" (this is accepted as true whenever our sample mean is significantly less than our expected population mean of 4).

Both of these conclusions cannot be true. We accept one of the hypotheses as "true" based on the data set in our research study, and the other one as "not true" based on our data set.

The job of the business researcher, then, is to decide which of these two hypotheses, the null hypothesis or the research hypothesis, he or she will accept as true given the data set in the research study.

Let's try some examples of rating scales so that you can practice figuring out what the null hypothesis and the research hypothesis are for each rating scale.

In the spaces in Fig. 3.7, write in the null hypothesis and the research hypothesis for the rating scales:

1. Webster University is an excellent university.

	1	2	3	4	5
	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree

Null hypothesis: μ = _____

Research hypothesis: μ ≠ _____

2. How would you rate the quality of teaching at Webster University?

poor	1	2	3	4	5	6	7	excellent

Null hypothesis: μ = _____

Research hypothesis: μ ≠ _____

3. How would you rate the quality of the faculty at Webster University?

1 very poor	2	3	4	5	6	7	8	9	10 very good

Null hypothesis: μ = _____

Research hypothesis: μ ≠ _____

Fig. 3.7 Examples of rating scales for determining the null hypothesis and the research hypothesis

How did you do?

Here are the answers to these three questions:

1. The null hypothesis is 3, and the research hypothesis is not equal to 3 on this 5-point scale (i.e., the "middle" of the scale is 3).

2. The null hypothesis is 4, and the research hypothesis is not equal to 4 on this 7-point scale (i.e., the "middle" of the scale is 4).
3. The null hypothesis is 5.5, and the research hypothesis is not equal to 5.5 on this 10-point scale (i.e., the "middle" of the scale is 5.5 since there are five numbers below 5.5 and five numbers above 5.5).

As another example, Holiday Inn Express in its Stay Smart Experience Survey uses 4-point scales where:

1 = Not So Good
2 = Average
3 = Very Good
4 = Great

On this scale, the null hypothesis is: $\mu = 2.5$ and the research hypothesis is: $\mu \neq 2.5$, because there are two numbers below 2.5, and two numbers above 2.5 on that rating scale.

Now, let's discuss the seven steps of hypothesis testing for using the confidence interval about the mean.

3.2.3   The Seven Steps for Hypothesis-Testing Using the Confidence Interval About the Mean

---

Objective: To learn the seven steps of hypothesis-testing using the confidence interval about the mean

---

There are seven basic steps of hypothesis-testing for this statistical test.

3.2.3.1   Step 1: State the Null Hypothesis and the Research Hypothesis

If you are using numerical scales in your survey, you need to remember that these hypotheses refer to the "middle" of the numerical scale. For example, if you are using 7-point scales with 1 = poor and 7 = excellent, these hypotheses would refer to the middle of these scales and would be:

$$\text{Null hypothesis } H_0: \quad \mu \neq 4$$
$$\text{Research hypothesis } H_1: \quad \mu \neq 4$$

3.2.3.2 Step 2: Select the Appropriate Statistical Test

In this chapter, we are studying the confidence interval about the mean, and so we select that test.

3.2.3.3 Step 3: Calculate the Formula for the Statistical Test

You will recall (see Sect. 3.1.5) that the formula for the confidence interval about the mean is:

$$\bar{X} \pm t \text{ s.e.} \tag{3.2}$$

We discussed the procedure for computing this formula for the confidence interval about the mean using Excel earlier in this chapter, and the steps involved in using that formula are:

1. Use Excel's =count function to find the sample size.
2. Use Excel's =average function to find the sample mean, $\bar{X}$.
3. Use Excel's =STDEV function to find the standard deviation, STDEV.
4. Find the standard error of the mean (s.e.) by dividing the standard deviation (STDEV) by the square root of the sample size, n.
5. Use Excel's TINV function to find the lower limit of the confidence interval.
6. Use Excel's TINV function to find the upper limit of the confidence interval.

3.2.3.4 Step 4: Draw a Picture of the Confidence Interval About the Mean, Including the Mean, the Lower Limit of the Interval, the Upper Limit of the Interval, and the Reference Value Given in the Null Hypothesis, H_0

3.2.3.5 Step 5: Decide on a Decision Rule

(a) *If the reference value is inside the confidence interval, accept the null hypothesis, H_0*
(b) *If the reference value is outside the confidence interval, reject the null hypothesis, H_0, and accept the research hypothesis, H_1*

3.2.3.6 Step 6: State the Result of Your Statistical Test

There are two possible results when you use the confidence interval about the mean, and only one of them can be accepted as "true." So your result would be one of the following:

Either: Since the reference value is inside the confidence interval, *we accept the null hypothesis, H_0*

Or: Since the reference value is outside the confidence interval, *we reject the null hypothesis, H_0, and accept the research hypothesis, H_1*

3.2.3.7   Step 7: State the Conclusion of Your Statistical Test in Plain English!

In practice, this is more difficult than it sounds because you are trying to summarize the result of your statistical test in simple English that is both concise and accurate so that someone who has never had a statistics course (such as your boss, perhaps) can understand the conclusion of your test. This is a difficult task, and we will give you lots of practice doing this last and most important step throughout this book.

Objective: To write the conclusion of the confidence interval about the mean test

---

Let's set some basic rules for stating the conclusion of a hypothesis test.

Rule #1: *Whenever you reject H_0 and accept H_1, you must use the word "significantly" in the conclusion to alert the reader that this test found an important result.*

Rule #2: *Create an outline in words of the "key terms" you want to include in your conclusion so that you do not forget to include some of them.*

Rule #3: *Write the conclusion in plain English so that the reader can understand it even if that reader has never taken a statistics course.*

Let's practice these rules using the Chevy Impala Excel spreadsheet that you created earlier in this chapter, but first we need to state the hypotheses for that car.

Since the billboard wants to claim that the Chevy Impala gets 28 mpg, the hypotheses would be:

$$H_0: \quad \mu = 28 \text{ mpg}$$
$$H_1: \quad \mu \neq 28 \text{ mpg}$$

You will remember that the reference value of 28 mpg was inside the 95% confidence interval about the mean for your data, so we would accept H_0 for the Chevy Impala that the car does get 28 mpg.

Objective: To state the result when you accept H_0

Result: *Since the reference value of 28 mpg is inside the confidence interval, we accept the null hypothesis, H_0*

Let's try our three rules now:

Objective: To write the conclusion when you accept H_0

Rule #1: *Since the reference value was inside the confidence interval, we cannot use the word "significantly" in the conclusion. This is a basic rule we are using in this chapter for every problem.*

Rule #2: The key terms in the conclusion would be:

– Chevy Impala
– Reference value of 28 mpg

Rule #3: The Chevy Impala did get 28 mpg.

The process of writing the conclusion when you accept H_0 is relatively straightforward since you put into words what you said when you wrote the null hypothesis.

However, the process of stating the conclusion when you reject H_0 and accept H_1 is more difficult, so let's practice writing that type of conclusion with three practice case examples:

Objective: To write the result and conclusion when you reject H_0

Case #1: An ad in *Business Week* claimed that the Ford Escape Hybrid got 34 mpg. The hypotheses would be:

$$H_0: \quad \mu = 34 \text{ mpg}$$
$$H_0: \quad \mu \neq 34 \text{ mpg}$$

Suppose that your research yields the following confidence interval:

30	31	32	34
lower	Mean	upper	Ref.
limit		limit	Value

Result: *Since the reference value is outside the confidence interval, we reject the null hypothesis and accept the research hypothesis*

The three rules for stating the conclusion would be:

Rule #1: We must include the word "significantly" since the reference value of 34 is outside the confidence interval.

Rule #2: The key terms would be:

- Ford Escape Hybrid
- Significantly
- Either "more than" or "less than"
- And probably closer to

Rule #3: The Ford Escape Hybrid got significantly less than 34 mpg, and it was probably closer to 31 mpg.

Note that this conclusion says that the mpg was less than 34 mpg because the sample mean was only 31 mpg. Note, also, that when you find a significant result by rejecting the null hypothesis, *it is not sufficient to say only*: "*significantly less than 34 mpg*," because that does not tell the reader "how much less than 34 mpg" the sample mean was from 34 mpg. To make the conclusion clear, you need to add: "probably closer to 31 mpg" since the sample mean was only 31 mpg.

Case #2: Suppose that you have been hired as a consultant by the St. Louis Symphony Orchestra (SLSO) to analyze the data from an Internet survey of attendees for a concert in Powell Symphony Hall in St. Louis last month. You have decided to practice your data analysis skills on Question #7 given in Fig. 3.8:

Question #7:	"Overall, how satisfied have you been with your experience(s) at SLSO concerts?"

	1	2	3	4	5	6	7	
	Extremely dissatisfied						Extremely satisfied	

Fig. 3.8 Example of a survey item used by the St. Louis Symphony Orchestra (SLSO)

The hypotheses for this one item would be:

$$H_0: \quad \mu = 4$$
$$H_1: \quad \mu \neq 4$$

Essentially, the null hypothesis equal to 4 states that if the obtained mean score for this question is not significantly different from 4 on the rating scale, then attendees, overall, were neither satisfied nor dissatisfied with their SLSO concerts.

Suppose that your analysis produced the following confidence interval for this item on the survey.

```
1.8_____2.8_____3.8_____4
lower           Mean          upper          Ref.
limit                          limit          Value
```

Result: *Since the reference value is outside the confidence interval, we reject the null hypothesis and accept the research hypothesis.*

Rule #1: You must include the word "significantly" since the reference value is outside the confidence interval

Rule #2: The key terms would be:

– Attendees
– SLSO Internet survey
– Significantly
– Last month
– Either satisfied or dissatisfied (since the result is significant)
– Experiences at concerts
– Overall

Rule #3: Attendees were significantly dissatisfied, overall, on last month's Internet survey with their experiences at concerts of the SLSO.

Note that you need to use the word "dissatisfied" since the sample mean of 2.8 was on the dissatisfied side of the middle of the rating scale.

Case #3: Suppose that Marriott Hotel at the St. Louis Airport location had the results of one item in its Guest Satisfaction Survey from last week's customers that was the following (see Fig. 3.9):

How would you rate your check-in speed?									
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
poor									**excellent**
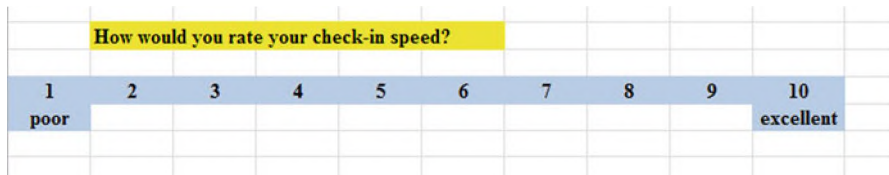
Fig. 3.9 Example of a survey item from Marriott Hotels

This item would have the following hypotheses:

$$H_0: \quad \mu = 5.5$$
$$H_1: \quad \mu \neq 5.5$$

Suppose that your research produced the following confidence interval for this item on the survey:
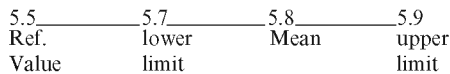
5.5	5.7	5.8	5.9
Ref. Value	lower limit	Mean	upper limit

Result: Since the reference value is outside the confidence interval, we reject the null hypothesis and accept the research hypothesis

The three rules for stating the conclusion would be:

Rule #1: You must include the word "significantly" since the reference value is outside the confidence interval

Rule #2: The key terms would be:

  – Marriott Hotel
  – St. Louis Airport
  – Significantly
  – Check-in speed
  – Survey
  – Last week
  – Customers
  – Either "positive" or "negative" (we will explain this)

Rule #3: Customers at the St. Louis Airport Marriott Hotel last week rated their check-in speed in a survey as significantly positive.

Note two important things about this conclusion above: (1) people when speaking English do not normally say "significantly excellent" since something is either excellent or is not excellent without any modifier, and (2) since the mean rating of the check-in speed (5.8) was significantly greater than 5.5 on the positive side of the scale, we would say "significantly positive" to indicate this fact.

The three practice problems at the end of this chapter will give you additional practice in stating the conclusion of your result, and this book will include many more examples that will help you to write a clear and accurate conclusion to your research findings.

3.3   Alternative Ways to Summarize the Result of a Hypothesis Test

It is important for you to understand that in this book we are summarizing a hypothesis test in one of two ways: (1) We accept the null hypothesis, or (2) We reject the null hypothesis and accept the research hypothesis. We are consistent in the use of these words so that you can understand the concept underlying hypothesis testing.

However, there are many other ways to summarize the result of a hypothesis test, and all of them are correct theoretically, even though the terminology differs. If you are taking a course with a professor who wants you to summarize the results of a statistical test of hypotheses in language, which is different from the language we are using in this book, do not panic! If you understand the concept of hypothesis testing as described in this book, you can then translate your understanding to use the terms that your professor wants you to use to reach the same conclusion to the hypothesis test.

Statisticians and professors of business statistics all have their own language that they like to use to summarize the results of a hypothesis test. There is no one set of words that these statisticians and professors will ever agree on, and so we have chosen the one that we believe to be easier to understand in terms of the concept of hypothesis testing.

To convince you that there are many ways to summarize the results of a hypothesis test, we present the following quotes from prominent statistics and research books to give you an idea of the different ways that are possible.

3.3.1   Different Ways to Accept the Null Hypothesis

The following quotes are typical of the language used in statistics and research books when the null hypothesis is accepted:

"The null hypothesis is not rejected." (Black 2010, p. 310)

"The null hypothesis cannot be rejected." (McDaniel and Gates 2010, p. 545)

"The null hypothesis . . . claims that there is no difference between groups." (Salkind 2010, p. 193)

"The difference is not statistically significant." (McDaniel and Gates 2010, p. 545)

". . . the obtained value is not extreme enough for us to say that the difference between Groups 1 and 2 occurred by anything other than chance." (Salkind 2010, p. 225)

"If we do not reject the null hypothesis, we conclude that there is not enough statistical evidence to infer that the alternative (hypothesis) is true." (Keller 2009, p. 358)

"The research hypothesis is not supported." (Zikmund and Babin 2010, p. 552)

3.3.2   Different Ways to Reject the Null Hypothesis

The following quotes are typical of the quotes used in statistics and research books when the null hypothesis is rejected:

"The null hypothesis is rejected." (McDaniel and Gates 2010, p. 546)

"If we reject the null hypothesis, we conclude that there is enough statistical evidence to infer that the alternative hypothesis is true." (Keller 2009, p. 358)

"If the test statistic's value is inconsistent with the null hypothesis, we reject the null hypothesis and infer that the alternative hypothesis is true." (Keller 2009, p. 348)

"Because the observed value . . . is greater than the critical value . . ., the decision is to reject the null hypothesis." (Black 2010, p. 359)

"If the obtained value is more extreme than the critical value, the null hypothesis cannot be accepted." (Salkind 2010, p. 243)

"The critical t-value . . . must be surpassed by the observed t-value if the hypothesis test is to be statistically significant . . .." (Zikmund and Babin 2010, p. 567)

"The calculated test statistic . . . exceeds the upper boundary and falls into this rejection region. The null hypothesis is rejected." (Weiers 2011, p. 330)

You should note that all of the above quotes are used by statisticians and professors when discussing the results of an hypothesis test, and so you should not be surprised if someone asks you to summarize the results of a statistical test using a different language than the one we are using in this book.

3.4   End-of-Chapter Practice Problems

1. Suppose that you have been asked by the manager of the *St. Louis Post-Dispatch* to analyze the data from a recent survey of past subscribers who have canceled their newspaper subscription in the past 3 months. A random sample of this group was called by phone and asked a series of questions about the newspaper. The hypothetical data for survey question #4 appear in Fig. 3.10:

St. Louis Post-Dispatch Phone Survey			
Question #4:	"How much would you be willing to pay per week for a six-month weekday/weekend subscription to the Post-Dispatch?"		
	Subscription Price ($)		
	4.15		
	3.75		
	3.80		
	4.10		
	3.60		
	3.60		
	3.65		
	4.40		
	3.15		
	4.00		
	3.75		
	4.00		
	3.25		
	3.75		
	3.30		
	3.75		
	3.65		
	4.00		
	4.10		
	3.90		
	3.50		
	3.75		

Fig. 3.10 Worksheet data for Chap. 3: Practice Problem #1

Suppose, further, that top management wants to charge $3.80 for this new subscription price. Is this a reasonable price to charge based on the results of this survey question? (Hint: $3.80 *is* the null hypothesis for this price.)

  (a) To the right of this table, use Excel to find the sample size, mean, standard deviation, and standard error of the mean for the price figures. Label your answers. Use currency format (two decimal places) for the mean, standard deviation, and standard error of the mean.

(b) Enter the null hypothesis and the research hypothesis onto your spreadsheet.

(c) Use Excel's TINV function to find the 95% confidence interval about the mean for these figures. Label your answers. Use currency format (two decimal places).

(d) Enter your *result* onto your spreadsheet.

(e) Enter your *conclusion in plain English* onto your spreadsheet.

(f) Print the final spreadsheet to fit onto one page (if you need help remembering how to do this, see the objectives at the end of Chap. 2 in Sect. 2.4)

(g) On your printout, draw a diagram of this 95% confidence interval by hand

(h) Save the file as: POST9

2. Suppose that you have been asked by the Human Resources department (HR) at your company to analyze the data from a recent "morale survey" of its managers to find out how managers think about working at your company. You want to test out your Excel skills on a small sample of managers with one item from the survey. You select a random sample of managers and the hypothetical data from Item #24 are given in Fig. 3.11.

HUMAN RESOURCES DEPARTMENT							
MORALE SURVEY OF MANAGERS							
Item #24: "How would you rate the quality of leadership shown by top management in this company?"							
1	2	3	4	5	6	7	
very weak						very strong	
			Rating				
			5				
			6				
			3				
			4				
			7				
			2				
			3				
			4				
			2				
			5				
			3				
			4				
			2				
			2				
			3				
			6				
			5				
			7				
			4				
			6				
			4				
			3				
			4				
			2				
			3				
			5				
			4				

Fig. 3.11 Worksheet data for Chap. 3: Practice Problem #2

Create an Excel spreadsheet with these data.

(a) Use Excel to the right of the table to find the sample size, mean, standard deviation, and standard error of the mean for these data. Label your answers, and use two decimal places for the mean, standard deviation, and standard error of the mean

(b) Enter the null hypothesis and the research hypothesis for this item on your spreadsheet.

(c) Use Excel's TINV function to find the 95% confidence interval about the mean for these data. Label your answers on your spreadsheet. Use two decimal places for the lower limit and the upper limit of the confidence interval.

(d) Enter the *result* of the test on your spreadsheet.

(e) Enter the *conclusion* of the test in plain English on your spreadsheet.

(f) Print your final spreadsheet so that it fits onto one page (if you need help remembering how to do this, see the objectives at the end of Chap. 2 in Sect. 2.4).

(g) Draw a picture of the confidence interval, including the reference value, onto your spreadsheet.

(h) Save the final spreadsheet as: top8

3. Suppose that you have been asked to conduct three focus groups in different cities with adult women (ages 25–44) to determine how much they liked a new design of a blouse that was created by a well-known designer. The designer is hoping to sell this blouse in department stores at a retail price of $68.00. You conduct a 1-hour focus group discussion with three groups of adult women in this age range, and the last question on the survey at the end of the discussion period produced the hypothetical results given in Fig. 3.12:

FOCUS GROUP PRICING STUDY						
Question #10:	"How much would you be willing to pay for this blouse?"					
			S _____			
		Groups 1,2,3 in $				
		62				
		55				
		73				
		53				
		46				
		48				
		57				
		59				
		65				
		68				
		64				
		72				
		62				
		67				
		59				
		71				
		65				
		63				
		69				
		71				
		70				
		58				
		67				
		65				
		63				
		59				
		70				
		67				
		64				
		65				

Fig. 3.12 Worksheet data for Chap. 3: Practice Problem #3

Create an Excel spreadsheet with these data.

(a) Use Excel to the right of the table to find the sample size, mean, standard deviation, and standard error of the mean for these data. Label your answers, and use two decimal places and currency format for the mean, standard deviation, and standard error of the mean

(b) Enter the null hypothesis and the research hypothesis for this item onto your spreadsheet.

(c) Use Excel's TINV function to find the 95% confidence interval about the mean for these data. Label your answers on your spreadsheet. Use two

decimal places in currency format for the lower limit and the upper limit of the confidence interval.

(d) Enter the *result* of the test on your spreadsheet.

(e) Enter the *conclusion* of the test in plain English on your spreadsheet.

(f) Print your final spreadsheet so that it fits onto one page (if you need help remembering how to do this, see the objectives at the end of Chap. 2 in Sect. 2.4).

(g) Draw a picture of the confidence interval, including the reference value, onto your spreadsheet.

(h) Save the final spreadsheet as: blouse9

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Chapter 4
One-Group t-Test for the Mean

In this chapter, you will learn how to use one of the most popular and most helpful statistical tests in business research: the one-group t-test for the mean.

The formula for the one-group t-test is as follows:

$$t = \frac{\bar{X} - \mu}{S_{\bar{X}}} \quad \text{where} \tag{4.1}$$

$$\text{s.e.} = S_{\bar{X}} = \frac{S}{\sqrt{n}} \tag{4.2}$$

This formula asks you to take the mean ($\bar{X}$) and subtract the population mean (μ) from it, and then divide the answer by the standard error of the mean (s.e.). The standard error of the mean equals the standard deviation divided by the square root of n (the sample size).

Let's discuss the seven steps of hypothesis testing using the one-group t-test so that you can understand how this test is used.

4.1 The Seven Steps for Hypothesis-Testing Using the One-Group t-Test

> Objective: To learn the seven steps of hypothesis-testing using the one-group t-test

Before you can try out your Excel skills on the one-group t-test, you need to learn the basic steps of hypothesis-testing for this statistical test. There are seven steps in this process:

4.1.1   Step 1: State the Null Hypothesis and the Research Hypothesis

If you are using numerical scales in your survey, you need to remember that these hypotheses refer to the "middle" of the numerical scale. For example, if you are using 7-point scales with 1 = poor and 7 = excellent, these hypotheses would refer to the middle of these scales and would be:

$$\text{Null hypothesis } H_0: \mu = 4$$
$$\text{Research hypothesis } H_1: \mu \neq 4$$

As a second example, suppose that you worked for Honda Motor Company and that you wanted to place a magazine ad that claimed that the new Honda Fit got 35 miles per gallon (mpg). The hypotheses for testing this claim on actual data would be:

$$H_0: \mu = 35 \text{ mpg}$$
$$H_1: \mu \neq 35 \text{ mpg}$$

4.1.2   Step 2: Select the Appropriate Statistical Test

In this chapter, we will be studying the one-group *t*-test, and so we will select that test.

4.1.3   Step 3: Decide on a Decision Rule for the One-Group t-Test

(a) If the absolute value of *t* is less than the critical value of *t*, accept the null hypothesis.
(b) If the absolute value of *t* is greater than the critical value of *t*, reject the null hypothesis and accept the research hypothesis.

You are probably saying to yourself: "That sounds fine, but how do I find the absolute value of *t*?"

4.1.3.1   Finding the Absolute Value of a Number

To do that, we need another objective:

Objective: To find the absolute value of a number

If you took a basic algebra course in high school, you may remember the concept of "absolute value." In mathematical terms, the absolute value of any number is *always* that number expressed as a positive number.

For example, the absolute value of 2.35 is +2.35.

And the absolute value of minus 2.35 (i.e., -2.35) is also +2.35.

This becomes important when you are using the *t*-table in Appendix E of this book. We will discuss this table later when we get to Step 5 of the one-group *t*-test where we explain how to find the critical value of *t* using Appendix E.

4.1.4   Step 4:   Calculate the Formula for the One-Group t-Test

> Objective: To learn how to use the formula for the one-group *t*-test

The formula for the one-group *t*-test is as follows:

$$t = \frac{\bar{X} - \mu}{S_{\bar{X}}} \quad \text{where} \tag{4.1}$$

$$\text{s.e.} = S_{\bar{X}} = \frac{S}{\sqrt{n}} \tag{4.2}$$

This formula makes the following assumptions about the data (Foster et al. 1998): (1) The data are independent of each other (i.e., each person receives only one score), (2) the *population* of the data is normally distributed, and (3) the data have a constant variance (note that the standard deviation is the square root of the variance).

To use this formula, you need to follow these steps:

1. Take the sample mean in your research study and subtract the population mean μ from it (remember that the population mean for a study involving numerical rating scales is the "middle" number in the scale).
2. Then take your answer from the above step, and divide your answer by the standard error of the mean for your research study (you will remember that you learned how to find the standard error of the mean in Chap. 1; to find the standard error of the mean, just take the standard deviation of your research study and divide it by the square root of *n*, where *n* is the number of people used in your research study).
3. The number you get after you complete the above step is the value for *t* that results when you use the formula stated above.

4.1.5   Step 5: Find the Critical Value of t in the t-Table in Appendix E

> Objective: To find the critical value of *t* in the *t*-table in Appendix E

Before we get into an explanation of what is meant by "the critical value of *t*," let's give you practice in finding the critical value of *t* by using the *t*-table in Appendix E.

Keep your finger on Appendix E as we explain how you need to "read" that table.

Since the test in this chapter is called the "one-group *t*-test," you will use the first column on the left in Appendix E to find the critical value of *t* for your research study (note that this column is headed: "*n*").

To find the critical value of *t*, you go down this first column until you find the sample size in your research study, and then you go to the right and read the critical value of *t* for that sample size in the critical *t* column in the table (note that *this is the column that you would use for both the one-group t-test and the 95% confidence interval about the mean*).

For example, if you have 27 people in your research study, the critical value of *t* is 2.056.

If you have 38 people in your research study, the critical value of *t* is 2.026.

If you have more than 40 people in your research study, the critical value of *t* is always 1.96.

Note that the "critical *t* column" in Appendix E represents the value of *t* that you need to obtain to be 95% confident of your results as "significant" results.

The critical value of *t* is the value that tells you whether or not you have found a "significant result" in your statistical test.

The *t*-table in Appendix E represents a series of "bell-shaped normal curves" (they are called bell-shaped because they look like the outline of the Liberty Bell that you can see in Philadelphia outside of Independence Hall).

The "middle" of these normal curves is treated as if it were zero point on the x-axis (the technical explanation of this fact is beyond the scope of this book, but any good statistics book (e.g., Zikmund and Babin 2010) will explain this concept to you if you are interested in learning more about it).

Thus, values of *t* that are to the right of this zero point are positive values that use a plus sign before them, and values of *t* that are to the left of this zero point are negative values that use a minus sign before them. Thus, some values of *t* are positive, and some are negative.

However, every statistics book that includes a *t*-table only reprints the *positive* side of the *t*-curves because the negative side is the mirror image of the positive side; this means that the negative side contains the exact same numbers as the positive side, but the negative numbers all have a minus sign in front of them.

Therefore, to use the *t*-table in Appendix E, you need to *take the absolute value of the t-value you found when you use the t-test formula* since the *t*-table in Appendix E only has the values of *t* that are the positive values for *t*.

Throughout this book, we are assuming that you want to be 95% confident in the results of your statistical tests. Therefore, the value for *t* in the *t*-table in Appendix E

tells you whether or not the *t*-value you obtained when you used the formula for the one-group *t*-test is within the 95% interval of the *t*-curve range that that *t*-value would be expected to occur with 95% confidence.

If the *t*-value you obtained when you used the formula for the one-group *t*-test is *inside* of the 95% confidence range, we say that the result you found is *not significant* (note that this is equivalent to *accepting the null hypothesis!*).

If the *t*-value you found when you used the formula for the one-group *t*-test is *outside* of this 95% confidence range, we say that you have found a *significant result* that would be expected to occur less than 5% of the time (note that this is equivalent to *rejecting the null hypothesis and accepting the research hypothesis*).

4.1.6   Step 6: State the Result of Your Statistical Test

There are two possible results when you use the one-group *t*-test, and only one of them can be accepted as "true."

Either: Since the absolute value of *t* that you found in the *t*-test formula is *less than the critical value of t* in Appendix E, you accept the null hypothesis.

Or: Since the absolute value of *t* that you found in the *t*-test formula is *greater than the critical value of t* in Appendix E, you reject the null hypothesis, and accept the research hypothesis.

4.1.7   Step 7: State the Conclusion of Your Statistical Test in Plain English!

In practice, this is more difficult than it sounds because you are trying to summarize the result of your statistical test in simple English that is both concise and accurate so that someone who has never had a statistics course (such as your boss, perhaps) can understand the result of your test. This is a difficult task, and we will give you lots of practice doing this last and most important step throughout this book.

If you have read this far, you are ready to sit down at your computer and perform the one-group *t*-test using Excel on some hypothetical data from the Guest Satisfaction Survey used by Marriott Hotels.

Let's give this a try.

4.2   One-Group *t*-Test for the Mean

Suppose that you have been hired as a statistical consultant by Marriott Hotel in St. Louis to analyze the data from a Guest Satisfaction survey that they give to all customers to determine the degree of satisfaction of these customers for various activities of the hotel.

The survey contains a number of items, but suppose item #7 is the one in Fig. 4.1:

How would you rate the Front Desk Clerk Friendliness?									
1	2	3	4	5	6	7	8	9	10
Poor									Excellent

Fig. 4.1 Sample survey item for Marriot Hotel (practical example)

Suppose further, that you have decided to analyze the data from last week's customers using the one-group *t*-test.

Important note: You would need to use this test for each of the survey items separately.

Suppose that the hypothetical data for Item #7 from last week at the St. Louis Marriott Hotel were based on a sample size of 124 guests who had a mean score on this item of 6.58 and a standard deviation on this item of 2.44.

> Objective: To analyze the data for each question separately using the one-group *t*-test for each survey item.

Create an Excel spreadsheet with the following information:

B11: Null hypothesis:
B14: Research hypothesis:

Note: Remember that when you are using a rating scale item, both the null hypothesis and the research hypothesis refer to the "middle of the scale." In the 10-point scale in this example, the middle of the scale is 5.5 since five numbers are below 5.5 (i.e., 1–5) and five numbers are above 5.5 (i.e. 6–10). Therefore, the hypotheses for this rating scale item are:

$$H_0: \mu = 5.5$$

$$H_1: \mu \neq 5.5$$

B17: n
B20: mean
B23: STDEV
B26: s.e.
B29: critical *t*

B32: *t*-test
B36: Result:
B41: Conclusion:

Now, use Excel:

D17: enter the sample size
D20: enter the mean
D23: enter the STDEV (see Fig. 4.2)
D26: compute the standard error using the formula in Chap. 1
D29: find the critical *t* value of *t* in the *t*-table in Appendix E

Null hypothesis:				
Research hypothesis:				
n		124		
mean		6.58		
STDEV		2.44		
s.e.				
critical t				
t-test				
Result:				
Conclusion:				

Fig. 4.2 Basic data table for
Front Desk Clerk Friendliness

Now, enter the following formula in cell D32 to find the *t*-test result:

$$=(D20 - 5.5)/D26$$

This formula takes the sample mean (D20) and subtracts the population hypothesized mean of 5.5 from the sample mean, and THEN divides the answer by the standard error of the mean (D26). Note that you need to enter D20 − 5.5 with an open-parenthesis *before* D20 and a closed-parenthesis *after* 5.5 so that the *answer of 1.08 is THEN divided by the standard error of 0.22* to get the *t*-test result of 4.93.

Now, use two decimal places for both the s.e. and the *t*-test result (see Fig. 4.3).

Now, write the following sentence in D36–D39 to summarize the result of the *t*-test:

D36: Since the absolute value of *t* of 4.93 is
D37: greater than the critical *t* of 1.96, we

Null hypothesis:		
Research hypothesis:		
n		124
mean		6.58
STDEV		2.44
s.e.		0.22
critical t		1.96
t-test		4.93
Result:		
Conclusion:		

Fig. 4.3 *t*-test formula result for Front Desk Clerk Friendliness

D38: reject the null hypothesis and accept
D39: the research hypothesis

Lastly, write the following sentence in D41–D43 to summarize the conclusion of the result for Item #7 of the Marriott Guest Satisfaction Survey:

D41: St. Louis Marriott Hotel guests rated the
D42: Front Desk Clerks as significantly
D43: friendlylast week

Save your file as: MARRIOTT3

Print the final spreadsheet so that it fits onto one page as given in Fig. 4.4. Enter the null hypothesis and the research hypothesis by hand on your spreadsheet

Null hypothesis:		μ = 5.5	
Research hypothesis:		μ ≠ 5.5	
n	124		
mean	6.58		
STDEV	2.44		
s.e.	0.22		
critical t	1.96		
t-test	4.93		
Result:		Since the absolute value of t of 4.93 is greater than the critical t of 1.96, we reject the null hypothesis and accept the research hypothesis.	
Conclusion:		St. Louis Marriott Hotel guests rated the Front Desk Clerks as significantly friendly last week.	

Fig. 4.4 Final spreadsheet for Front Desk Clerk Friendliness

Important note: *It is important for you to understand that "technically" the above conclusion in statistical terms should state*:

> *St. Louis Marriott Hotel Guests rated the Front Desk Clerks as friendly last week, and this result was probably not obtained by chance.*

> *However, throughout this book, we are using the term "significantly" in writing the conclusion of statistical tests to alert the reader that the result of the statistical test was probably not a chance finding, but instead of writing all of those words each time, we use the word "significantly" as a shorthand to the longer explanation. This makes it much easier for the reader to understand the conclusion when it is written "in plain English," instead of technical, statistical language.*

4.3   Can You Use Either the 95% Confidence Interval About the Mean OR the One-Group *t*-Test When Testing Hypotheses?

You are probably asking yourself:

"It sounds like you could use *either* the 95% confidence interval about the mean *or* the one-group *t*-test to analyze the results of the types of problems described so far in this book? Is this a correct statement?"

The answer is a resounding: "*Yes!*"

Both the confidence interval about the mean and the one-group *t*-test are used often in business research on the types of problems described so far in this book. *Both of these tests produce the same result and the same conclusion from the data set!*

Both of these tests are explained in this book because some managers prefer the confidence interval about the mean test, others prefer the one-group *t*-test, and still others prefer to use both tests on the same data to make their results and conclusions clearer to the reader of their research reports. Since we do not know which of these tests your manager prefers, we have explained both of them so that you are competent in the use of both tests in the analysis of statistical data.

Now, let's try your Excel skills on the one-group *t*-test on these three problems at the end of this chapter.

4.4   End-of-Chapter Practice Problems

1. Subaru of America rates the customer satisfaction of its dealers on a weekly basis on its Purchase Experience Survey, and demands that dealers achieve a 93% satisfaction score, or the dealers are required to take additional training to improve their customer satisfaction scores. Suppose that you have selected a random sample of rating forms submitted by new car purchasers (either online or through the mail) for the St. Louis Subaru dealer in the past week and that you have prepared the hypothetical table in Fig. 4.5 for Question #1d:

SUBARU Customer Satisfaction Survey						
Results for the week of October 2, 2011						
St. Louis Subaru dealer on Big Bend						
Item #1d:	"The salesperson was knowledgeable about the Subaru model line."					
	Score	Rating				
	1	Completely Disagree				
	2	Disagree				
	3	Somewhat Disagree				
	4	Neither Agree nor Disagree				
	5	Somewhat Agree				
	6	Agree				
	7	Completely Agree				
		Rating				
		5				
		7				
		6				
		4				
		3				
		5				
		6				
		7				
		2				
		3				
		5				
		7				
		4				
		7				
		7				
		5				
		6				
		6				
		4				
		3				
		5				
		5				

Fig. 4.5 Worksheet data for Chap. 4: Practice Problem #1

(a) Write the null hypothesis and the research hypothesis on your spreadsheet
(b) Use Excel to find the sample size, mean, standard deviation, and standard error of the mean to the right of the data set. Use number format (2 decimal places) for the mean, standard deviation, and standard error of the mean.
(c) Enter the critical t from the t-table in Appendix E onto your spreadsheet, and label it.

(d) Use Excel to compute the *t*-value for these data (use 2 decimal places) and label it on your spreadsheet

(e) Type the result on your spreadsheet, and then type the conclusion in plain English on your spreadsheet

(f) Save the file as: subaru4

2. Suppose that you work in the Human Resources department of your company and that top management has asked your department to conduct a Morale Survey of managers to determine their attitude toward working in this company. To check your Excel skills, you have drawn a random sample of the results of the survey from the managers on one question, and the data from Item #35 appear in Fig. 4.6:

HUMAN RESOURCES DEPARTMENT
MORALE SURVEY OF MANAGERS

Item #35:   "How would you rate the intellectual challenge provided by your job?"

1	2	3	4	5	6	7	8	9
very low								very high
				Rating				
				5				
				6				
				4				
				7				
				8				
				2				
				4				
				3				
				6				
				4				
				7				
				9				
				2				
				4				
				3				
				5				
				3				
				4				
				6				
				5				
				7				
				4				
				3				
				5				
				2				

Fig. 4.6   Worksheet data for Chap. 4: Practice Problem #2

(a) *On your Excel spreadsheet*, write the null hypothesis and the research hypothesis for these data.
(b) Use Excel to find the *sample size, mean, standard deviation, and standard error of the mean* for these data (two decimal places for the mean, standard deviation, and standard error of the mean).
(c) Use Excel to perform a *one-group t-test* on these data (two decimal places).
(d) On your printout, type the *critical value of t* (0.05 level) given in your *t*-table in Appendix E.
(e) On your spreadsheet, type the *result* of the *t*-test.
(f) On your spreadsheet, type the *conclusion* of your study in plain English.
(g) Save the file as: challenge4

3. Suppose that you have been hired as a marketing consultant by the Missouri Botanical Garden and have been asked to redesign the Comment Card survey that they have been asking visitors to The Garden to fill out after their visit. The Garden has been using a 5-point rating scale with 1 = poor and 5 = excellent. Suppose, further, that you have convinced The Garden staff to change to a 9-point scale with 1 = poor and 9 = excellent so that the data will have a larger standard deviation. The hypothetical results of a recent week for Question #10 of your revised survey appear in Fig. 4.7.

(a) Write the null hypothesis and the research hypothesis on your spreadsheet
(b) Use Excel to find the sample size, mean, standard deviation, and standard error of the mean to the right of the data set. Use number format (2 decimal places) for the mean, standard deviation, and standard error of the mean.
(c) Enter the critical *t* from the *t*-table in Appendix E onto your spreadsheet, and label it.
(d) Use Excel to compute the *t*-value for these data (use 2 decimal places) and label it on your spreadsheet
(e) Type the result on your spreadsheet, and then type the conclusion in plain English on your spreadsheet
(f) Save the file as: Garden5

Missouri Botanical Garden								
Results of the survey of Nov. 6, 2011								
Item #10:	**"How would you rate the helpfulness of The Garden staff?"**							
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
Poor								**Excellent**
		Rating						
		8						
		6						
		5						
		7						
		9						
		5						
		6						
		4						
		8						
		7						
		6						
		8						
		6						
		7						
		9						
		7						
		6						
		3						
		8						
		7						
		6						

Fig. 4.7 Worksheet data for Chap. 4: Practice Problem #3

References

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Chapter 5
Two-Group *t*-Test of the Difference of the Means for Independent Groups

Up until now in this book, you have been dealing with the situation in which you have had only one group of people in your research study and only one measurement "number" on each of these people. We will now change gears and deal with the situation in which you are measuring two groups of people instead of only one group of people.

Whenever you have two completely different groups of people (i.e., no one person is in both groups, but every person is measured on only one variable to produce one "number" for each person), we say that the two groups are "independent of one another." This chapter deals with just that situation and that is why it is called the two-group *t*-test for independent groups.

The assumptions underlying the two-group *t*-test are the following (Zikmund and Babin 2010): (1) both groups are sampled from a normal population, and (2) the variances of the two populations are approximately equal. Note that the standard deviation is merely the square root of the variance. (There are different formulas to use when each person is measured twice to create two groups of data, and this situation is called "dependent," but those formulas are beyond the scope of this book.) This book only deals with two groups that are independent of one another so that no person is in both groups of data.

When you are testing for the difference between the means for two groups, it is important to remember that there are two different formulas that you need to use depending on the sample sizes of the two groups:

1. Use Formula #1 in this chapter when both of the groups have more than 30 people in them
2. Use Formula #2 in this chapter when either one group, or both groups, have sample sizes less than 30 people in them.

We will illustrate both of these situations in this chapter.

But, first, we need to understand the steps involved in hypothesis-testing when two groups of people are involved before we dive into the formulas for this test.

5.1   The Nine Steps for Hypothesis-Testing Using the Two-Group *t*-Test

> Objective: To learn the nine steps of hypothesis-testing using two groups of people and the two-group *t*-test

You will see that these steps parallel the steps used in the previous chapter that dealt with the one-group *t*-test, but there are some important differences between the steps that you need to understand clearly before we dive into the formulas for the two-group *t*-test.

5.1.1   Step 1: Name One Group, Group 1, and the Other Group, Group 2

The formulas used in this chapter will use the subscripts 1 and 2 to distinguish between the two groups. If you define which group is Group 1 and which group is Group 2, you can use these subscripts in your computations without having to write out the names of the groups.

For example, if you are testing teenage boys on their preference for the taste of Coke or Pepsi, you could call the groups: "Coke" and "Pepsi." but this would require your writing out the words "Coke" or "Pepsi" whenever you wanted to refer to one of these groups. If you call the Coke group, Group 1, and the Pepsi group, Group 2, this makes it much easier to refer to the groups because it saves you writing time.

As a second example, you could be comparing the test market results for Kansas City versus Indianapolis, but if you had to write out the names of those cities whenever you wanted to refer to them, it would take you more time than it would if, instead, you named one city, Group 1, and the other city, Group 2.

Note, also, that it is completely arbitrary which group you call Group 1, and which Group you call Group 2. You will achieve the same result and the same conclusion from the formulas however you decide to define these two groups.

5.1.2   Step 2: Create a Table That Summarizes the Sample Size, Mean Score, and Standard Deviation of Each Group

This step makes it easier for you to make sure that you are using the correct numbers in the formulas for the two-group *t*-test. If you get the numbers "mixed-up," your entire formula work will be incorrect and you will botch the problem terribly.

For example, suppose that you tested teenage boys on their preference for the taste of Coke versus Pepsi in which the boys were randomly assigned to taste just one of these brands and then rate its taste on a 100-point scale from 0 = poor to

100 = excellent. After the research study was completed, suppose that the Coke group had 52 boys in it, their mean taste rating was 55 with a standard deviation of 7, while the Pepsi group had 57 boys in it and their average taste rating was 64 with a standard deviation of 13.

The formulas for analyzing these data to determine if there was a significant different in the taste rating for teenage boys for these two brands require you to use six numbers correctly in the formulas: the sample size, the mean, and the standard deviation of each of the two groups. All six of these numbers must be used correctly in the formulas if you are to analyze the data correctly.

If you create a table to summarize these data, a good example of the table, using both Step 1 and Step 2, would be the data presented in Fig. 5.1:

For example, if you decide to call Group 1 the Coke group and Group 2 the Pepsi

Fig. 5.1 Basic table format for the two-group *t*-test

Group	n	Mean	STDEV
1 (name it)			
2 (name it)			

group, the following table would place the six numbers from your research study into the proper cells of the table as in Fig. 5.2:

Fig. 5.2 Results of entering the data needed for the two-group *t*-test

Group	n	Mean	STDEV
1 (name it)	52	55	7
2 (name it)	57	64	13

You can now use the formulas for the two-group *t*-test with more confidence that the six numbers will be placed in the proper place in the formulas.

Note that you could just as easily call Group 1 the Pepsi group and Group 2 the Coke group; it makes no difference how you decide to name the two groups; this decision is up to you.

5.1.3 Step 3: State the Null Hypothesis and the Research Hypothesis for the Two-Group t-Test

If you have completed Step 1 above, this step is very easy because the null hypothesis and the research hypothesis will always be stated in the same way for the two-group *t*-test. The null hypothesis states that the population means of the two groups are equal, while the research hypothesis states that the population means of the two groups are not equal. In notation format, this becomes:

$$H_0: \mu_1 = \mu_2$$

$$H_1: \mu_1 \neq \mu_2$$

You can now see that this notation is much simpler than having to write out the names of the two groups in all of your formulas.

5.1.4   Step 4: Select the Appropriate Statistical Test

Since this chapter deals with the situation in which you have two groups of people but only one measurement on each person in each group, we will use the two-group *t*-test throughout this chapter.

5.1.5   Step 5: Decide on a Decision Rule
for the Two-Group t-Test

The decision rule is exactly what it was in the previous chapter (see Sect. 4.1.3) when we dealt with the one-group *t*-test.

(a) If the absolute value of *t* is less than the critical value of *t*, accept the null hypothesis.
(b) If the absolute value of *t* is greater than the critical value of *t*, reject the null hypothesis and accept the research hypothesis.

Since you learned how to find the absolute value of *t* in the previous chapter (see Sect. 4.1.3.1), you can use that knowledge in this chapter.

5.1.6   Step 6: Calculate the Formula for the Two-Group t-Test

Since we are using two different formulas in this chapter for the two-group *t*-test depending on the sample size of the people in the two groups, we will explain how to use those formulas later in this chapter.

5.1.7   Step 7: Find the Critical Value of t in the t-table
in Appendix E

In the previous chapter where we were dealing with the one-group t-test, you found the critical value of *t* in the *t*-table in Appendix E by finding the sample size for the one group of people in the first column of the table, and then reading the critical value of *t* across from it on the right in the "critical *t* column" in the table (see Sect. 4.1.5). This process was fairly simple once you have had some practice in doing this step.

However, for the two-group *t*-test, the procedure for finding the critical value of *t* is more complicated because you have two different groups of people in your study, and they often have different sample sizes in each group.

To use Appendix E correctly in this chapter, you need to learn how to find the "degrees of freedom" for your study. We will discuss that process now.

5.1.7.1   Finding the Degrees of Freedom (df) for the Two-Group *t*-Test

> Objective: To find the degrees of freedom for the two-group *t*-test and to use it to find the critical value of *t* in the *t*-table in Appendix E

The mathematical explanation of the concept of the "degrees of freedom" is beyond the scope of this book, but you can find out more about this concept by reading any good statistics book (e.g., Keller 2009). For our purposes, you can easily understand how to find the degrees of freedom and to use it to find the critical value of *t* in Appendix E. The formula for the degrees of freedom (df) is:

$$\text{degrees of freedom} = \text{df} = n_1 + n_2 - 2 \tag{5.1}$$

In other words, you add the sample size for Group 1 to the sample size for Group 2 and then subtract 2 from this total to get the number of degrees of freedom to use in Appendix E.

Take a look at Appendix E.

Instead of using the first column, as we did in the one-group *t*-test that is based on the sample size, *n*, of one group of people, we need to use the second column of this table (df) to find the critical value of *t* for the two-group *t*-test.

For example, if you had 13 people in Group 1 and 17 people in Group 2, the degrees of freedom would be: 13 + 17 − 2 = 28, and the critical value of *t* would be 2.048 *since you look down the second column, which contains the degrees of freedom* until you come to the number 28, and then read 2.048 in the "critical *t* column" in the table to find the critical value of *t* when df = 28.

As a second example, if you had 52 people in Group 1 and 57 people in Group 2, the degrees of freedom would be: 52 + 57 − 2 = 107. When you go down the second column in Appendix E for the degrees of freedom, you find that *once you go beyond the degrees of freedom equal to 39, the critical value of t is always 1.96*, and that is the value you would use for the critical *t* with this example.

5.1.8   Step 8: State the Result of Your Statistical Test

The result follows the exact same result format that you found for the one-group *t*-test in the previous chapter (see Sect. 4.1.6):

Either: Since the absolute value of *t* that you found in the *t*-test formula is *less than the critical value of t* in Appendix E, you accept the null hypothesis.

Or: Since the absolute value of *t* that you found in the *t*-test formula is *greater than the critical value of t* in Appendix E, you reject the null hypothesis and accept the research hypothesis.

5.1.9   Step 9: State the Conclusion of Your Statistical Test in Plain English!

Writing the conclusion for the two-group *t*-test is more difficult than writing the conclusion for the one-group *t*-test because you have to decide what the difference was between the two groups.

When you accept the null hypothesis, the conclusion is simple to write: "There is no difference between the two groups in the variable that was measured."

But when you reject the null hypothesis and accept the research hypothesis, you need to be careful about writing the conclusion so that it is both accurate and concise.

Let's give you some practice in writing the conclusion of a two-group *t*-test.

5.1.9.1   Writing the Conclusion of the Two-Group *t*-Test When You Accept the Null Hypothesis

> Objective: To write the conclusion of the two-group *t*-test when you have accepted the null hypothesis.

Suppose that you have been hired as a statistical consultant by Marriott Hotel in St. Louis to analyze the data from a Guest Satisfaction Survey that they give to all customers to determine the degree of satisfaction of these customers for various activities of the hotel.

The survey contains a number of items, but suppose Item #7 is the one in Fig. 5.3:

	How would you rate the Front Desk Clerk Friendliness?								
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
Poor									**Excellent**

Fig. 5.3   Marriott Hotel guest satisfaction survey item #7

Suppose further, that you have decided to analyze the data from last week's customers comparing men and women using the two-group *t*-test.

Important note: You would need to use this test for each of the survey items separately.

Suppose that the hypothetical data for Item #7 from last week at the St. Louis Marriott Hotel were based on a sample size of 124 men who had a mean score on this item of 6.58 and a standard deviation on this item of 2.44. Suppose that you also had data from 86 women from last week who had a mean score of 6.45 with a standard deviation of 1.86.

We will explain later in this chapter how to produce the results of the two-group *t*-test using its formulas, but, for now, let's "cut to the chase" and tell you that those formulas would produce the following in Fig. 5.4:

Group	n	Mean	STDEV
1 Males	124	6.58	2.44
2 Females	86	6.45	1.86

Fig. 5.4   Worksheet data for males vs. females for the St. Louis Marriott Hotel for accepting the null hypothesis

degrees of freedom: 208
critical *t*:   1.96 (in Appendix E)
t-test formula: 0.44 (when you use your calculator!)
Result: Since the absolute value of 0.44 is less than the critical *t* of 1.96, we accept the null hypothesis.
Conclusion: There was no difference between male and female guests last week in their rating of the friendliness of the front desk clerk at the St. Louis Marriott Hotel.

Now, let's see what happens when you reject the null hypothesis (H_0) and accept the research hypothesis (H_1).

5.1.9.2   Writing the Conclusion of the Two-Group *t*-Test When You Reject the Null Hypothesis and Accept the Research Hypothesis

Objective: To write the conclusion of the two-group *t*-test when you have rejected the null hypothesis and accepted the research hypothesis

Let's continue with this same example of the Marriott Hotel, but with the result that we reject the null hypothesis and accept the research hypothesis.

Let's assume that this time you have data on 85 males from last week and their mean score on this question was 7.26 with a standard deviation of 2.35. Let's further suppose that you also have data on 48 females from last week and their mean score on this question was 4.37 with a standard deviation of 3.26.

Without going into the details of the formulas for the two-group *t*-test, these data would produce the following result and conclusion based on Fig. 5.5:

Group	n	Mean	STDEV
1 Males	85	7.26	2.35
2 Females	48	4.37	3.26

Fig. 5.5 Worksheet data for St. Louis Marriott Hotel for obtaining a significant difference between males and females

Null Hypothesis:	$\mu_1 = \mu_2$
Research Hypothesis:	$\mu_1 \neq \mu_2$
degrees of freedom:	131
critical *t*:	1.96 (in Appendix E)
t-test formula:	5.40 (when you use your calculator!)
Result:	Since the absolute value of 5.40 is greater than the critical *t* of 1.96, we reject the null hypothesis and accept the research hypothesis

Now, you need to compare the ratings of the men and women to find out which group had the more positive rating of the friendliness of the front desk clerk using the following rule:

Rule: To summarize the conclusion of the two-group t-test, just compare the means of the two groups, and be sure to use the word "significantly" in your conclusion if you rejected the null hypothesis and accepted the research hypothesis.

A good way to prepare to write the conclusion of the two-group *t*-test when you are using a rating scale is to place the mean scores of the two groups on a drawing of the scale so that you can visualize the difference of the mean scores. For example, for our Marriott Hotel example above, you would draw this "picture" of the scale in Fig. 5.6:

How would you rate the Front Desk Clerk Friendliness?									
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
Poor			4.37			7.26			Excellent
			Females			Males			
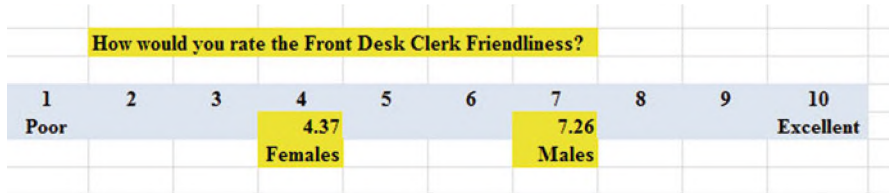
Fig. 5.6 Example of drawing a "picture" of the means of the two groups on the rating scale

This drawing tells you visually that males had a higher positive rating than females on this item (7.26 vs. 4.37). *And, since you rejected the null hypothesis and accepted the research hypothesis, you know that you have found a significant difference between the two mean scores.*

So, our conclusion needs to contain the following key words:

– Male guests
– Female guests
– Marriott Hotel
– St. Louis
– Last week
– Significantly
– Front Desk Clerks
– More friendly *or* less friendly
– *Either* (7.26 vs. 4.37) *or* (4.37 vs. 7.26)

We can use these key words to write the either of two conclusions, which are *logically identical*:

Either: Male guests at the Marriott Hotel in St. Louis last week rated the Front Desk Clerks as significantly more friendly than female guests (7.26 vs. 4.37).
Or: Female guests at the Marriott Hotel in St. Louis last week rated the Front Desk Clerks as significantly less friendly than male guests (4.37 vs. 7.26).

Both of these conclusions are accurate, so you can decide which one you want to write. It is your choice.

Also, note that the mean scores in parentheses at the end of these conclusions must match the sequence of the two groups in your conclusion. For example, if you say that: "Male guests rated the Front Desk Clerks as significantly more friendly than female guests," the end of this conclusion should be: (7.26 vs. 4.37) since you mentioned males first and females second.

Alternately, if you wrote that: "Female guests rated the Front Desk Clerks as significantly less friendly than male guests," the end of this conclusion should be: (4.37 vs. 7.26) since you mentioned females first and males second.

Putting the two mean scores at the end of your conclusion saves the reader from having to turn back to the table in your research report to find these mean scores to see how far apart the mean scores were.

Now, let's discuss Formula #1 that deals with the situation in which both groups have more than 30 people in them.

Objective: To use Formula #1 for the two-group *t*-test when both groups have a sample size greater than 30 people

5.2   Formula #1: Both Groups Have More Than 30 People in Them

The first formula we will discuss will be used when you have two groups of people with more than 30 people in each group and one measurement on each person in each group. This formula for the two-group *t*-test is:

$$t = \frac{\bar{X}_1 - \bar{X}_2}{S_{\bar{X}_1 - \bar{X}_2}} \tag{5.2}$$

$$\text{where} \quad S_{\bar{X}_1 - \bar{X}_2} = \sqrt{\frac{S_1{}^2}{n_1} + \frac{S_2{}^2}{n_2}} \tag{5.3}$$

$$\text{and where degrees of freedom} = \text{df} = n_1 + n_2 - 2 \tag{5.1}$$

This formula looks daunting when you first see it, but let's explain some of the parts of this formula:

We have explained the concept of "degrees of freedom" earlier in this chapter, and so you should be able to find the degrees of freedom needed for this formula in order to find the critical value of *t* in Appendix E.

In the previous chapter, *the formula for the one-group t-test was the following*:

$$t = \frac{\bar{X} - \mu}{S_{\bar{X}}} \tag{4.1}$$

$$\text{where s.e.} = S_{\bar{X}} = \frac{S}{\sqrt{n}} \tag{4.2}$$

For the one-group *t*-test, you found the mean score and subtracted the population mean from it, and then divided the result by the standard error of the mean (s.e.) to

get the result of the t-test. You then compared the t-test result to the critical value of t to see if you either accepted the null hypothesis, or rejected the null hypothesis and accepted the research hypothesis.

The two-group t-test requires a different formula because you have two groups of people, each with a mean score on some variable. You are trying to determine whether to accept the null hypothesis that the *population means of the two groups are equal* (in other words, there is no difference statistically between these two means), or whether the difference between the means of the two groups is "sufficiently large" that you would accept *that there is a significant difference* in the mean scores of the two groups.

The numerator of the two-group t-test asks you to find the difference of the means of the two groups:

$$\bar{X}_1 - \bar{X}_2 \tag{5.4}$$

The next step in the formula for the two-group t-test is to divide the answer you get when you subtract the two means by the standard error of the difference of the two means, and *this is a different standard error of the mean that you found for the one-group t-test because there are two means in the two-group t-test.*

The standard error of the mean when you have two groups of people is called the "standard error of the difference of the means" between the means of the two groups. This formula looks less scary when you break it down into four steps:

1. Square the standard deviation of Group 1, and divide this result by the sample size for Group 1 (n_1).
2. Square the standard deviation of Group 2, and divide this result by the sample size for Group 2 (n_2).
3. Add the results of the above two steps to get a total score.
4. *Take the square root of this total score* to find the standard error of the difference of the means between the two groups, $S_{\bar{X}_1 - \bar{X}_2} = \sqrt{\frac{S_1^2}{n_1} + \frac{S_2^2}{n_2}}$

This last step is the one that gives students the most difficulty when they are finding this standard error using their calculator, because they are in such a hurry to get to the answer that they forget to carry the square root sign down to the last step, and thus get a larger number than they should for the standard error.

5.2.1 An example of Formula #1 for the Two-Group t-test

Now, let's use Formula #1 in a situation in which both groups have a sample size greater than 30 people.

Suppose that you have been hired by PepsiCo to do a taste test with teenage boys (ages 13–18) to determine if they like the taste of Pepsi the same as the taste of Coke. The boys are not told the brand name of the soft drink that they taste.

You select a group of boys in this age range, and randomly assign them to one of two groups: (1) Group 1 tastes Coke, and (2) Group 2 tastes Pepsi. Each group rates the taste of their soft drink on a 100-point scale using the following scale in Fig. 5.7:

0	10	20	30	40	50	60	70	80	90	100
poor										excellent

Fig. 5.7   Example of a rating scale for a soft drink taste test (practical example)

Suppose you collect these ratings and determine (using your new Excel skills) that the 52 boys in the Coke group had a mean rating of 55 with a standard deviation of 7, while the 57 boys in the Pepsi group had a mean rating of 64 with a standard deviation of 13.

Note that the two-group t-test does not require that both groups have the same sample size. This is another way of saying that the two-group *t*-test is "robust" (a fancy term that statisticians like to use).

Your data then produce the following table in Fig. 5.8:

Fig. 5.8   Worksheet data for
soft drink taste test

Group	n	Mean	STDEV
1 Coke	52	55	7
2 Pepsi	57	64	13

Create an Excel spreadsheet, and enter the following information:

B3: Group
B4: 1 Coke
B5: 2 Pepsi
C3: n
D3: Mean
E3: STDEV
C4: 52
D4: 55
E4: 7
C5: 57
D5: 64
E5: 13

Now, widen column B so that it is twice as wide as column A, and center the six numbers and their labels in your table (see Fig. 5.9)

Fig. 5.9 Results of widening column B and centering the numbers in the cells

⊿	A	B	C	D	E	F
1						
2						
3		Group	n	Mean	STDEV	
4		1 Coke	52	55	7	
5		2 Pepsi	57	64	13	
6						

B8: Null hypothesis:

B10: Research hypothesis:

Since both groups have a sample size greater than 30, you need to use Formula #1 for the *t*-test for the difference of the means of the two groups.

Let's "break this formula down into pieces" to reduce the chance of making a mistake.

B13: STDEV1 squared/n1 (note that you square the standard deviation of Group 1, and then divide the result by the sample size of Group 1)

B16: STDEV2 squared/n2

B19: D13 + D16

B22: s.e.

B25: critical t

B28: t-test

B31: Result:

B36: Conclusion: (see Fig. 5.10)

Fig. 5.10 Formula labels for
the two-group *t*-test

Group	n	Mean	STDEV
1 Coke	52	55	7
2 Pepsi	57	64	13
Null hypothesis:			
Research hypothesis:			
STDEV1 squared / n1			
STDEV2 squared / n2			
D13 + D16			
s.e.			
critical t			
t-test			
Result:			
Conclusion:			

You now need to compute the values of the above formulas in the following cells:

D13: the result of the formula needed to compute cell B13 (use 2 decimals)
D16: the result of the formula needed to compute cell B16 (use 2 decimals)
D19: the result of the formula needed to compute cell B19 (use 2 decimals)
D22: =SQRT(D19) (use 2 decimals)

This formula should give you a standard error (s.e.) of 1.98.

D25: 1.96
    (Since df $= n1 + n2 - 2$, this gives df $= 109 - 2 = 107$, and the critical t is, therefore, 1.96 in Appendix E.)
D28: $=(D4 - D5)/D22$ (use 2 decimals)

This formula should give you a value for the *t*-test of: -4.55.

Nest, check to see if you have rounded off all figures in D13: D28 to two decimal places (see Fig. 5.11).

◢	A	B	C	D	E
11					
12					
13		**STDEV1 squared / n1**		0.94	
14					
15					
16		**STDEV2 squared / n2**		2.96	
17					
18					
19		**D13 + D16**		3.91	
20					
21					
22		**s.e.**		1.98	
23					
24					
25		**critical t**		1.96	
26					
27					
28		**t-test**		-4.55	
29					

Fig. 5.11 Results of the *t*-test formula for the soft drink taste test

Now, write the following sentence in D31–D34 to summarize the result of the study:

D31: Since the absolute value of -4.55
D32: is greater than the critical *t* of
D33: 1.96, we reject the null hypothesis
D34: and accept the research hypothesis.

Finally, write the following sentence in D36–D38 to summarize the conclusion of the study in plain English:

D36: Teenage boys rated the taste of
D37: Pepsi as significantly better than
D38: the taste of Coke (64 vs. 55).

Save your file as: COKE4

Print this file so that it fits onto one page, and write by hand the null hypothesis and the research hypothesis on your printout.

The final spreadsheet appears in Fig. 5.12.

Group	n	Mean	STDEV
1 Coke	52	55	7
2 Pepsi	57	64	13
Null hypothesis:		$\mu_1 = \mu_2$	
Research hypothesis:		$\mu_1 \neq \mu_2$	
STDEV1 squared / n1		0.94	
STDEV2 squared / n2		2.96	
D13 + D16		3.91	
s.e.		1.98	
critical t		1.96	
t-test		-4.55	
Result:		Since ther absolute value of - 4.55 is greater than the critical t of 1.96, we reject the null hypothesis and accept the research hypothesis.	
Conclusion:		Teenage boys rated the taste of Pepsi as significantly better than the taste of Coke (64 vs. 55)	

Fig. 5.12 Final worksheet for the Coke vs. Pepsi taste test

Now, let's use the second formula for the two-group *t*-test, which we use whenever either one group or both groups have less than 30 people in them.

Objective: To use Formula #2 for the two-group t-test when one or both groups have less than 30 people in them

Now, let's look at the case when one or both groups have a sample size less than 30 people in them.

5.3   Formula #2: One or Both Groups Have Less Than 30 People in Them

Suppose that you work for the manufacturer of MP3 players and that you have been asked to do a pricing experiment to see if more units can be sold at a reduction in price.

Suppose, further, that you have randomly selected seven wholesalers to purchase the product at the regular price, and they purchased a mean of 117.7 units with a standard deviation of 19.9 units.

In addition, you randomly selected a different group of eight wholesalers to purchase the product at a 10% price cut, and they purchased a mean of 125.1 units with a standard deviation of 15.1 units.

You want to test to see if the two different prices produced a significant difference in the number of MP3 units sold.

You have decided to use the two-group t-test for independent samples, and the following data resulted in Fig. 5.13:

Group	n	Mean	STDEV
1 Regular Price	7	117.7	19.9
2 Reduced price	8	125.1	15.1

Fig. 5.13 Worksheet data for wholesaler price comparison (practical example)

Null hypothesis: $\mu_1 = \mu_2$
Research hypothesis: $\mu_1 \neq \mu_2$

Note: Since both groups have a sample size less than 30 people, you need to use Formula #2 in the following steps:

Create an Excel spreadsheet, and enter the following information:

B3: Group
B4: 1 Regular Price
B5: 2 Reduced Price
C3: n
D3: Mean
E3: STDEV

Now, widen column B so that it is three times as wide as column A. To do this, click on B at the top left of your spreadsheet to highlight all of the cells in column B. Then, move the mouse pointer to the right end of the B cell until you get a "cross" sign; then, click on this cross sign and drag the sign to the right until you can read all of the words on your screen. Then, stop clicking!

C4: 7
D4: 117.7
E4: 19.9
C5: 8
D5: 125.1
E5: 15.1

Next, *center the information in cells C3–E5* by highlighting these cells and then using this step:

Click on the bottom line, second from the left icon, under "Alignment" at the top-center of Home

B8: Null hypothesis:
B10: Research hypothesis: (See Fig. 5.14)

◢	A	B	C	D	E	F	G
1							
2							
3		Group	n	Mean	STDEV		
4		1 Regular Price	7	117.7	19.9		
5		2 Reduced Price	8	125.1	15.1		
6							
7							
8		Null hypothesis:					
9							
10		Research hypothesis:					
11							

Fig. 5.14 Wholesaler price comparison worksheet data for hypothesis testing

Since both groups have a sample size less than 30, you need to use Formula #2 for the t-test for the difference of the means of two independent samples.

Formula #2 for the two-group t-test is the following:

$$t = \frac{\bar{X}_1 - \bar{X}_2}{S_{\bar{X}_1 - \bar{X}_2}} \tag{5.2}$$

$$\text{where} \quad S_{\bar{X}_1 - \bar{X}_2} = \sqrt{\frac{(n_1 - 1)S_1^2 + (n_2 - 1)S_2^2}{n_1 + n_2 - 2} \left(\frac{1}{n_1} + \frac{1}{n_2} \right)} \tag{5.5}$$

$$\text{and where degrees of freedom} = df = n_1 + n_2 - 2 \tag{5.6}$$

This formula is complicated, and so it will reduce your chance of making a mistake in writing it if you "break it down into pieces" instead of trying to write the formula as one cell entry.

Now, enter these words on your spreadsheet:

B8:   Null hypothesis
B10: Research hypothesis
B13: (n1 − 1) x STDEV1 squared
B16: (n2 − 1) x STDEV2 squared
B19: $n_1 + n_2 - 2$
B22: $1/n_1 + 1/n_2$
B25: s.e.
B28: critical t:
B31: t-test:
B34: Result:
B39: Conclusion: (see Fig. 5.15)

You now need to compute the values of the above formulas in the following cells:

Fig. 5.15 Wholesaler price comparison formula labels for two-group *t*-test

Group	n	Mean	STDEV
1 Regular Price	7	117.7	19.9
2 Reduced Price	8	125.1	15.1
Null hypothesis:			
Research hypothesis:			
(n1 - 1) x STDEV1 squared			
(n2 - 1) x STDEV2 squared			
n1 + n2 - 2			
1/n1 + 1/n2			
s.e.			
critical t			
t-test			
Result:			
Conclusion:			

E13: the result of the formula needed to compute cell B13 (use 2 decimals)

E16: the result of the formula needed to compute cell B16 (use 2 decimals)

E19: the result of the formula needed to compute cell B19

E22: the result of the formula needed to compute cell B22 (use 2 decimals)

E25: $= \text{SQRT}(((E13 + E16)/E19)^*E22)$

Note the three open parentheses after SQRT, and the three closed parentheses on the right side of this formula. You need three open parentheses and three closed parentheses in this formula or the formula will not work correctly.

The above formula gives a standard error of the difference of the means equal to 9.05 (two decimals).

E28: enter the critical t value from the t-table in Appendix E in this cell using
df $= n_1 + n_2 - 2$ to find the critical t value

E31: $=(D4 - D5)/E25$

Note that you need an open parenthesis *before D4* and a closed parenthesis *after D5* so that this answer of -7.40 is *THEN* divided by the standard error of the difference of the means of 9.05, to give a *t*-test value of -0.82 (note the minus sign here). Use two decimal places for the *t*-test result (see Fig. 5.16).

Group	n	Mean	STDEV
1 Regular Price	7	117.7	19.9
2 Reduced Price	8	125.1	15.1
Null hypothesis:			
Research hypothesis:			
(n1 - 1) x STDEV1 squared			2376.06
(n2 - 1) x STDEV2 squared			1596.07
n1 + n2 - 2			13
1/n1 + 1/n2			0.27
s.e.			9.05
critical t			2.160
t-test			-0.82
Result:			
Conclusion:			

Fig. 5.16 Wholesaler price comparison two-group *t*-test formula results

Now write the following sentence in D34–D37 to summarize the *result* of the study:

D34: Since the absolute value
D35: of t of -0.82 is less than
D36: the critical t of 2.160, we
D37: accept the null hypothesis.

Finally, write the following sentence in D39–D43 to summarize the conclusion of the study:

D39: There was no difference
D40: in the number of units of
D41: MP3 players sold at the
D42: two prices. So, you should
D43: not reduce the price!

Save your file as: MP4
Print the final spreadsheet so that it fits onto one page.
Write the null hypothesis and the research hypothesis by hand on your printout.
The final spreadsheet appears in Fig. 5.17.

Group	n	Mean	STDEV				
1 Regular Price	7	117.7	19.9				
2 Reduced Price	8	125.1	15.1				
Null hypothesis:		$\mu_1 = \mu_2$					
Research hypothesis:		$\mu_1 \neq \mu_2$					
(n1 - 1) x STDEV1 squared			2376.06				
(n2 - 1) x STDEV2 squared			1596.07				
n1 + n2 - 2			13				
1/n1 + 1/n2			0.27				
s.e.			9.05				
critical t			2.160				
t-test			-0.82				
Result:		Since the absolute value of t of - 0.82 is less than the critical t of 2.160, we accept the null hypothesis.					
Conclusion:		There was no difference in the number of units of MP3 players sold at the two prices. So, you should not reduce the price!					

Fig. 5.17 Wholesaler price comparison final spreadsheet

5.4 End-of-Chapter Practice Problems

1. Suppose that Boeing Company has hired you to do data analysis for its surveys that have been returned for its Morale Surveys that they had their managers answer during the past month. The items were summed to form a total score, in which a high score indicates high job satisfaction, while a low score indicates low job satisfaction.

You select a random sample of managers, 202 females who averaged 84.80 on this survey with a standard deviation of 5.10. You also select a random sample of 241 males on this survey and they averaged 88.20 with a standard deviation of 4.30.

(a) State the null hypothesis and the research hypothesis on an Excel spreadsheet.
(b) Find the standard error of the difference between the means using Excel
(c) Find the critical *t* value using Appendix E, and enter it on your spreadsheet.
(d) Perform a *t*-test on these data using Excel. What is the value of *t* that you obtain?
   Use three decimal places for all figures in the formula section of your spreadsheet.
(e) State your result on your spreadsheet.
(f) State your conclusion in plain English on your spreadsheet.
(g) Save the file as: Boeing3

2. Massachusetts Mutual Financial Group (2010) placed a full-page color ad in *The Wall Street Journal* in which it used a male model hugging a 2-year-old daughter. The ad had the headline and sub-headline:

WHAT IS THE SIGN OF A GOOD DECISION?
It's knowing your life insurance can help provide income for retirement. And peace of mind until you get there.

   Since the majority of the subscribers to *The Wall Street Journal* are men, an interesting research question would be the following:

Research question: "Does a male model in a magazine ad affect adult men's or adult women's willingness to learn more about how life insurance can provide income for retirement?"

Suppose that you have shown one group of adult males (ages 25–39) and one group of adult females (ages 25–39) a mockup of an ad such that both groups saw the ad with a male model. The ads were identical in copy format. The two groups were kept separate during the experiment and could not interact with one another.

   At the end of a 1-hour discussion of the mockup ad, the respondents were asked the question given in Fig. 5.18:
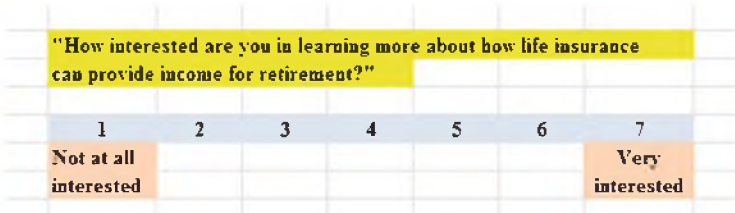
Fig. 5.18 Rating scale item for a magazine ad interest indicator (practical example)

The resulting data for this question appear in Fig. 5.19:

Magazine ad: Male model	
Men	**Women**
5	3
6	4
4	6
7	5
5	2
6	3
5	1
4	3
3	2
6	4
7	3
5	5
6	6
4	3
7	4
5	2
4	5
6	3
3	4
7	5
5	4
6	3
2	2
6	4
1	3
7	5
6	1
5	3
4	2
6	3
5	2
7	5
	3
	4

Fig. 5.19 Worksheet data for Chap. 5: Practice Problem #2

(a) On your Excel spreadsheet, write the null hypothesis and the research hypothesis.
(b) Create a table that summarizes these data on your spreadsheet and use Excel to find the sample sizes, the means, and the standard deviations of the two groups in this table.
(c) Use Excel to find the standard error of the difference of the means.
(d) Use Excel to perform a two-group t-test. What is the value of t that you obtain (use two decimal places)?

(e) On your spreadsheet, type the *critical value of t* using the *t*-table in Appendix E.
(f) Type your *result* on the test on your spreadsheet.
(g) Type your *conclusion in plain English* on your spreadsheet.
(h) Save the file as: lifeinsur12

3. American Airlines offered an in-flight meal that passengers could purchase for $3.00, and asked these customers to fill out a survey giving their opinion of the meal. Passengers were asked to rate their likelihood of purchasing this meal on a future flight on a 5-point scale. But, suppose that you have convinced the airline to change its survey item on purchase intention to a 7-point scale instead; the intention-to-buy item would then take the form in Fig. 5.20:

American Airlines survey							
Item #10:	"How likely are you to purchase an in-flight meal on a future flight?"						
	1	2	3	4	5	6	7
	Definitely would not purchase						Definitely would purchase

Fig. 5.20 Rating scale item for an in-flight meal on an American airlines survey (practical example)

Passengers were asked on the survey to indicate whether they were either business travelers or vacationers. Suppose that the average rating last month for 64 "business travelers" was 3.23 with a standard deviation of 1.04, while the 56 "vacationers" had an average rating of 2.36 with a standard deviation of 1.35.

(a) State the null hypothesis and the research hypothesis on an Excel spreadsheet.
(b) Find the standard error of the difference between the means using Excel.
(c) Find the critical *t* value using Appendix E, and enter it on your spreadsheet.
(d) Perform a *t*-test on these data using Excel. What is the value of *t* that you obtain?
(e) State your result on your spreadsheet.
(f) State your conclusion in plain English on your spreadsheet.
(g) Save the file as: AAmeal3

References

Keller, G. Statistics for Management and Economics (8th ed.). Mason, OH: South-Western Cengage Learning, 2009

Zikmund, W.G. and Babin, B.J. Exploring Marketing Research (10th ed.). Mason, OH: South-Western Cengage Learning, 2010.

Mass Mutual Financial Group. What is the Sign of a Good Decision? (Advertisement) *The Wall Street Journal*, September 29, 2010, p. A22.

Chapter 6
Correlation and Simple Linear Regression

There are many different types of "correlation coefficients," but the one we will use in this book is the Pearson product–moment correlation, which we will call: r.

6.1 What Is a "Correlation?"

Basically, a correlation is a number between -1 and $+1$ that summarizes the relationship between two variables, which we will call X and Y.

A correlation can be either positive or negative. *A positive correlation means that as X increases, Y increases. A negative correlation means that as X increases, Y decreases.* In statistics books, this part of the relationship is called the *direction* of the relationship (i.e., it is either positive or negative).

The correlation also tells us the *magnitude* of the relationship between X and Y. As the correlation approaches closer to $+1$, we say that the relationship is *strong and positive.*

As the correlation approaches closer to -1, we say that the relationship is *strong and negative.*

A zero correlation means that there is no relationship between X and Y. This means that neither X nor Y can be used as a predictor of the other.

A good way to understand what a correlation means is to see a "picture" of the scatterplot of points produced in a chart by the data points. Let's suppose that you want to know if variable X can be used to predict variable Y. We will place *the predictor variable X on the x-axis* (the horizontal axis of a chart) and *the criterion variable Y on the y-axis* (the vertical axis of a chart). Suppose, further, that you have collected data given in the scatterplots below (see Figs. 6.1–6.6).

Figure 6.1 shows the scatterplot for a perfect positive correlation of $r = +1.0$. This means that you can perfectly predict each y-value from each x-value because the data points move "upward-and-to-the-right" along a perfectly fitting straight line (see Fig. 6.1).

X	Y
1	1
1.5	1.5
2	2
2.5	2.5
3	3
4	4
4.5	4.5
5	5
5.5	5.5
6	6
3.5	3.5
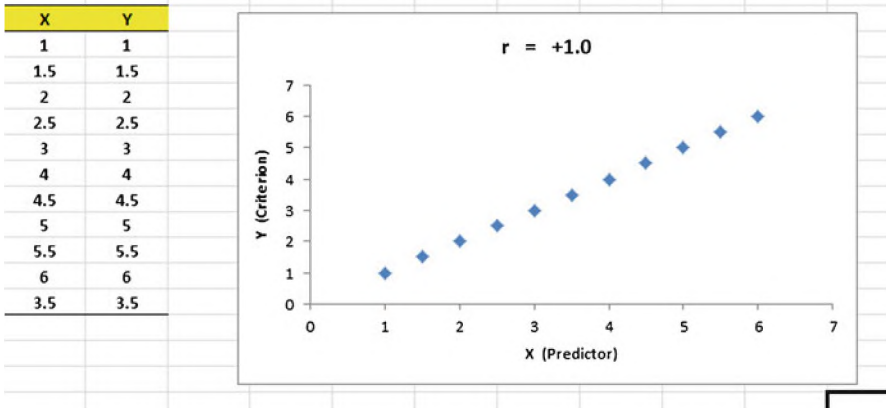
Fig. 6.1 Example of a scatterplot for a perfect, positive correlation ($r = +1.0$)

Figure 6.2 shows the scatterplot for a moderately positive correlation of $r = +.53$. This means that each x-value can predict each y-value moderately well because you can draw a picture of a "football" around the outside of the data points that move upward-and-to-the-right, but not along a straight line (see Fig. 6.2).

X	Y
1	2
2	4
3	4.5
4	2.5
5	6
6	5
2.5	2
4	5
5.5	3
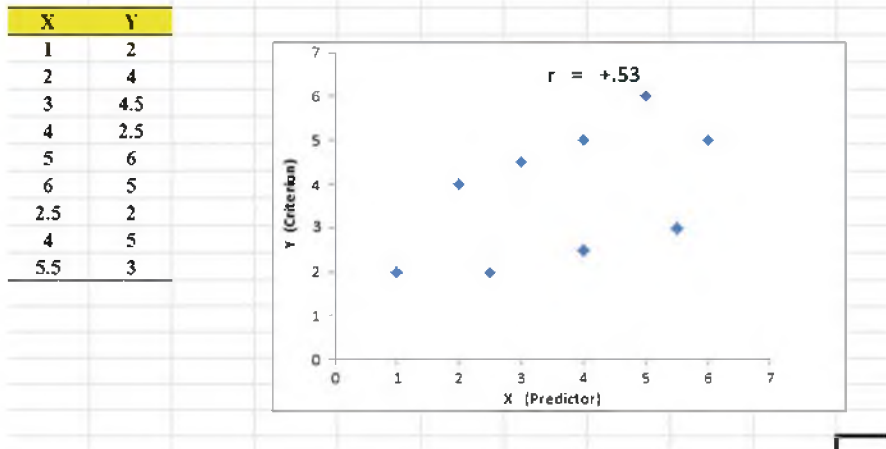
Fig. 6.2 Example of a scatterplot for a moderate, positive correlation ($r = +.53$)

Figure 6.3 shows the scatterplot for a low, positive correlation of $r = +.23$. This means that each x-value is a poor predictor of each y-value because the "picture" you could draw around the outside of the data points approaches a circle in shape (see Fig. 6.3).

X	Y
1	2
2	4
3	6
4	1
5	5
6	3
3	1
5	2
4.5	5.5
2	1
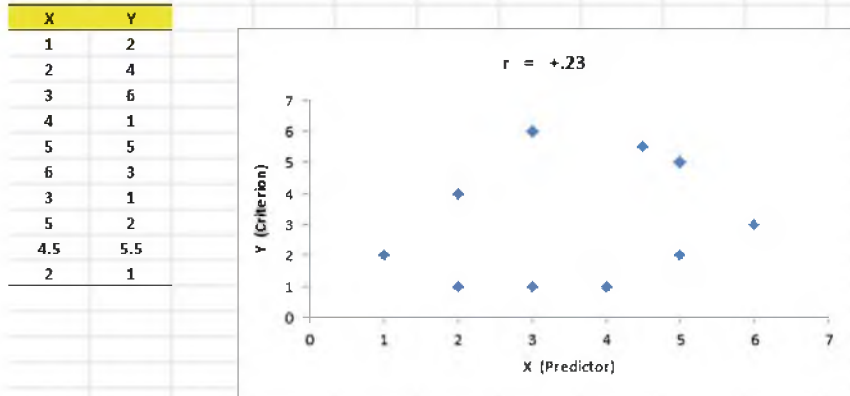
Fig. 6.3 Example of a scatterplot for a low, positive correlation ($r = +.23$)

We have not shown a Figure of a zero correlation because it is easy to imagine what it looks like as a scatterplot. A zero correlation of $r = .00$ means that there is no relationship between X and Y and the "picture" drawn around the data points would be a perfect circle in shape, indicating that you cannot use X to predict Y because these two variables are not correlated with one another.

Figure 6.4 shows the scatterplot for a low, negative correlation of $r = -.22$, which means that each X is a poor predictor of Y in an inverse relationship, meaning that as X increases, Y decreases (see Fig. 6.4). In this case, it is a negative correlation because the "football" you could draw around the data points slopes down and to the right.

X	Y
1	6
2	5
2	2
3	1
3	5
5	1
6	3
2.5	2.5
3.5	3.4
5.5	5.4
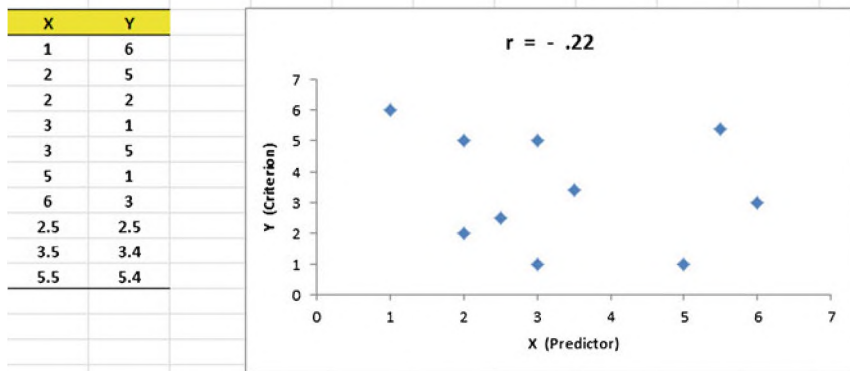
Fig. 6.4 Example of a scatterplot for a low, negative correlation ($r = -.22$)

Figure 6.5 shows the scatterplot for a moderate, negative correlation of $r = -.39$, which means that X is a moderately good predictor of Y, although

there is an inverse relationship between X and Y (i.e., as X increases, Y decreases; see Fig. 6.5). In this case, it is a negative correlation because the "football" you could draw around the data points slopes down and to the right.

X	Y
1	5
2	6
3	1
4	3
5	4
6	2
1.5	3
5	1
2.5	3
4	6

r = −.39
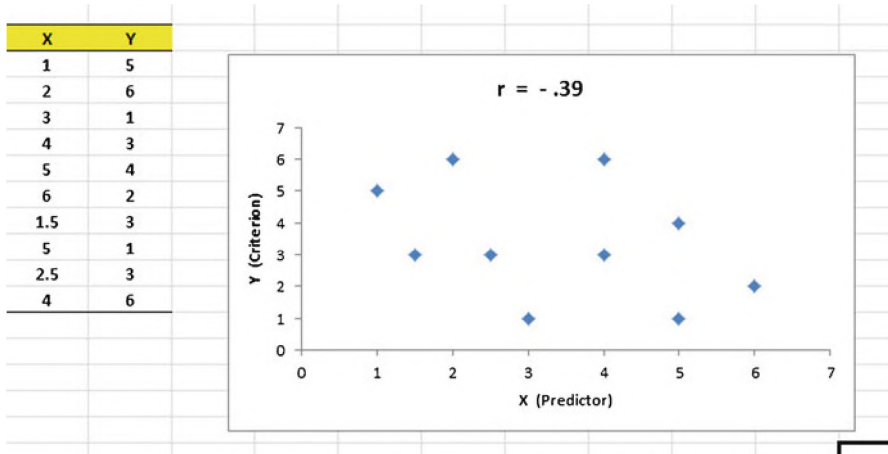
Fig. 6.5 Example of a scatterplot for a moderate, negative correlation ($r = -.39$)

Figure 6.6 shows a perfect negative correlation of $r = -1.0$, which means that X is a perfect predictor of Y, although in an inverse relationship as X increases, Y decreases. The data points fit perfectly along a downward-sloping straight line (see Fig. 6.6).

X	Y
1	6
1.5	5.5
2	5
2.5	4.5
3	4
4	3
5	2
5.5	1.5
6	1
4.5	2.5
3.5	3.5

r = −1.0
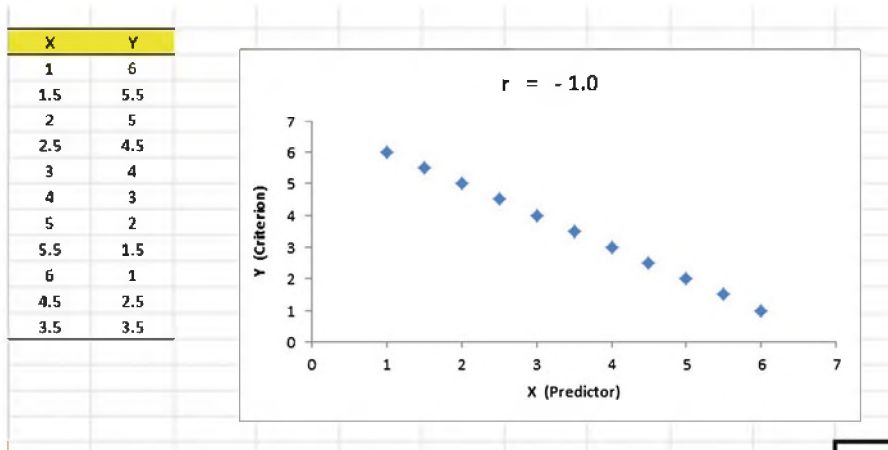
Fig. 6.6 Example of a scatterplot for a perfect, negative correlation ($r = -1.0$)

Let's explain the formula for computing the correlation r so that you can understand where the number summarizing the correlation came from.

In order to help you to understand *where* the correlation number that ranges from −1.0 to +1.0 comes from, we will walk you through the steps involved to use the formula as if you were using a pocket calculator. This is the only time in this book that we will ask you to use your pocket calculator to find a correlation, but knowing how the correlation is computed step-by-step will give you the opportunity to understand *how* the formula works in practice.

To do that, let's create a situation in which you need to find the correlation between two variables.

Suppose that you have been hired by a manager of a supermarket chain to find the relationship between the amount of money spent weekly by the chain on television ads and the weekly sales of the supermarket chain in St. Louis. You collect the data from the past 8 weeks given in Fig. 6.7.

Week	TV ad cost ($000)	Weekly Sales ($000)
1	4.8	94
2	1.9	87
3	3.8	93
4	2.3	89
5	2.9	92
6	3.3	92
7	2.4	93
8	2.8	92
n	8	8
MEAN	3.03	91.50
STDEV	0.93	2.33

Fig. 6.7 Worksheet data for a supermarket chain (practical example)

For the purposes of explanation, let's call the weekly cost of TV ads as the predictor variable X, and the weekly sales as the criterion variable Y. Notice that the data for the cost of TV ads for each week is in thousands of dollars ($000). For example, the TV ads for week 6 cost $3,300, and when we "move the decimal place three places to the left to change the amount to thousands of dollars," this becomes 3.3. Similarly, the weekly sales for week 6 were really $92,000 as those data are also in thousands of dollars format ($000).

Notice also that we have used Excel to find the sample size for both variables, X and Y, and the MEAN and STDEV of both variables. (You can practice your Excel skills by seeing if you get the same result when you create an Excel spreadsheet for these data.)

Now, let's use the above table to compute the correlation r between the weekly cost of TV ads and the weekly sales of this supermarket chain using your pocket calculator.

6.1.1 Understanding the Formula for Computing a Correlation

> Objective: To understand the formula for computing the correlation r

The formula for computing the correlation r is as follows:

$$r = \frac{\frac{1}{n-1} \sum (X - \bar{X})(Y - \bar{Y})}{S_x S_y} \tag{6.1}$$

This formula looks daunting at first glance, but let's "break it down into its steps" to understand how to compute the correlation r.

6.1.2 Understanding the Nine Steps for Computing a Correlation, r

> Objective: To understand the nine steps of computing a correlation r

The nine steps are as follows:

Step	Computation	Result
1	Find the sample size n by noting the number of weeks	8
2	Divide the number 1 by the sample size minus 1 (i.e., 1/7)	0.14286
3	*For each week*, take the cost of TV ads for that week and subtract the mean cost of TV ads for the 8 weeks and call this $X - \bar{X}$ (For example, for week 6, this would be: 3.3 − 3.03)	0.27
	Note: With your calculator, this difference is 0.27, but when Excel uses 16 decimal places for every computation, this result will be 0.28 instead of 0.27.	
4	*For each week*, take the weekly sales for that week and subtract the mean weekly sales for the 8 weeks and call this $Y - \bar{Y}$ (e.g., for week 6, this would be: 92 − 91.50)	0.50
5	Then, *for each week*, multiply $(X - \bar{X})$ times $(Y - \bar{Y})$ (e.g., for week 6 this would be: 0.27 × 0.50)	0.135
6	Add the results of $(X - \bar{X})$ times $(Y - \bar{Y})$ for the 8 weeks	11.50

Steps 1–6 would produce the Excel table given in Fig. 6.8.

Notice that when Excel multiplies a minus number by a minus number, the result is a plus number (e.g., for week 2: $(-1.13 \times -4.50 = +5.06)$. And when Excel

Week	X TV ad cost (S000)	Y Weekly Sales (S000)	$X - \bar{X}$	$Y - \bar{Y}$	$(X - \bar{X})(Y - \bar{Y})$
1	4.8	94	1.78	2.50	4.44
2	1.9	87	-1.13	-4.50	5.06
3	3.8	93	0.78	1.50	1.16
4	2.3	89	-0.73	-2.50	1.81
5	2.9	92	-0.13	0.50	-0.06
6	3.3	92	0.28	0.50	0.14
7	2.4	93	-0.63	1.50	-0.94
8	2.8	92	-0.23	0.50	-0.11
n	8	8		Total	11.50
MEAN	3.03	91.50			
STDEV	0.93	2.33			

Fig. 6.8 Worksheet for computing the correlation, r

multiplies a minus number by a plus number, the result is a negative number (e.g., for week 5: $(-0.13 \times +0.50 = -0.06)$.

Note: Excel computes all computation to 16 decimal places. So, when you check your work with a calculator, you frequently get a slightly different answer than Excel's answer.

For example, when you compute above:

$$(X - \bar{X}) \times (Y - \bar{Y}) \quad \text{for Week 2, your calculator gives:} \quad (6.2)$$

$$(-1.13) \times (-4.50) = +5.085,$$

But, as you can see from the table, Excel's answer of 5.06 is *more accurate* because Excel uses 16 decimal places for every number.

You should also note that when you do Step 6, you have to be careful to add all of the positive numbers first to get +*12.61* and then add all of the negative numbers second to get −*1.11*, so that when you subtract these two numbers you get +*11.50* as your answer to Step 6.

Step

7   Multiply the answer for step 2 above by the answer for step 6   1.6429
      (0.14286×11.5)

8   Multiply the STDEV of X times the STDEV of Y (0.93×2.33) 2.1669

9   Finally, divide the answer from step 7 by the answer from step 8   +0.76
      (1.6429 divided by 2.1669)

This number of *0.76* is the correlation between the weekly cost of TV ads (X) and the weekly sales in this supermarket chain (Y) over this 8-week period. The number +*0.76* means that there is a strong, positive correlation between these two variables.

That is, as the chain increases its spending on TV ads, its sales for that week increase. For a more detailed discussion of correlation, see Zikmund and Babin (2010).

You could also use the results of the above table in the formula for computing the correlation r in the following way:

$$\text{Correlation } r = \frac{[1/(n-1) \times \sum (X - \bar{X})(Y - \bar{Y})]}{(\text{STDEV}_X \times \text{STDEV}_Y)}$$

$$\text{Correlation } r = \frac{[(1/7) \times 11.50]}{[(0.93) \times (2.33)]}$$

$$\text{Correlation} = r = 0.76$$

Now, let's discuss how you can use Excel to find the correlation between two variables in a much simpler, and much faster, fashion than using your calculator.

6.2   Using Excel to Compute a Correlation Between Two Variables

Objective: To use Excel to find the correlation between two variables

Suppose that you have been hired by the owner of a supermarket chain in St. Louis to make a recommendation as to how many shelf facings of Kellogg's Corn Flakes this chain should use. A "shelf facing" is the number of boxes of the cereal that are stacked beside one another. Thus, a shelf facing of 3 means that 3 boxes of Kellogg's Corn Flakes are stacked beside each other on the supermarket shelf in the cereals section.

You randomly assign supermarket locations to your study, and you randomly select the number of facings used in each supermarket location, where the number of facings range from 1 to 3 facings. You track the weekly sales (in thousands of dollars) of this cereal over a 10-week period, and the resulting sales figures are given in Fig. 6.9.

You want to determine if there is a *relationship* between the number of facings of Kellogg's Corn Flakes and the weekly sales of this cereal, and you decide to use

Fig. 6.9 Worksheet data for
the number of facings and
sales (practical example)

Week	No. of facings	Sales ($000)
1	1	1.1
2	2	2.2
3	3	2.1
4	1	1.2
5	2	2.3
6	3	5.2
7	3	4.6
8	2	2.3
9	2	1.9
10	3	4.5

a correlation to determine this relationship. Let's call the number of facings, X, and the sales figures, Y.

Create an Excel spreadsheet with the following information:

A2: Week
B2: No. of facings
C2: Sales ($000)
A3: 1

Next, change the width of Columns B and C so that the information fits inside the cells.

Now, complete the remaining figures in the table given above, so that A12 is 10, B12 is 3, and C12 is 4.5 (Be sure to double-check your figures to make sure that they are correct!) Then, center the information in all of these cells.

A14: n
A15: mean
A16: stdev

Next, define the "name" to the range of data from B3:B12 as: facings

We discussed earlier in this book (see Sect. 1.4.4) how to "name a range of data," but here is a reminder of how to do that:

To give a "name" to a range of data:

Click on the top number in the range of data and drag the mouse down to the bottom number of the range.

For example, to give the name: "facings" to the cells: B3:B12, click on B3, and drag the pointer down to B12 so that the cells B3:B12 are highlighted on your computer screen. Then, click on:

Formulas
Define name (top center of your screen)
facings (in the Name box; see Fig. 6.10)
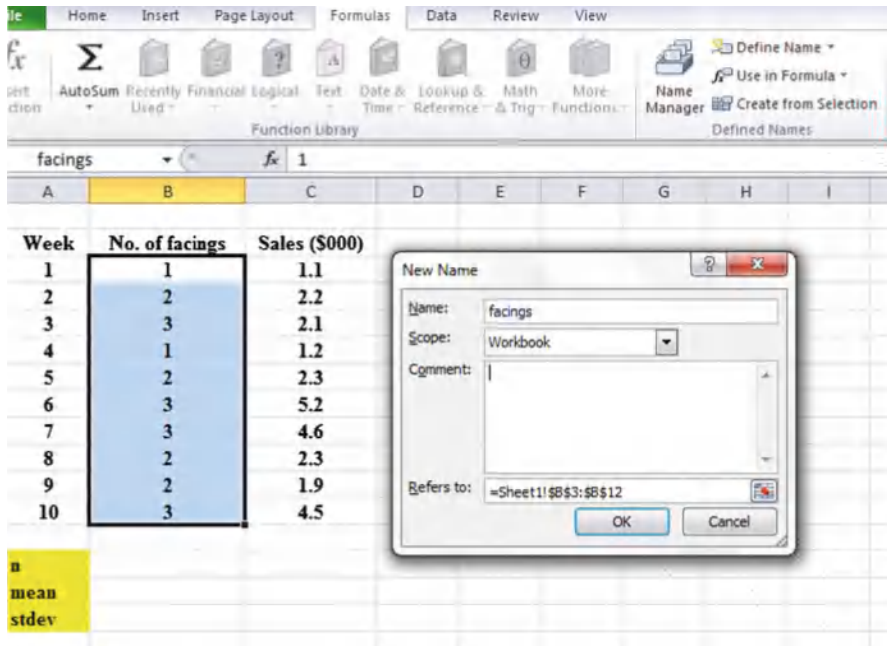
Fig. 6.10   Dialogue box for naming a range of data as: "facings"

OK

Now, repeat these steps to give the name: *sales* to C3:C12

Finally, click on any blank cell on your spreadsheet to "deselect" cells C3:C12 on your computer screen.

Now, complete the data for these sample sizes, means, and standard deviations in columns B and C so that B16 is 0.79, and C16 is 1.47 (use two decimals for the means and standard deviations; see Fig. 6.11)

Fig. 6.11 Example of using Excel to find the sample size, mean, and STDEV

Week	No. of facings	Sales ($000)
1	1	1.1
2	2	2.2
3	3	2.1
4	1	1.2
5	2	2.3
6	3	5.2
7	3	4.6
8	2	2.3
9	2	1.9
10	3	4.5
n	10	10
mean	2.20	2.74
stdev	0.79	1.47

Objective: Find the correlation between the number of facings and the weekly sales dollars.

B18:   correlation
C18:   =correl(facings,sales); see Fig. 6.12

	SUM		f_x =correl(facings,sales)		
	A	B	C	D	E
1					
2	Week	No. of facings	Sales ($000)		
3	1	1	1.1		
4	2	2	2.2		
5	3	3	2.1		
6	4	1	1.2		
7	5	2	2.3		
8	6	3	5.2		
9	7	3	4.6		
10	8	2	2.3		
11	9	2	1.9		
12	10	3	4.5		
13					
14	n	10	10		
15	mean	2.20	2.74		
16	stdev	0.79	1.47		
17					
18		correlation	=correl(facings,sales)		
19					

Fig. 6.12 Example of using Excel's =correl function to compute the correlation coefficient

Hit the Enter key to compute the correlation
C18: format this cell to two decimals

Note that the equal sign tells Excel that you are going to use a formula.

The correlation between the number of facings (X) and weekly sales (Y) is $+.83$, a very strong positive correlation. This means that you have evidence that there is a strong relationship between these two variables. In effect, the more facings (when 1, 2, 3 facings are used), the higher the weekly sales dollars generated for this cereal.

Save this file as: FACINGS5

The final spreadsheet appears in Fig. 6.13.

Fig. 6.13 Final result of
using the =correl function to
compute the correlation
coefficient

Week	No. of facings	Sales ($000)		
1	1	1.1		
2	2	2.2		
3	3	2.1		
4	1	1.2		
5	2	2.3		
6	3	5.2		
7	3	4.6		
8	2	2.3		
9	2	1.9		
10	3	4.5		
n	10	10		
mean	2.20	2.74		
stdev	0.79	1.47		
	correlation	0.83		

6.3 Creating a Chart and Drawing the Regression Line onto the Chart

This section deals with the concept of "linear regression." Technically, the use of a simple linear regression model (i.e., the word "simple" means that only one predictor, X, is used to predict the criterion, Y) requires that the data meet the following four assumptions if that statistical model is to be used:

1. The underlying relationship between the two variables under study (X and Y) is *linear* in the sense that a straight line, and not a curved line, can fit among the data points on the chart.

2. The errors of measurement are independent of each other (e.g., the errors from a specific time period are sometimes correlated with the errors in a previous time period).
3. The errors fit a normal distribution of Y-values at each of the X-values.
4. The variance of the errors is the same for all X-values (i.e., the variability of the Y-values is the same for both low and high values of X).

A detailed explanation of these assumptions is beyond the scope of this book, but the interested reader can find a detailed discussion of these assumptions in Levine et al. (2011, pp. 529–530).

Now, let's create a chart summarizing these data.

Important note: Whenever you draw a chart, it is ESSENTIAL that you put the predictor variable (X) on the left, and the criterion variable (Y) on the right in your Excel spreadsheet, so that you know which variable is the predictor variable and which variable is the criterion variable.

Let's suppose that you would like to use the number of facings of Corn Flakes as the predictor variable, and that you would like to use it to predict the weekly sales dollars of this cereal. Since the correlation between these two variables is $+.83$, this shows that there is a strong, positive relationship and that the number of facings is a good predictor of the weekly sales for this cereal.

1. Open the file that you saved earlier in this chapter:

   FACINGS5

6.3.1   Using Excel to Create a Chart and the Regression Line Through the Data Points

Objective: To create a chart and the regression line summarizing the relationship between the number of shelf facings and the weekly sales ($000).

2. Click and drag the mouse to highlight both columns of numbers (B3:C12), *but do not highlight the labels at the top of Column B and Column C*.

Highlight the data set: B3:C12
Insert (top left of screen)
Scatter (at top of screen)
Click on top left chart icon under "scatter" (see Fig. 6.14)
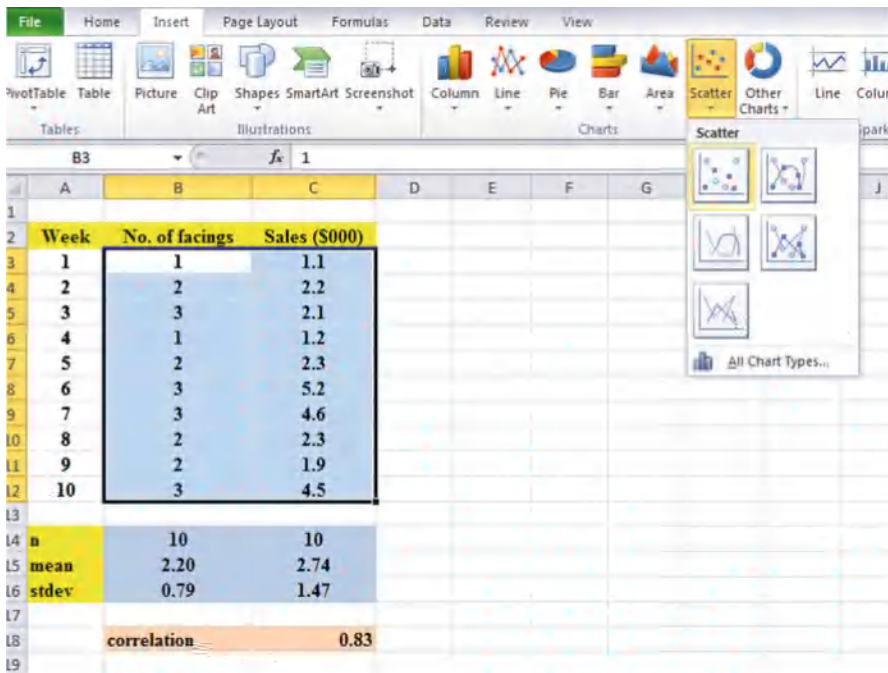
Fig. 6.14 Example of inserting a Scatter chart into a worksheet

Layout (top right of screen under Chart Tools)
Chart title (top of screen)
Above chart (see Fig. 6.15)
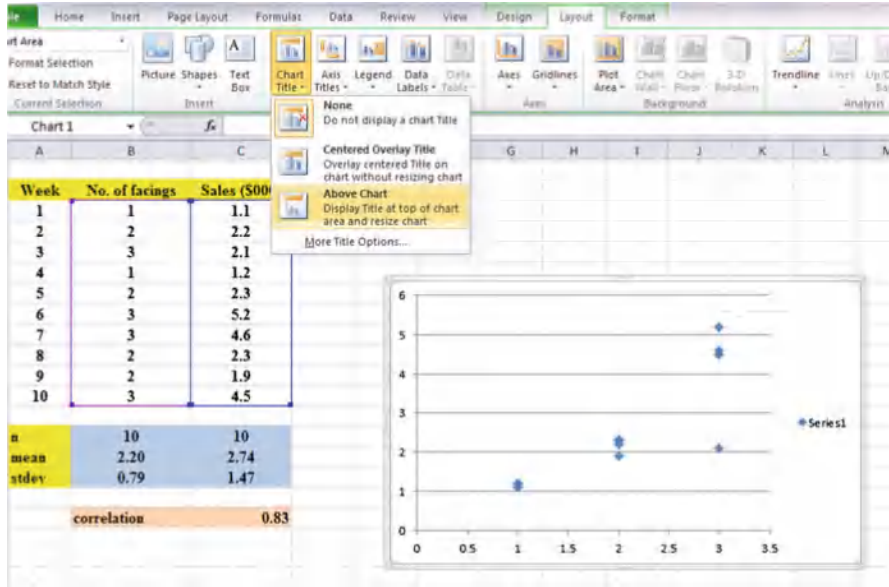
Fig. 6.15   Example of Layout/Chart Title/Above Chart commands

Enter this title in the title box (it will appear to the right of "Chart 1 f_x" at the top of your screen):

RELATIONSHIP BETWEEN NO. OF FACINGS AND SALES (see Fig. 6.16)
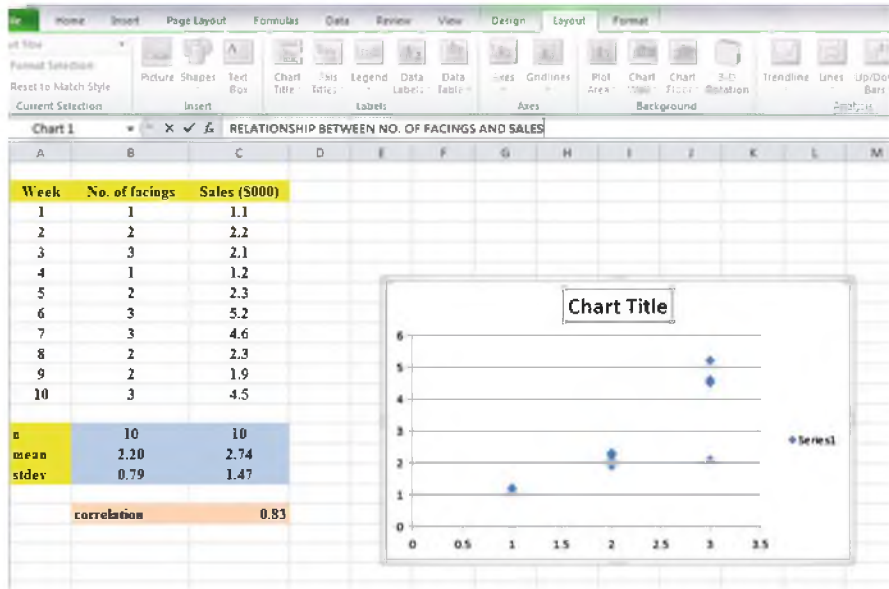
Fig. 6.16   Example of inserting the chart title above the chart

Hit the enter key to place this title above the chart

Click on *any white space outside of the top title but inside the chart* to "deselect" this chart title

Axis titles (at top of screen)
Primary Horizontal Axis title
Title below axis (see Fig. 6.17)
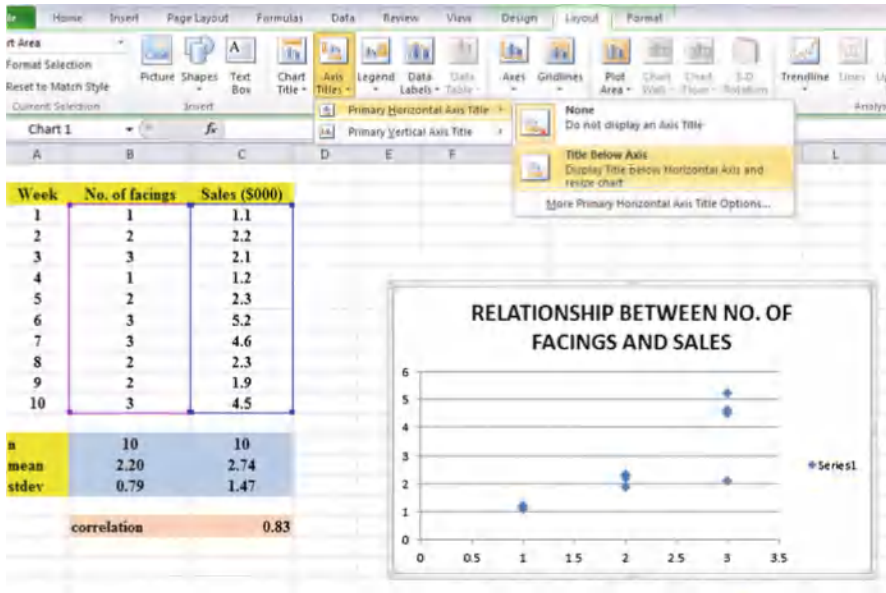
Fig. 6.17 Example of creating the *x*-axis title in a chart

Now, enter this *x*-axis title in the "Axis Title Box" at the top of your screen:

NO. OF FACINGS
Next, hit the enter key to place this *x*-axis title at the bottom of the chart

Click on *any white space inside the chart but outside of this x-axis title* to "deselect" the *x*-axis title
Axis Titles (top center of screen)
Primary Vertical Axis Title
Rotated title
Enter this *y*-axis title in the Axis Title Box at the top of your screen:

SALES ($000)
Next, hit the enter key to place this *y*-axis title along the *y*-axis
Then, click on *any white space inside the chart but outside this y-axis title* to "deselect" the *y*-axis title (see Fig. 6.18)
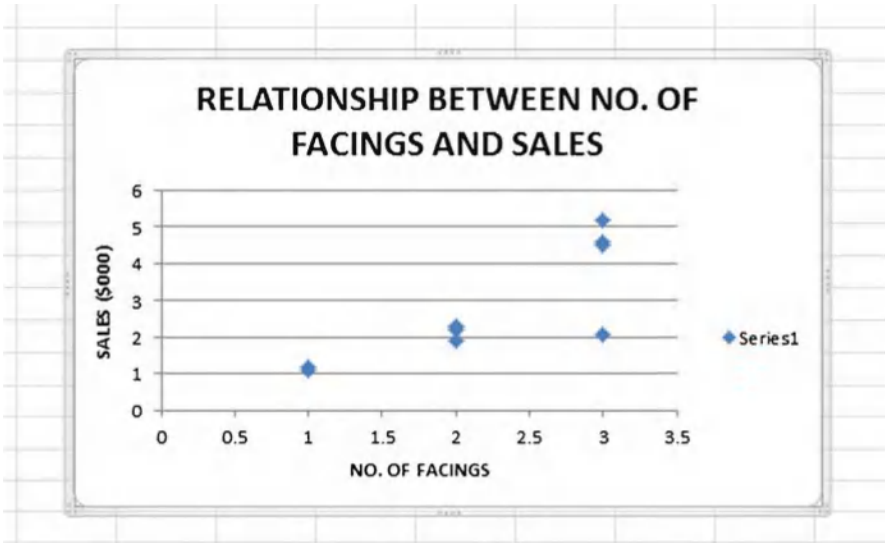
Fig. 6.18 Example of a chart title, an *x*-axis title, and a *y*-axis title

Legend (at top of screen)
None (to turn off the legend "Series 1" at the far right side of the chart)
Gridlines (at top of screen)
Primary Horizontal Gridlines
None (to deselect the horizontal gridlines on the chart)

6.3.1.1 Moving the Chart Below the Table in the Spreadsheet

Objective: To move the chart below the table

Left-click your mouse on *any white space to the right of the top title inside the chart*, keep the left-click down, and drag the chart down and to the left so that the top left corner of the chart is in cell A20, then take your finger off the left-click of the mouse (see Fig. 6.19).
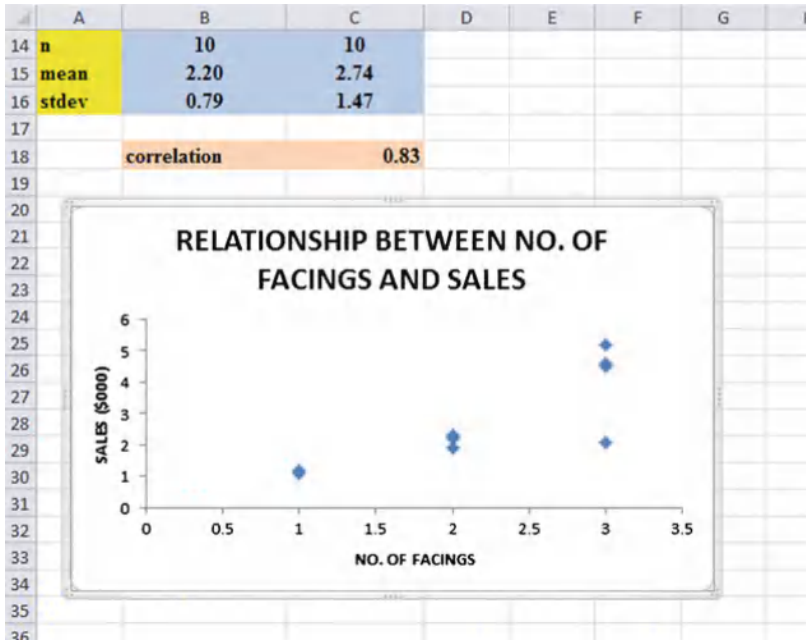
Fig. 6.19 Example of moving the chart below the table

6.3.1.2   Making the Chart "Longer" So That It is "Taller"

> Objective: To make the chart "longer" so that it is taller

Left-click your mouse on the bottom-center of the chart to create an "up-and-down-arrow" sign, hold the left-click of the mouse down and drag the bottom of the chart down to row 42 to make the chart longer, and then take your finger off the mouse.

6.3.1.3   Making the Chart "Wider"

> Objective: To make the chart "wider"

Put the pointer at the middle of the right-border of the chart to create a "left-to-right arrow" sign, and then left-click your mouse and hold the left-click down while you drag the right border of the chart to the middle of Column H to make the chart wider (see Fig. 6.20).
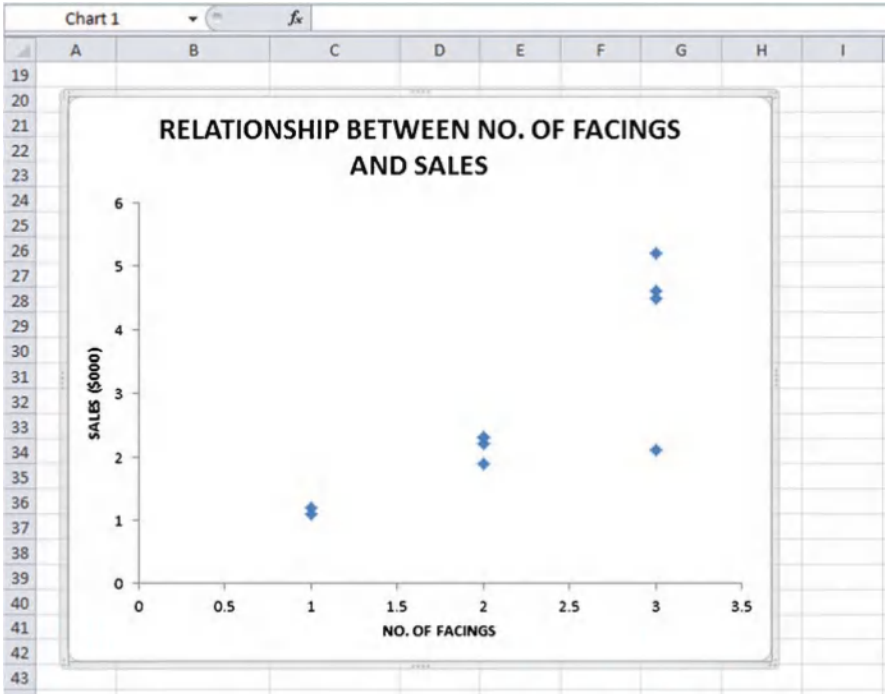
Fig. 6.20 Example of a chart that is enlarged to fit the cells: A20:H42

Save this file as: FACINGS6

Now, let's draw the regression line onto the chart. This regression line is called the "least-squares regression line" and it is the "best-fitting" straight line through the data points.

6.3.1.4   Drawing the Regression Line Through the Data Points in the Chart

Objective: To draw the regression line through the data points on the chart

Right-click on any one of the data points inside the chart
Add Trendline (see Fig. 6.21)
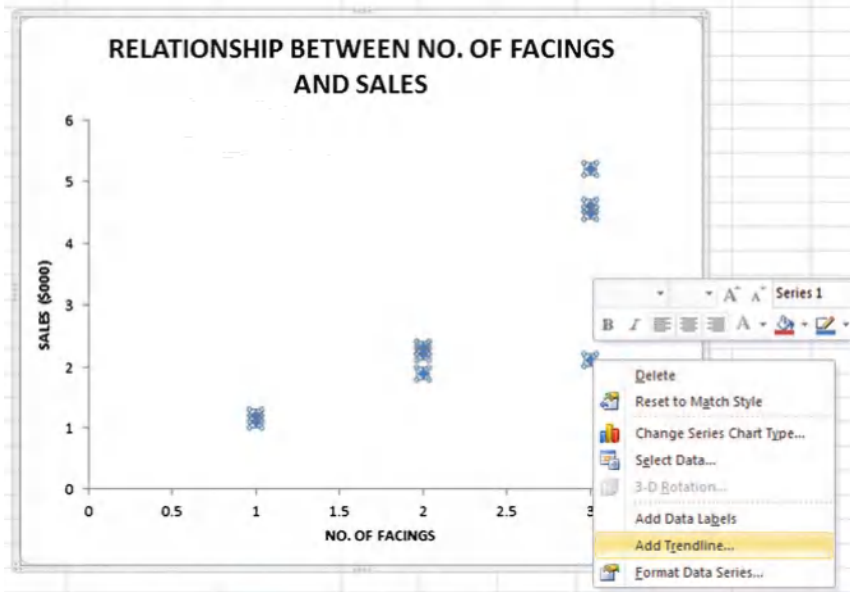
Fig. 6.21 Dialogue box for adding a Trendline to the chart

Linear (be sure the "linear" button on the left is selected; see Fig. 6.22)
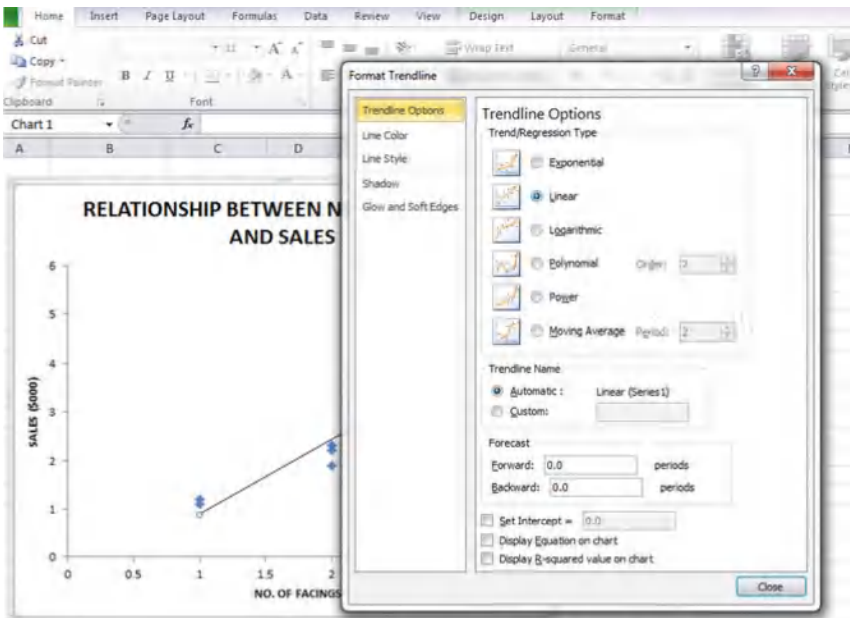
Fig. 6.22 Dialogue box for a Linear Trendline

Close

Now, click on any blank cell outside the chart to "deselect" the chart

Save this file as: FACINGS7

Print the final spreadsheet so that it fits onto one page. Your spreadsheet should look like the spreadsheet in Fig. 6.23.

Week	No. of facings	Sales ($000)
1	1	1.1
2	2	2.2
3	3	2.1
4	1	1.2
5	2	2.3
6	3	5.2
7	3	4.6
8	2	2.3
9	2	1.9
10	3	4.5
n	10	10
mean	2.20	2.74
stdev	0.79	1.47
correlation		0.83
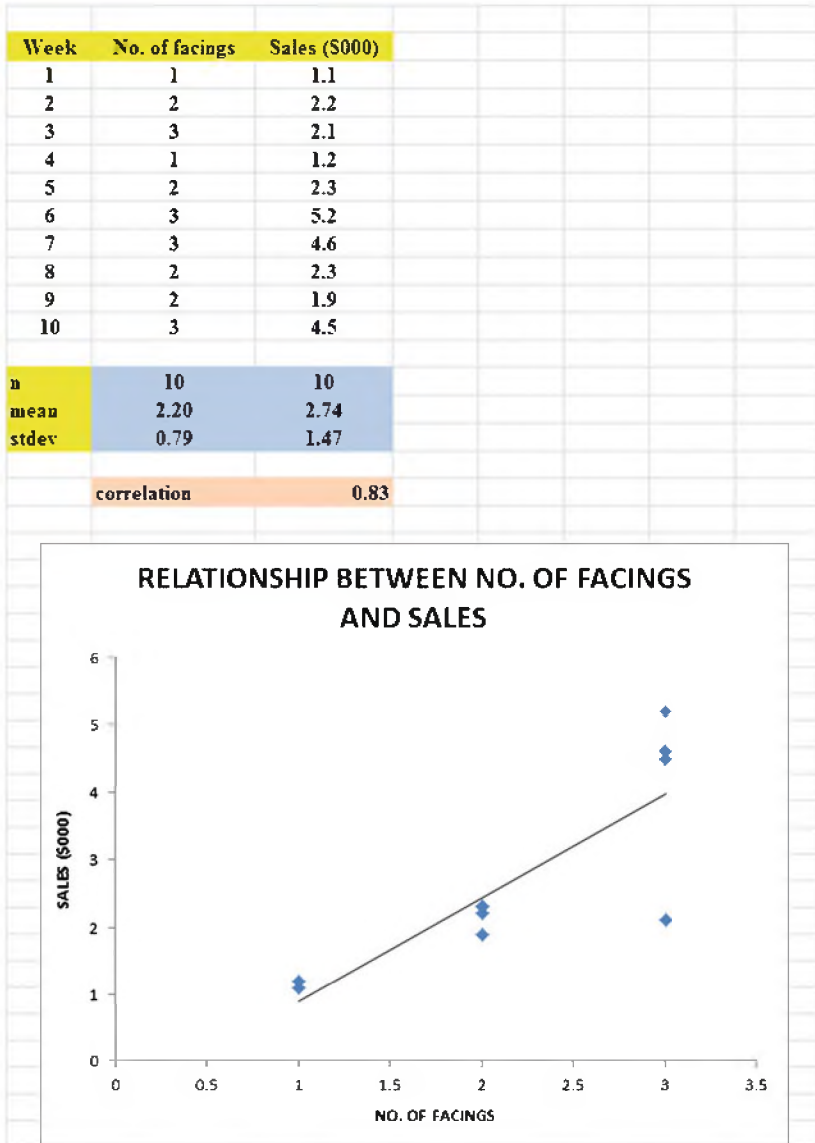
Fig. 6.23 Final chart with the trendline fitted through the data points of the scatterplot

6.4   Printing a Spreadsheet So That the Table and Chart Fit onto One Page

> Objective: To print the spreadsheet so that the table and the chart fit onto one page

Click on any empty cell outside of the chart to deselect the chart

Page Layout (top of screen)

Change the scale at the middle icon near the top of the screen "Scale to Fit" by clicking on the down arrow until it reads "85%" so that the table and the chart will fit onto one page on your screen (see Fig. 6.24)
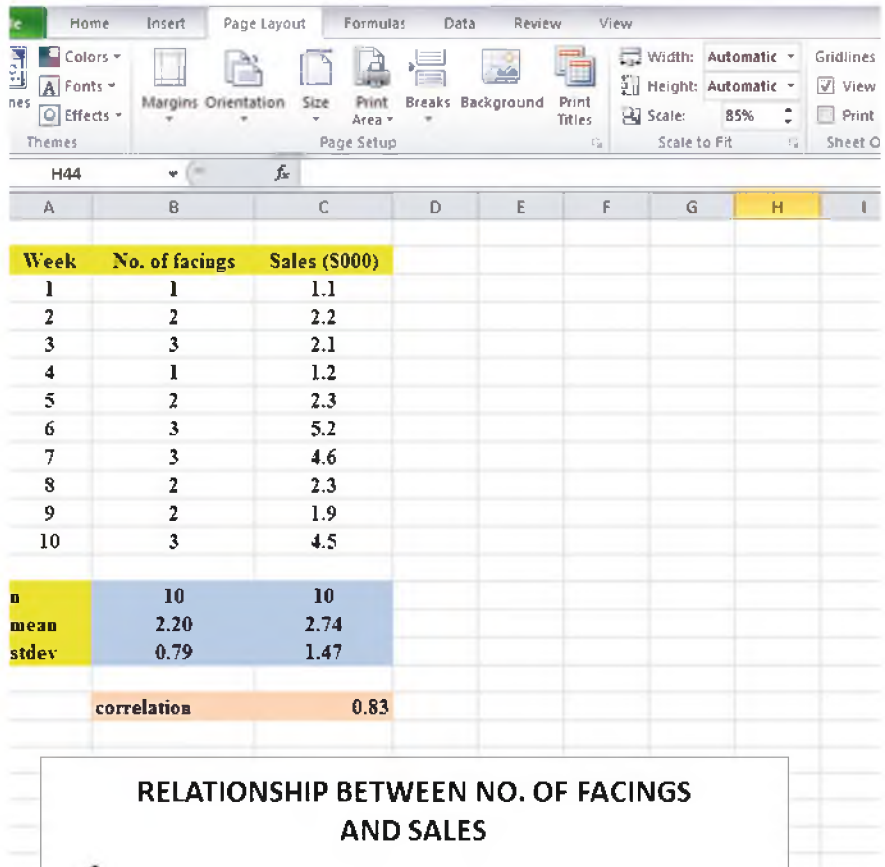
Fig. 6.24   Example of the page layout for reducing the scale of the chart to 85% of normal size

File
Print
Print (see Fig. 6.25)

Week	No. of facings	Sales ($000)
1	1	1.1
2	2	2.2
3	3	2.1
4	1	1.2
5	2	2.3
6	3	5.2
7	3	4.6
8	2	2.3
9	2	1.9
10	3	4.5
n	10	10
mean	2.20	2.74
stdev	0.79	1.47
correlation		0.83

RELATIONSHIP BETWEEN NO. OF FACINGS AND SALES
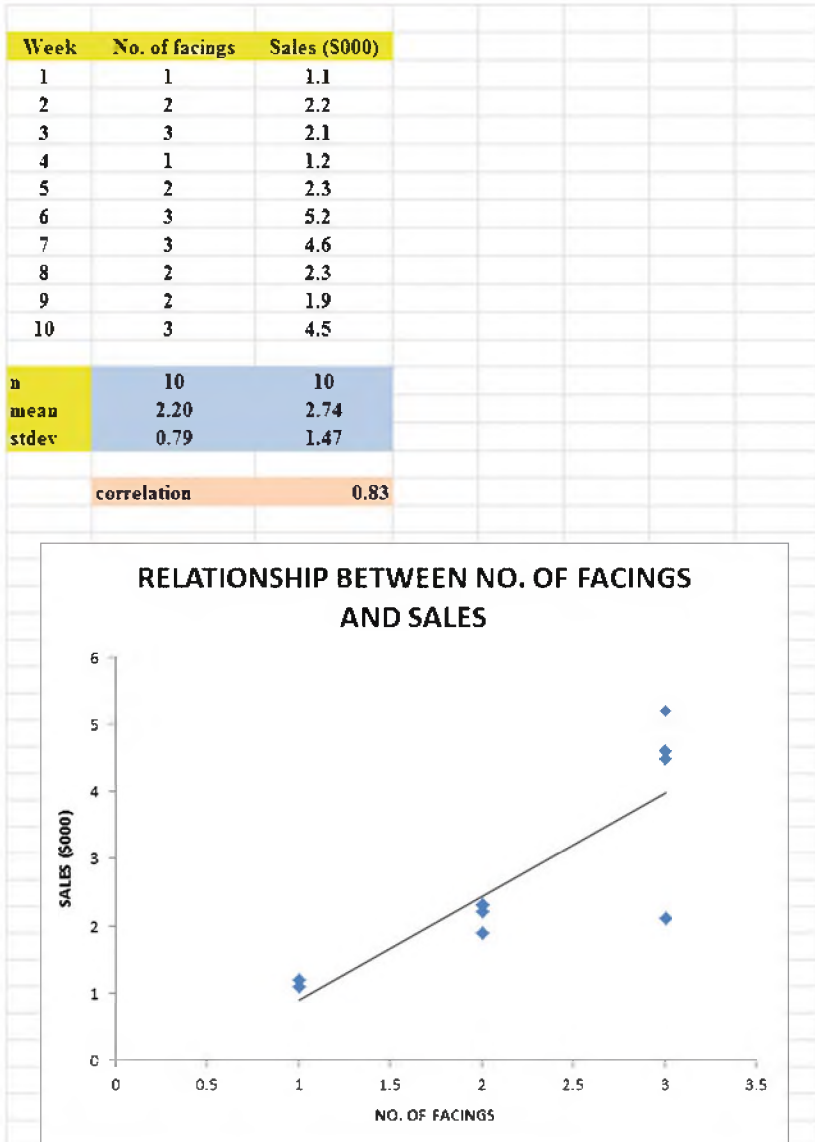
Fig. 6.25   Final spreadsheet of regression line on a chart (85% scale-to-fit size)

Re-save your file as: FACINGS7 again now

6.5   Finding the Regression Equation

The main reason for charting the relationship between X and Y (i.e., No. of facings as X and Sales (\$000) as Y in our example) is to see if there is a strong relationship between X and Y so that the regression equation that summarizes this relationship can be used to predict Y for a given value of X.

Since we know that the correlation between the number of facings and sales is $+.83$, this tells us that it makes sense to use the number of facings to predict the weekly sales that we can expect based on past data.

We now need to find that regression equation that is the equation of the "best-fitting straight line" through the data points.

> Objective: To find the regression equation summarizing the relationship between X and Y

In order to find this equation, we need to check to see if your version of Excel contains the "Data Analysis ToolPak" necessary to run a regression analysis.

6.5.1   Installing the Data Analysis ToolPak into Excel

> Objective: To install the Data Analysis ToolPak into Excel

Since there are currently three versions of Excel in the marketplace (2003, 2007, 2010), we will give a brief explanation of how to install the Data Analysis ToolPak into each of these versions of Excel.

6.5.1.1   Installing the Data Analysis ToolPak into Excel 2010

Open a new Excel spreadsheet
Click on: Data (at the top of your screen)

Look at the top of your monitor screen. Do you see the words: "Data Analysis" at the far right of the screen? If you do, the Data Analysis ToolPak for Excel 2010 was correctly installed when you installed Office 2010, and you should skip ahead to Sect. 6.5.2.

If the words: "Data Analysis" are not at the top right of your monitor screen, then the ToolPak component of Excel 2010 was not installed when you installed Office 2010 onto your computer. If this happens, you need to follow these steps:

File
Options
Excel options (creates a dialog box)
Add-Ins
Manage: Excel Add-Ins (at the bottom of the dialog box)
Go
Highlight: Analysis ToolPak (in the Add-Ins dialog box)
OK
Data
(You now should have the words: "Data Analysis" at the top right of your screen)
If you get a prompt asking you for the "installation CD," put this CD in the CD drive
    and click on: OK

*Note: If these steps do not work, you should try these steps instead: File/Options
(bottom left)/Add-ins/Analysis ToolPak/Go/click to the left of Analysis ToolPak
to add a check mark/OK*

If you need help doing this, ask your favorite "computer techie" for help.

You are now ready to skip ahead to Sect. 6.5.2.

6.5.1.2 Installing the Data Analysis ToolPak into Excel 2007

Open a new Excel spreadsheet
Click on: Data (at the top of your screen)

If the words "Data Analysis" do not appear at the top right of your screen, you need
to install the Data Analysis ToolPak using the following steps:

Microsoft Office button (top left of your screen)
Excel options (bottom of dialog box)
Add-ins (far left of dialog box)
Go (to create a dialog box for Add-Ins)
Highlight: Analysis ToolPak
OK (If Excel asks you for permission to proceed, click on: Yes)
Data
(You should now have the words: "Data Analysis" at the top right of your screen)
If you need help doing this, ask your favorite "computer techie" for help.

You are now ready to skip ahead to Sect. 6.5.2.

6.5.1.3   Installing the Data Analysis ToolPak into Excel 2003

Open a new Excel spreadsheet
Click on: Tools (at the top of your screen)

If the bottom of this Tools box says "Data Analysis," the ToolPak has already been installed in your version of Excel and you are ready to find the regression equation. If the bottom of the Tools box does not say "Data Analysis," you need to install the ToolPak as follows:

Click on:

File
Options (bottom left of screen)
Add-ins
Analysis Tool Pak (it is directly underneath Inactive Application Add-ins near the
     top of the box)
Go
Click to add a check mark to the left of analysis Toolpak
OK

*Note: If these steps do not work, try these steps instead: Tools/Add-ins/Click to the
left of analysis ToolPak to add a check mark to the left/OK
You are now ready to skip ahead to Sect. 6.5.2.*

6.5.2   Using Excel to Find the SUMMARY OUTPUT
        of Regression

You have now installed *ToolPak*, and you are ready to find the regression equation for the "best-fitting straight line" through the data points by using the following steps:
Open the Excel file: *FACINGS7* (if it is not already open on your screen)

*Note: If this file is already open, and there is a gray border around the chart, you
need to click on any empty cell outside of the chart to deselect the chart.*
Now that you have installed *Toolpak*, you are ready to find the regression equation summarizing the relationship between the number of shelf facings of Kellogg's Corn Flakes and the sales dollars in your data set.
     Remember that you gave the name: *facings* to the *X* data (the predictor), and the name: *sales* to the *Y* data (the criterion) in a previous section of this chapter (see Sect. 6.2)

Data (top of screen)
Data analysis (far right at top of screen; see Fig. 6.26)
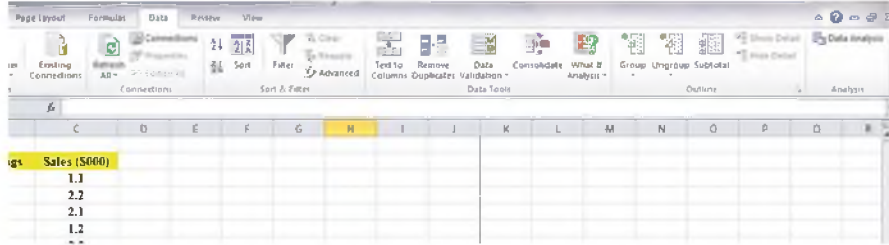
Fig. 6.26   Example of using the Data/Data Analysis function of Excel

Scroll down the dialog box using the down arrow and click on: Regression (see Fig. 6.27)
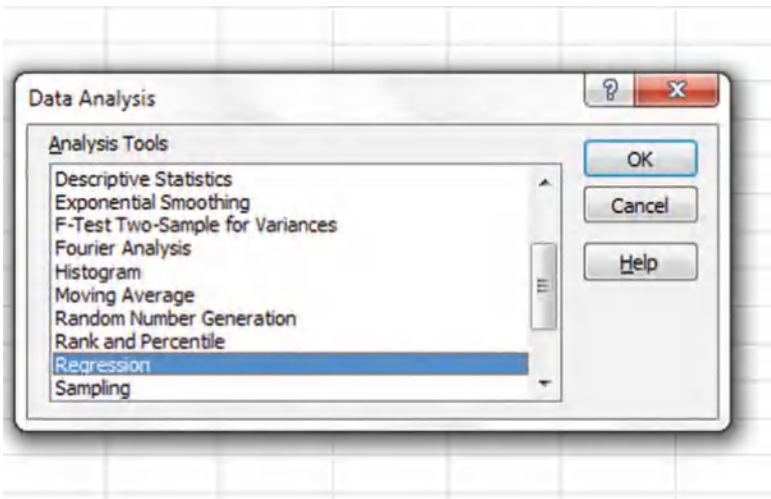
Fig. 6.27   Dialogue box for creating the Regression function in Excel

OK

Input *Y* Range: sales
Input *X* Range: facings
Click on the "button" to the left of Output Range to select this, and enter A44 in the box as the place on your spreadsheet to insert the Regression analysis in cell A44
OK

The *SUMMARY OUTPUT* should now be in cells: A44: I61

Now, change the data in the following three cells to Number format (two decimal places):

> B47
> B60
> B61

Now, change the format for all other numbers that are in decimal format to number format, three decimal places.

> Save the resulting file as: FACINGS8

Print the file so that it fits onto one page. (*Hint: Change the scale under "Page Layout" to 70% to make it fit.*) Your file should be like the file in Fig. 6.28.

Week	No. of facings	Sales ($000)
1	1	1.1
2	2	2.2
3	3	2.1
4	1	1.2
5	2	2.3
6	3	5.2
7	3	4.6
8	2	2.3
9	2	1.9
10	3	4.5

n	10	10
mean	2.20	2.74
stdev	0.79	1.47

correlation		0.83

RELATIONSHIP BETWEEN NO. OF FACINGS AND SALES

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.83
R Square	0.682
Adjusted R Square	0.642
Standard Error	0.880
Observations	10

ANOVA

	df	SS	MS	F	Significance F
Regression	1	13.269	13.269	17.134	0.003
Residual	8	6.195	0.774		
Total	9	19.464			

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	-0.65	0.864	-0.748	0.476	-2.639	1.346	-2.639	1.346
X Variable 1	1.54	0.372	4.139	0.003	0.682	2.397	0.682	2.397

Fig. 6.28   Final spreadsheet of correlation and simple linear regression including the SUMMARY OUTPUT for the data

Note the following problem with the summary output.

Whoever wrote the computer program for this version of Excel made a mistake and gave the name: "Multiple R" to cell A47. This is not correct. Instead, cell A47 should say: "correlation r" since this is the notation that we are using for the correlation between X and Y.

You can now use your printout of the regression analysis to find the regression equation that is the best-fitting straight line through the data points.

But first, let's review some basic terms.

6.5.2.1   Finding the *y*-Intercept, *a*, of the Regression Line

The point on the *y*-axis that the regression line would intersect the *y*-axis if it were extended to reach the *y*-axis is called the "*y*-intercept" and *we will use the letter "a" to stand for the y-intercept of the regression line*. The *y*-intercept on the SUMMARY OUTPUT on the previous page is *−0.65 and appears in cell B60* (note the minus sign). This means that if you were to draw an imaginary line continuing down the regression line toward the *y*-axis that this imaginary line would cross the *y*-axis at −0.65. This is why, *a* is called the "*y*-intercept."

6.5.2.2   Finding the Slope, *b*, of the Regression Line

The "tilt" of the regression line is called the "slope" of the regression line. It summarizes to what degree the regression line is either above or below a horizontal line through the data points. If the correlation between *X* and *Y* were zero, the regression line would be exactly horizontal to the *X*-axis and would have a zero slope.

If the correlation between X and Y is positive, the regression line would "slope upward to the right" above the X-axis. Since the regression line in Fig. 6.28 slopes upward to the right, the slope of the regression line is *+1.54* as given in cell *B61*. *We will use the notation "b" to stand for the slope of the regression line.* (Note that Excel calls the slope of the line: "*X* Variable 1" in the Excel printout.)

Since the correlation between the number of facings and the weekly sales dollars was *+.83*, you can see that the regression line for these data "slopes upward to the right" through the data. Note that the SUMMARY OUTPUT of the regression line in Fig. 6.28 gives a correlation, *r*, of +.83 in cell *B47*.

If the correlation between X and Y were negative, the regression line would "slope down to the right" above the X-axis. This would happen whenever the correlation between *X* and *Y* is a negative correlation that is between zero and minus one (0 and −1).

6.5.3 Finding the Equation for the Regression Line

To find the regression equation for the straight line that can be used to predict weekly sales from the number of facings, we only need two numbers in the SUMMARY OUTPUT in Fig. 6.28: *B60 and B61*.

The format for the regression line is:

$$Y = a + bX \tag{6.3}$$

where a = *the y-intercept* (−0.65 in our example in cell B60)
and b = *the slope of the line* (+1.54 in our example in cell B61)

Therefore, the equation for the best-fitting regression line for our example is:

$$Y = a + bX$$

$$\boxed{Y = -0.65 + 1.54\ X}$$

Remember that Y is the weekly sales ($000) that we are trying to predict, using the number of facings as the predictor, X.

Let's try an example using this formula to predict the weekly sales.

6.5.4 Using the Regression Line to Predict the y-Value for a Given x-Value

> Objective: Find the weekly sales predicted from *one facing* of Kellogg's Corn Flakes on the supermarket shelf.

Since the number of facings is one (i.e., $X = 1$), substituting this number into our regression equation gives:

$$Y = -0.65 + 1.54(1)$$
$$Y = -0.65 + 1.54$$
$$Y = 0.89$$

Important note: If you look at your chart, if you go directly upward from one facing until you hit the regression line, you see that you hit this line just under the number 1 on the y-axis to the left (actually, it is 0.89), the result above for predicting sales from one shelf facing.

But since weekly sales are recorded in thousands of dollars ($000), we need to multiply our answer above by 1,000 to find the weekly sales figure.

When we do that, this gives an estimated weekly sales of \$890 (0.89 $\times$ 1,000) when we use one facing of this cereal.

Now, let's do a second example and predict what the weekly sales figure would be if we used three facings of Kellogg's Corn Flakes on the supermarket shelf.

$$Y = -\,0.65 + 1.54\,X$$

$$Y = -\,0.65 + 1.54(3)$$

$$Y = -\,0.65 + 4.62$$

$$Y = 3.97$$

Important note: If you look at your chart, if you go directly upward from three facings until you hit the regression line, you see that you hit this line just under the number 4 on the y-axis to the left (actually it is 3.97), the result above for predicting sales from three shelf facings.

But since weekly sales are recorded in thousands of dollars (\$000), we need to multiply our answer above by 1,000 to find the weekly sales figure.

When we do that, this gives an estimated weekly sales of \$3,970 when we use three facings of the cereal.

For a more detailed discussion of regression, see Black (2010).

6.6   Adding the Regression Equation to the Chart

Objective: To Add the regression Equation to the chart

If you want to include the regression equation within the chart next to the regression line, you can do that, but a word of caution first.

Throughout this book, we are using the regression equation for one predictor and one criterion to be the following:

$$Y = a + bX \tag{6.3}$$

where a $= y -$ intercept and

   b $=$ slope of the line

See, for example, the regression equation in Sect. 6.5.3 where the y-intercept was a $= -0.65$ and the slope of the line was b $= +1.54$ to generate the following regression equation:

$$Y = -0.65 + 1.54\,X$$

However, Excel 2010 uses a slightly different regression equation (which is logically identical to the one used in this book) when you add a regression equation to a chart:

$$Y = b\,X + a \tag{6.4}$$

where $a = y$-intercept and $b = $ slope of the line

Note that this equation is identical to the one we are using in this book with the terms arranged in a different sequence.

For the example we used in Sect. 6.5.3, Excel 2010 would write the regression equation on the chart as:

$$Y = 1.54\,X - 0.65$$

This is the format that will result when you add the regression equation to the chart using Excel 2010 using the following steps:

Open the file: *FACINGS6 (that you saved in Sect. 6.3.1.3)*

Click just *inside* the outer border of the chart in the top right corner to add the "gray border" around the chart in order to "select the chart" for changes you are about to make

Right-click on any of the data points in the chart

Highlight: Add Trendline

The "Linear button" near the top of the dialog box will be selected (on its left)

Click on: Display Equation on chart (near the bottom of the dialog box; see Fig. 6.29)

Note that the regression equation on the chart is in the following form next to the regression line on the chart (see Fig. 6.30).

$$Y = 1.54\,X - 0.65$$
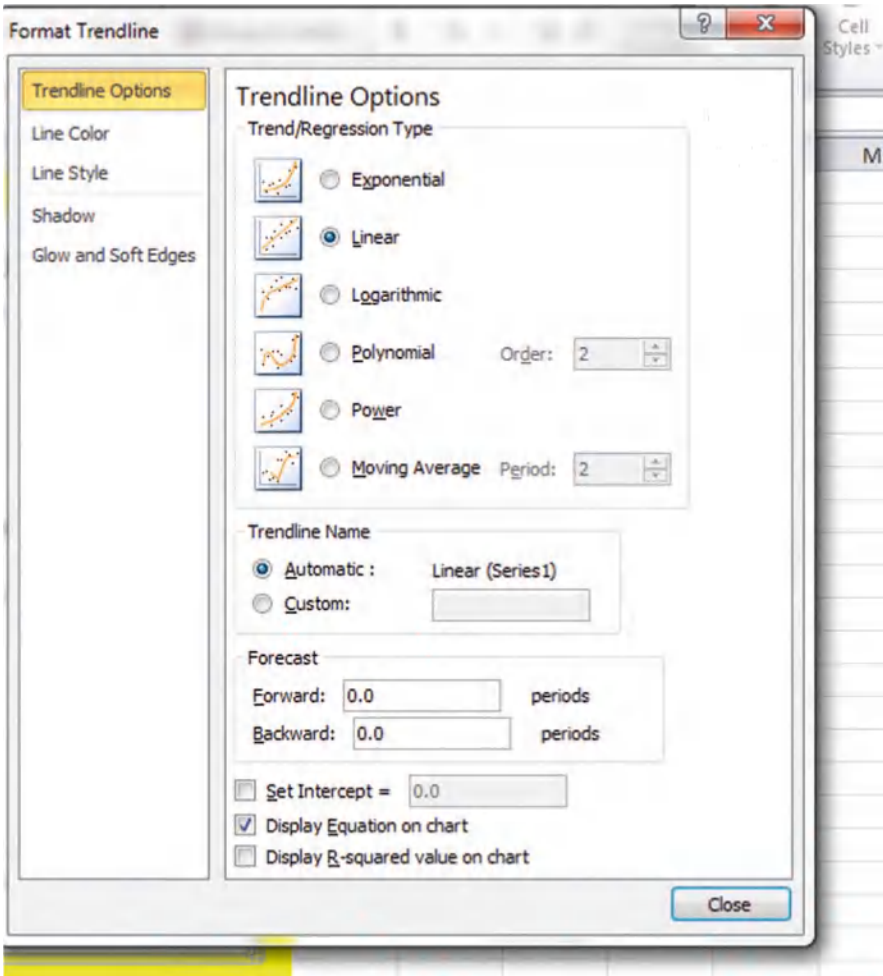
Fig. 6.29 Dialogue box for adding the regression equation to the chart next to the regression line on the chart

Close

6.7   How to Recognize Negative Correlations in the SUMMARY OUTPUT Table

Important note: Since Excel does not recognize negative correlations in the SUMMARY OUTPUT results, but treats all correlations as if they were positive

Fig. 6.30 Example of a chart with the regression equation displayed next to the regression line

correlations (this was a mistake made by the programmer), you need to be careful to note that there may be a negative correlation between X and Y even if the printout says that the correlation is a positive correlation.

You will know that the correlation between X and Y is a negative correlation when these two things occur:

1. *THE SLOPE, b, IS A NEGATIVE NUMBER. This can only occur when there is a negative correlation.*
2. *THE CHART CLEARLY SHOWS A DOWNWARD SLOPE IN THE REGRESSION LINE, which can only occur when the correlation between X and Y is negative.*

6.8   Printing Only Part of a Spreadsheet Instead of the Entire Spreadsheet

> Objective: To print part of a spreadsheet separately instead of printing the entire spreadsheet

There will be many occasions when your spreadsheet is so large in the number of cells used for your data and charts that you only want to print part of the spreadsheet separately so that the print will not be so small that you cannot read it easily.

We will now explain how to print only part of a spreadsheet onto a separate page by using three examples of how to do that using the file, FACINGS8, that you created in Sect. 6.5.2: (1) printing only the table and the chart on a separate page, (2) printing only the chart on a separate page, and (3) printing only the SUMMARY OUTPUT of the regression analysis on a separate page.

Note: If the file: FACINGS8 is not open on your screen, you need to open it now.

Let's describe how to do these three goals with three separate objectives:

6.8.1   Printing Only the Table and the Chart on a Separate Page

> Objective: To print only the table and the chart on a separate page

1. Left-click your mouse starting at the top left of the table *in cell A2* and drag the mouse *down and to the right so that all of the table and all of the chart are highlighted in light blue on your computer screen from cell A2 to cell I43* (the light blue cells are called the "selection" cells).
2. File
   Print
   Print Active Sheet (hit the down arrow on the right)
   Print selection
   Print

The resulting printout should contain only the table of the data and the chart resulting from the data.

Then, click on any empty cell in your spreadsheet to deselect the table and chart.

6.8.2   *Printing Only the Chart on a Separate Page*

Objective: To print only the chart on a separate page

---

1. Click on any "white space" *just inside the outside border of the chart in the top right corner of the chart* to create the gray border around all of the borders of the chart in order to "select" the chart.
2. File
   Print
   Print selected chart
   Print selected chart (again)
   Print

   The resulting printout should contain only the chart resulting from the data.

Important note: After each time you print a chart by itself on a separate page, you should immediately click on any white space OUTSIDE the chart to remove the gray border from the border of the chart. When the gray border is on the borders of the chart, this tells Excel that you want to print only the chart by itself.

6.8.3   *Printing Only the SUMMARY OUTPUT of the Regression Analysis on a Separate Page*

Objective: To print only the SUMMARY OUTPUT of the regression analysis on a separate page

---

1. Left-click your mouse at the cell just above SUMMARY OUTPUT in *cell A43* on the left of your spreadsheet and drag the mouse *down and to the right* until all of the regression output is highlighted in dark blue on your screen from A43 to I62.
2. File
   Print
   Print active sheets (hit the down arrow on the right)
   Print selection
   Print

   The resulting printout should contain only the summary output of the regression analysis on a separate page.
   Finally, click on any empty cell on the spreadsheet to "deselect" the regression table.
   Then, save the file as: FACINGS9

6.9   End-of-Chapter Practice Problems

1. Suppose that you have been hired by Blockbuster Video to develop a regression equation to predict the average number of rentals per day from stores based on average family income for families within a two-mile radius of Blockbuster's current stores in the state of Missouri. Blockbuster plans to use this equation to predict store sales for new stores that it is considering opening in Missouri. You develop the hypothetical data given in Fig. 6.31 to test your Excel regression skills.

Rentals (per day)	Average Family Income ($000)
705	62
525	41
309	27
498	45
623	50
425	47
314	44
203	28
465	30
540	41
605	47
690	62

Fig. 6.31   Worksheet data for Chap. 6: Practice Problem #1

Create an Excel spreadsheet and enter the data *using income as the independent variable (predictor) and number of daily rentals as the dependent variable (criterion).* (Hint: Remember that the independent variable, X, should be on the left column in the table, and the dependent variable, Y, should be on the right column of the table.

Important note: When you are trying to find a correlation between two variables, it is important that you place the predictor, X, ON THE LEFT COLUMN in your Excel spreadsheet, and the criterion, Y, IMMEDIATELY TO THE RIGHT OF THE X COLUMN. You should do this every time that you want to use Excel to find a correlation between two variables to check your thinking.

(a) Use Excel's =correl function to find the correlation between these two variables, and round off the result to two decimal places.
(b) Create an *XY scatterplot* of these two sets of data such that:

 • Top title: RELATIONSHIP BETWEEN INCOME AND RENTALS/ DAY
 • *x*-axis title: AVERAGE FAMILY INCOME ($000)

- *y*-axis title: RENTALS (per day)
- Resize the chart so that it is 8 columns wide and 25 rows long
- Delete the legend
- Delete the gridlines
- Move the chart below the table

(c) Create the *least-squares regression line* for these data on the scatterplot.

(d) Use Excel to run the regression statistics to find the *equation for the least-squares regression line* for these data and display the results below the chart on your spreadsheet. Use number format (two decimal places) for the correlation and for the coefficients

(e) Print just the input data and the chart so that this information fits onto one page. Then, print the regression output table on a separate page so that it fits onto that separate page.

(f) Save the file as: RENTAL10

Now, answer these questions using your Excel printout:

1. What is the *y*-intercept?
2. What is the slope of the line?
3. What is the regression equation for these data (use two decimal places for the *y*-intercept and the slope)?
4. Use the regression equation to predict the average number of daily rentals you would expect for a retail area that had an average family income of $50,000.

2. Suppose that you have been hired as a marketing consultant to determine if there is a relationship between the on-time performance of major airlines and the number of passenger complaints lodged by passengers in the U.S. Department of Transportation. You have found these data in the Air Travel Consumer Report published by the Office of Aviation Enforcement and Proceedings of the U.S. Department of Transportation (2006) for the month of August of that same year. These data are presented in Fig. 6.32. Note that the data for passenger complaints are converted to a scale "per 100,000 passengers" so that all of the airlines can be measured on the same scale, regardless of the number of passengers they flew that month.

U.S. Airline On-time Percentage vs. Passenger Complaints (August, 2006)		
	X	**Y**
Airline	**On-time Percent**	**Complaints per 100,000 passengers**
ALASKA	68.5	0.48
AMERICAN	75.3	1.31
ATLANTIC SOUTHEAST	58.1	0.76
CONTINENTAL	76.3	0.96
DELTA	76.0	1.33
FRONTIER	83.7	0.78
JETBLUE	75.9	0.60
NORTHWEST	77.1	0.95
SOUTHWEST	81.0	0.15
UNITED	76.3	1.48
US AIRWAYS	75.7	1.77
MESA AIRLINES	73.7	1.47
AMERICAN EAGLE	72.9	1.21
ATA	68.3	1.21
COMAIR	70.3	0.99
AIRTRAN	72.3	0.95
HAWAIIAN AIRLINES	95.7	0.36

Fig. 6.32   Worksheet data for Chap. 6: Practice Problem #2

Create an Excel spreadsheet and enter the data using on-time percent as the independent variable (predictor) and complaints (per 100,000 passengers) as the dependent variable (criterion). Be sure to enter the data for on-time percent *as numbers, and not as decimals.* For example, an on-time percent of 68.5 should be entered on your spreadsheet as 68.5, and not as 0.685.

(a) Create an *XY scatterplot* of these two sets of data such that:

- Top title: On-time % vs. Complaints
- *x*-axis title: On-time percent
- *y*-axis title: Complaints (per 100,000 passengers)
- Resize the chart so that it is 10 columns wide and 25 rows long
- Delete the legend
- Delete the gridlines
- Move the chart below the table

(b) Create the *least-squares regression line* for these data on the scatterplot.
(c) Use Excel to run the regression statistics to find the *equation for the least-squares regression line* for these data and display the results below the chart

on your spreadsheet. Use two decimal places for the correlation, r, and three decimal places for both the y-intercept and the slope of the line.

(d) Print the input data and the chart so that this information fits onto one page.

(e) Then, print out the regression output table so that this information fits onto a separate page.

(f) Save the file as: ontime4

Answer the following questions using your Excel printout:

1. What is the y-intercept?
2. What is the slope of the line?
3. What is the regression equation for these data (use three decimal places for the y-intercept and the slope)?

(Note that this correlation is not the multiple correlation as the Excel table indicates, but is merely the correlation r instead.)

Important note: Since Excel does not recognize negative correlations in the SUMMARY OUTPUT but treats all correlations as if they were positive correlat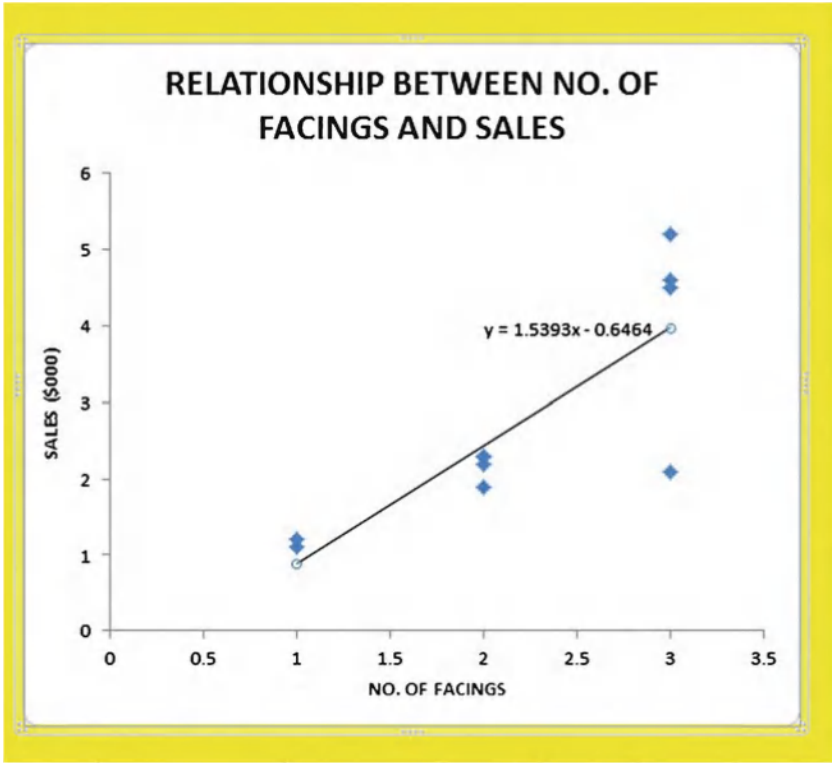ions, you need to be careful to note that there is a negative correlation between on-time performance and passenger complaints.
You know this for two reasons:

1. *The slope, b, is a negative -0.015, which can only occur when there is a negative correlation.*
2. *The chart clearly shows a downward slope in the regression line, which can only happen when the correlation is negative.*

Therefore, the correlation between on-time percent and complaints per 100,000 passengers is not $+0.26$, but -0.26 for this problem. This is a negative correlation!

4. Use that regression equation to predict the passenger complaints you would expect for an airline with an on-time performance of 80%.

3. Is there a relationship between the number of sales calls that a sales staff make in a month on potential customers and the number of copier machines sold that month by a salesperson? Suppose that you gathered the hypothetical data given below for your sales staff for the previous month. The resulting data are presented in Fig. 6.33.

Fig. 6.33 Worksheet data for
Chap. 6: Practice Problem #3

No. of sales calls	No. of copiers sold
25	40
30	55
18	30
22	35
14	18
18	23
22	28
24	38
12	15
13	16
18	25
22	28
25	36

Create an Excel spreadsheet and enter the data using the number of sales calls as the independent variable (predictor) and the number of copiers sold last month by each salesperson as the dependent variable (criterion).

(a) Use Excel's =*correl* function to find the correlation between these two sets of scores, and round off the result to two decimal places.
(b) Create an *XY scatterplot* of these two sets of data such that:

  - Top title: RELATIONSHIP BETWEEN NO. OF SALES CALLS AND COPIERS SOLD
  - *x*-axis title: NO. OF SALES CALLS
  - *y*-axis title: NO. OF COPIERS SOLD
  - Move the chart below the table
  - Resize the chart so that it is 7 columns wide and 25 rows long
  - Delete the legend
  - Delete the gridlines

(c) Create the *least-squares regression line* for these data on the scatterplot.
(d) Use Excel to run the regression statistics to find the *equation for the least-squares regression line* for these data and display the results below the chart on your spreadsheet. Use number format (two decimal places) for the correlation and for the coefficients
(e) Print just the input data and the chart so that this information fits onto one page. Then, print the regression output table on a separate page so that it fits onto that separate page.
(f) Save the file as: copier4
   Answer the following questions using your Excel printout:

  1. What is the correlation between the number of sales calls and the number of copiers sold?
  2. What is the *y*-intercept?

3. What is the slope of the line?
4. What is the regression equation?
5. Use the regression equation to predict the number of copiers sold you would expect for a salesperson who made 25 sales calls last month. Show your work on a separate sheet of paper

References

Black, K. Business Statistics: For Contemporary Decision Making (6th ed.). Hoboken, NJ: John Wiley & Sons, Inc., 2010.

Levine, D.M.. Stephan, D.F., Krehbiel, T.C., and Berenson, M.L. Statistics for Managers Using Microsoft Excel (6th ed.). Boston, MA: Prentice Hall/Pearson, 2011.

U.S. Department of Transportation, Office of Aviation Enforcement and Proceedings, Aviation consumer Protection Division (2006, October), *Air Travel Consumer Report*. Retrieved from: http://airconsumer.dot.gov/reports/2006/October/0610atcr.pdf.

Zikmund, W.G. and Babin, B.J. Exploring Marketing Research (10th ed.). Mason, OH: South-Western Cengage Learning, 2010.

Chapter 7
Multiple Correlation and Multiple Regression

There are many times in business when you want to predict a criterion, Y, but you want to find out if you can develop a better prediction model by using *several predictors* in combination (e.g., X_1, X_2, X_3, etc.) instead of a single predictor, X.

The resulting statistical procedure is called "multiple correlation" because it uses two or more predictors in combination to predict Y, instead of a single predictor, X. Each predictor is "weighted" differently based on its separate correlation with Y and its correlation with the other predictors. The job of multiple correlation is to produce a regression equation that will weight each predictor differently and in such a way that the combination of predictors does a better job of predicting Y than any single predictor by itself. We will call the multiple correlation: R_{xy}.

You will recall (see Sect. 6.5.3) that the regression equation that predicts Y when only one predictor, X, is used, is:

$$Y = a + bX \tag{7.1}$$

7.1 Multiple Regression Equation

The multiple regression equation follows a similar format and is:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + etc. \text{ depending on the number of predictors used} \tag{7.2}$$

The "weight" given to each predictor in the equation is represented by the letter "b" with a subscript to correspond to the same subscript on the predictors.

Important note: In order to do multiple regression, you need to have installed the "Data Analysis TookPak" that was described in Chap. 6 (see Sect. 6.5.1). If you did not install this, you need to do so now.

Let's try a practice problem.

Suppose that you have been hired by a car rental company to see if you could predict annual sales based on the number of cars that a rental car company has in its fleet and the number of locations where you can rent that company's cars in the USA.

Let's use the following notation:

Y Annual Sales (in millions of dollars)
X_1 No. of cars in the fleet (in thousands of cars)
X_2 No. of locations in the USA.

Suppose, further, that this rental car company supplied you with the following hypothetical data summarizing its performance along with the performance of its competitors (see Fig. 7.1):

CAR RENTAL COMPANIES

Y	X1	X2
SALES ($millions)	NO. OF CARS (000)	NO. OF LOCATIONS
1070	120	152
1460	180	1120
1480	85	1032
552	92	440
2105	315	2587
308	71	1697
2380	221	1153
1140	142	922
43	25	105
154	35	1483
72	15	442
81	18	251
333	42	465
91	15	492
147	18	44

Fig. 7.1 Worksheet data for rental car companies (practical example)

Create an Excel spreadsheet for these data using the following cell reference:

A3: CAR RENTAL COMPANIES
A5: Y
A6: SALES ($millions)
A7: 1070
B5: X1
B6: NO. OF CARS (000)
B7: 120
C5: X2
C6: NO. OF LOCATIONS
C7: 152

Next, change the column width to match the above table, and change all figures to number format (zero decimal places).

Now, fill in the additional data in the chart such that:

A21: 147
B21: 18
C21: 44 (Then, center all numbers in your table)

Important note: Be sure to double-check all of your numbers in your table to be sure that they are correct, or your spreadsheets will be incorrect.

Save this file as: RENTAL5

Before we do the multiple regression analysis, we need to try to make one important point very clear:

Important note: When we used one predictor, X, to predict one criterion, Y, we said that you need to make sure that the X variable is ON THE LEFT in your table, and the Y variable is ON THE RIGHT in your table so that you know which variable is the predictor, and which variable is the criterion (see Sect. 6.3).

However, in multiple regression, you need to follow this rule which is exactly the opposite:

When you use several predictors in multiple regression, it is essential that the criterion you are trying to predict, Y, be ON THE FAR LEFT, and all of the predictors are TO THE RIGHT of the criterion, Y, in your table so that you know which variable is the criterion, Y, and which variables are the predictors.

Notice in the table above, that the criterion *Y* (SALES) is on the far left of the table, and the two predictors (NO. OF CARS AND NO. OF LOCATIONS) are to the right of the criterion variable.

7.2 Finding the Multiple Correlation and the Multiple Regression Equation

> Objective: To find the multiple correlation and multiple regression equation using Excel.

You do this by the following commands:

Data
Click on: Data Analysis (far right top of screen)
Regression (scroll down to this in the box; see Fig. 7.2)

Input Y Range: A6:A21
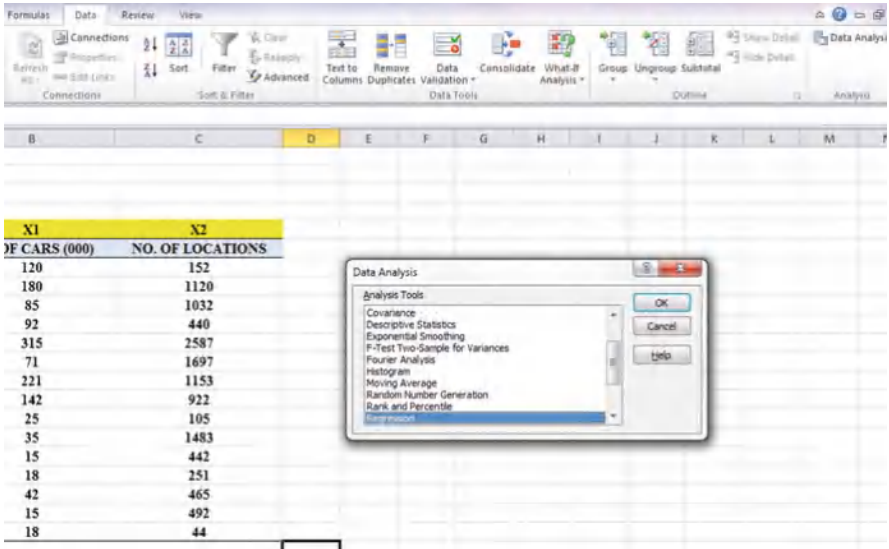
Fig. 7.2 Dialogue box for regression function

OK

Input X Range: B6:C21
Click on the Labels box to *add a check mark* to it (because you have included the
    column labels in row 6)
Output Range (click on the button to its left, and enter):   A25 (see Fig. 7.3)
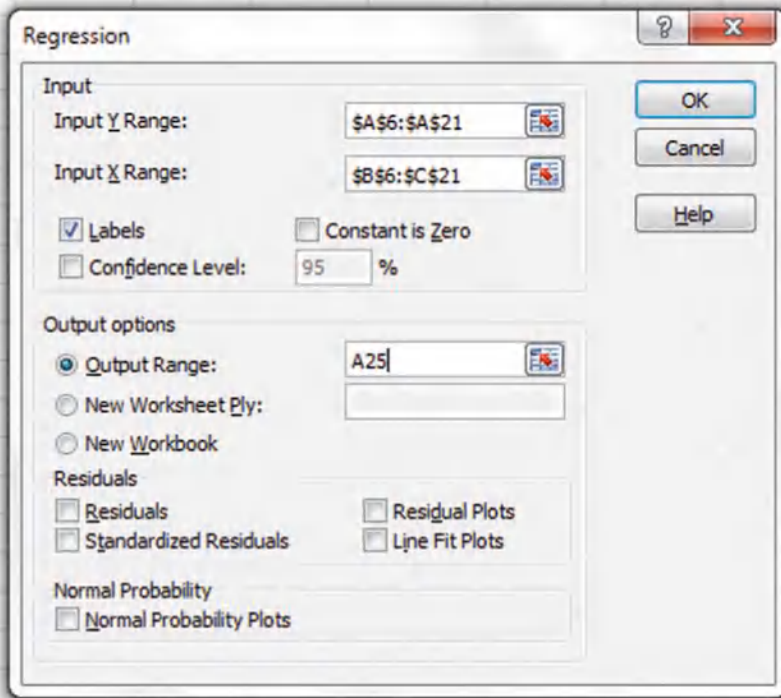
Fig. 7.3 Dialogue box for regression of car rental companies data

OK (see Fig. 7.4 to see the resulting SUMMARY OUTPUT)

Fig. 7.4 Regression SUMMARY OUTPUT of car rental companies data

Important note: Excel automatically assigns a dollar sign $ in front of each column letter and each row number so that you can keep these ranges of data constant for the regression analysis.

Next, format the following four cells in Number format (2 decimal places):

B28
B41
B42
B43

Note that both the input Y Range and the Input X Range above include the label at the top of the columns.

Re-save the file as: RENTAL5

Now, print the file so that it fits onto one page by changing the scale to *60% size*. The resulting regression analysis is given in Fig. 7.5.

CAR RENTAL COMPANIES

Y	X1	X2
SALES ($millions)	NO. OF CARS (000)	NO. OF LOCATIONS
1070	120	152
1460	180	1120
1480	85	1032
552	92	440
2105	315	2587
308	71	1697
2380	221	1153
1140	142	922
43	25	105
154	35	1483
72	15	442
81	18	251
333	42	465
91	15	492
147	18	44

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.93
R Square	0.86
Adjusted R Square	0.83
Standard Error	321.49
Observations	15

ANOVA

	df	SS	MS	F	Significance F
Regression	2	7510945.33	3755473	36.33	8.10477E-06
Residual	12	1240299.61	103358		
Total	14	8751244.93			

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	53.55	133.20	0.40	0.69	-236.66	343.76	-236.66	343.76
NO. OF CARS (000)	9.09	1.34	6.78	0.00	6.17	12.01	6.17	12.01
NO. OF LOCATIONS	-0.17	0.17	-0.98	0.34	-0.53	0.20	-0.53	0.20

Fig. 7.5 Final spreadsheet for car rental companies regression analysis

Once you have the SUMMARY OUTPUT, you can determine the multiple correlation and the regression equation that is the best-fit line through the data points using NO. OF CARS (000) and NO. OF LOCATIONS as the two predictors, and SALES ($millions) as the criterion.

Note on the SUMMARY OUTPUT where it says: "Multiple R." This term is correct since this is the term Excel uses for the multiple correlation, which is +0.93. This means, that from these data, that the combination of NO. OF CARS and NO. OF LOCATIONS together form a very strong positive relationship in predicting Annual Sales.

To find the regression equation, *notice the coefficients at the bottom of the SUMMARY OUTPUT*:

Intercept: a (this is the y-intercept)   *53.55*
NO. OF CARS (000): b1   *9.09*
NO. OF LOCATIONS: b2   *−0.17*

Since the general form of the multiple regression equation is:

$$Y = a + b_1 X_1 + b_2 X_2 \tag{7.2}$$

we can now write the multiple regression equation for these data:

$$Y = 53.55 + 9.09 X_1 - 0.17 X_2$$

7.3   Using the Regression Equation to Predict Annual Sales

Objective: To find the predicted annual sales for a rental car company that has 80,000 cars and 900 locations.

Note that X_1 (NO. OF CARS) is measured in thousands of cars in the original data set. This means, that for our example, that 80,000 cars would become just 80, since 80 is 80,000 measured in thousands of cars. Plugging these two numbers into our regression equation gives us:

$$Y = 53.55 + 9.09(80) - 0.17(900)$$

$$Y = 53.55 + 727.2 - 153$$

$$Y = 627.75$$

But, since Annual Sales are measured in millions of dollars in the original data set, we have to convert this figure to millions of dollars. Therefore, the predicted annual sales for a rental car company that has 80,000 cars and 900 locations where customers can rent their cars is:

$627,750,000 or $627.75 million

If you want to learn more about the theory behind multiple regression, see Keller (2009).

7.4   Using Excel to Create a Correlation Matrix in Multiple Regression

The final step in multiple regression is to find the correlation between all of the variables that appear in the regression equation.

In our example, this means that we need to find the correlation between each of the three pairs of variables:

1. Number of cars and sales
2. Number of locations and sales
3. Number of cars and number of locations

To do this, we need to use Excel to create a "correlation matrix." This matrix summarizes the three correlations above.

Objective: To use Excel to create a correlation matrix between the three variables in this example.

To use Excel to do this, use these steps:

Data (top of screen under "Home" at the top left of screen)
Data Analysis
Correlation (scroll *up* to highlight this formula; see Fig. 7.6)
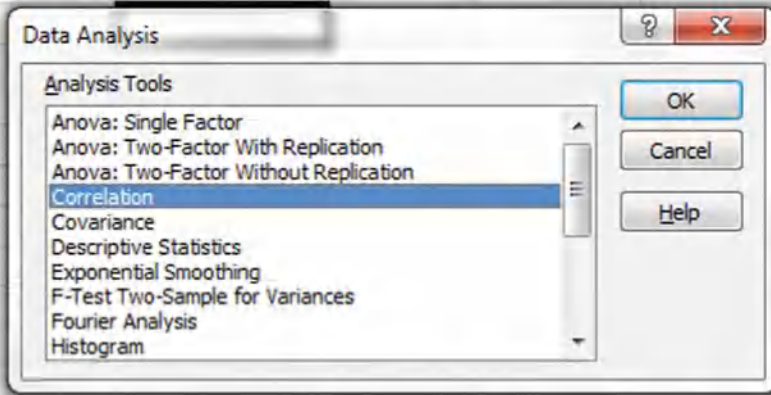
Fig. 7.6 Dialogue box for correlation matrix for car rental companies

OK

Input range: A6:C21

(Note that this input range includes the labels at the top of the three variables (SALES, NO. OF CARS, AND NO. OF LOCATIONS), as well as all of the figures in the original data set.)

Grouped by: Columns
Put a check in the box for: Labels in the First Row (since you included the labels at the top of the columns in your input range of data above)
Output range (click on the button to its left, and enter):   A47 (see Fig. 7.7)
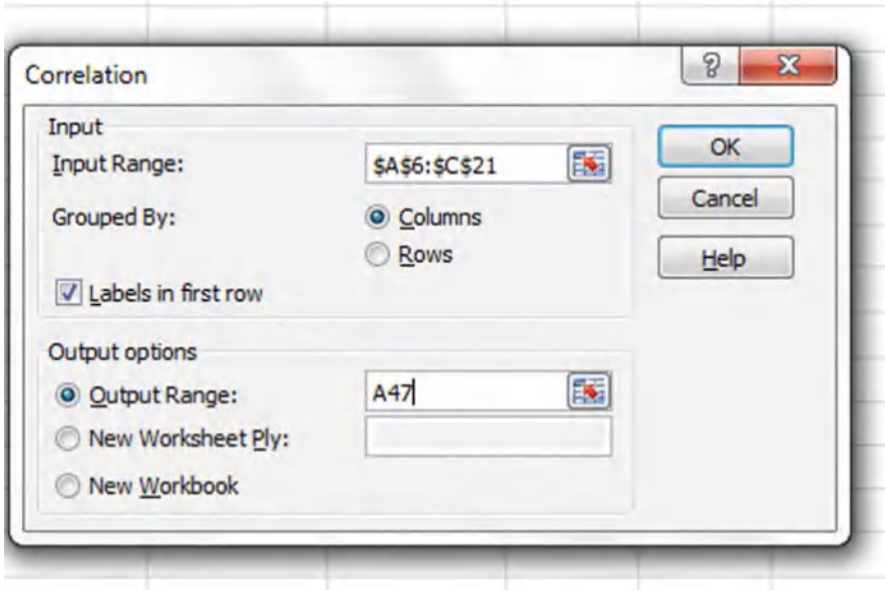
Fig. 7.7 Dialogue box for Input/Output Range for correlation matrix

OK

The resulting correlation matrix appears in A47:D50 (See Fig. 7.8).

47		*SALES ($millions)*	*NO. OF CARS (000)*	*NO. OF LOCATIONS*
48	SALES ($millions)	1		
49	NO. OF CARS (000)	0.920235314	1	
50	NO. OF LOCATIONS	0.562140716	0.694488326	1
51				

Fig. 7.8 Resulting Correlation matrix for rental car companies data

Next, format the three numbers in the correlation matrix that are in decimals to two decimals places. And, also, make column D wider so that the Number of Locations label fits inside cell D47.

Save this Excel file as: RENTAL6

The final spreadsheet for these Car Rental Companies appears in Fig. 7.9.

CAR RENTAL COMPANIES

Y	X1	X2
SALES ($millions)	NO. OF CARS (000)	NO. OF LOCATIONS
1070	120	152
1460	180	1120
1480	85	1032
552	92	440
2105	315	2587
308	71	1697
2380	221	1153
1140	142	922
43	25	105
154	35	1483
72	15	442
81	18	251
333	42	465
91	15	492
147	18	44

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.93
R Square	0.86
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Standard Error	321.49
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	df	SS	MS	F	Significance F
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Residual	12	1240299.61	103358.3006		
Total	14	8751244.93			

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	53.55	133.20	0.40	0.69	-236.66	343.76	-236.66	343.76
NO. OF CARS (000)	9.09	1.34	6.78	0.00	6.17	12.01	6.17	12.01
NO. OF LOCATIONS	-0.17	0.17	-0.98	0.34	-0.53	0.20	-0.53	0.20

	SALES ($millions)	NO. OF CARS (000)	NO. OF LOCATIONS
SALES ($millions)	1		
NO. OF CARS (000)	0.92	1	
NO. OF LOCATIONS	0.56	0.69	1

Fig. 7.9   Final spreadsheet for car rental companies regression and the correlation matrix

Note that the number "1" along the diagonal of the correlation matrix means that the correlation of each variable with itself is a perfect, positive correlation of 1.0.

Correlation coefficients are always expressed in just two decimal places.
You are now ready so read the correlation between the three pairs of variables:

The correlation between NO. OF CARS and SALES is: +.92
The correlation between NO. OF LOCATIONS and SALES is: +.56
The correlation between NO. OF CARS and NO. OF LOCATIONS is: +.69

This means that the better predictor of sales is NO. OF CARS with a correlation of +.92. Adding the second predictor variable, NO. OF LOCATIONS, improved the prediction by only .01 to 0.93, and was, therefore, not worth the extra effort. NO. OF CARS is an excellent prediction of ANNUAL SALES all by itself.

If you want to learn more about the correlation matrix, see Levine et al. (2011).

7.5   End-of-Chapter Practice Problems

1. *The New York Times* (Schatz 2005) reported the number of wins (VICTORIES), the number of points scored, and the number of points allowed during the regular season for past 16 Super Bowl Champions (see Fig. 7.10). You want to see if you can predict the number of wins the St. Louis Rams will reach this season if they repeat their outstanding performance of 1999.

NFL Super Bowl Champions				
		Y	X_1	X_2
SEASON	TEAM	VICTORIES	POINTS SCORED	POINTS ALLOWED
1988	San Francisco 49ers	10	369	294
1989	San Francisco 49ers	14	442	253
1990	NY Giants	13	335	211
1991	Washington Redskins	14	485	224
1992	Dallas Cowboys	13	409	243
1993	Dallas Cowboys	12	376	229
1994	San Francisco 49ers	13	505	296
1995	Dallas Cowboys	12	435	291
1996	Green Bay Packers	13	456	210
1997	Denver Broncos	12	472	287
1998	Denver Broncos	14	501	309
1999	St. Louis Rams	13	526	242
2000	Baltimore Ravens	12	333	165
2001	New England Patriots	11	371	272
2002	Tampa Bay Buccaneers	12	346	196
2003	New England Patriots	14	348	238

Fig. 7.10   Worksheet data for Chap. 7: Practice Problem #1

(a) Create an Excel spreadsheet using the number of wins as the criterion (Y) and the number of points scored (X_1) and the number of points allowed (X_2) as the predictors.
(b) Use Excel's *multiple regression* function to find the relationship between these three variables and place it below the table.
(c) Use number format (2 decimal places) for the multiple correlation on the SUMMARY OUTPUT, and use this same format for the coefficients in the SUMMARY OUTPUT.
(d) Print the table and regression results below the table so that they fit onto one page.
(e) Save this file as: SUPER4

Answer the following questions using your Excel printout:

1. What is the multiple correlation R_{xy}?
2. What is the y-intercept a?
3. What is the coefficient for points scored b_1?
4. What is the coefficient for points allowed b_2?
5. What is the multiple regression equation?

6. Predict the number of wins you would expect for the St. Louis Rams this season if they repeated their fantastic performance of 1999 with 526 points scored and only allowing 242 points scored against them.

(f) Now, go back to your Excel file and create a *correlation matrix* for these three variables, and place it underneath the SUMMARY OUTPUT.
(g) Save this file as: SUPER14
(h) Now, print out *just this correlation matrix* on a separate sheet of paper.

Answer the following questions using your Excel printout. Be sure to include the plus or minus sign for each correlation:

7. What is the correlation between the number of points scored and the number of wins?
8. What is the correlation between the number of points allowed and the number of wins?
9. What is the correlation between the number of points scored and the number of points allowed?
10. Discuss which of the two predictors is the better predictor.
11. Explain in words how much better the two predictor variables together predict the number of wins than the better single predictor by itself.

2. Suppose that you have been hired by an Admissions Director at a local college to analyze the data from the past 3 years to determine if you can predict Freshman grade-point average (FROSH GPA) at the end of freshman year by using three predictors for these freshmen: (1) their high school GPA, (2) their SAT–Verbal scores from senior year in high school, and (3) their SAT–Math scores from senior year in high school. The Director wants to use a "rolling average" of the past 3 years of freshmen in the data set. To check your skill in Excel, you have selected a random sample of freshmen from the past 3 years and recorded the information on each student given in the hypothetical table in Fig. 7.11.

Y	X_1	X_2	X_3
FROSH GPA	HIGH SCHOOL GPA	SAT VERBAL	SAT MATH
3.25	3.35	500	420
2.85	2.93	480	410
3.65	3.25	525	480
3.45	3.35	510	470
3.25	2.85	460	430
2.95	2.75	420	410
2.83	2.58	440	450
2.56	2.66	410	420
3.15	3.25	480	490
3.36	3.42	470	460

Fig. 7.11 Worksheet data for Chap. 7: Practice Problem #2

(a) Create an Excel spreadsheet using FROSH GPA as the criterion (Y), and the other variables as the three predictors of this criterion ($X_1 =$ HIGH SCHOOL GPA, $X_2 =$ SAT VERBAL, and $X_3 =$ SAT MATH).
(b) Use Excel's *multiple regression* function to find the relationship between these four variables and place the SUMMARY OUTPUT below the table.
(c) Use number format (2 decimal places) for the multiple correlation on the Summary Output, and use three decimal places for the coefficients in the SUMMARY OUTPUT.
(d) Save the file as: GPA5
(e) Print the table and regression results below the table so that they fit onto one page.

Answer the following questions using your Excel printout:

1. What is the multiple correlation R_{xy}?
2. What is the y-intercept a?
3. What is the coefficient for HIGH SCHOOL GPA b_1?
4. What is the coefficient for SAT VERBAL b_2?
5. What is the coefficient for SAT MATH b_3?
6. What is the multiple regression equation?
7. Predict the FROSH GPA you would expect for high school senior who had a HIGH SCHOOL GPA of 3.15, a SAT–VERBAL score of 490, and a SAT–MATH score of 480.

(f) Now, go back to your Excel file and create a correlation matrix for these four variables, and place it underneath the SUMMARY OUTPUT.
(g) Save this file as: GPA6
(h) Now, print out *just this correlation matrix* on a separate sheet of paper.

Answer to the following questions using your Excel printout. (Be sure to include the plus or minus sign for each correlation):

8. What is the correlation between HIGH SCHOOL GPA and FROSH GPA?
9. What is the correlation between SAT VERBAL and FROSH GPA?
10. What is the correlation between SAT MATH and FROSH GPA?
11. What is the correlation between SAT VERBAL and HIGH SCHOOL GPA?
12. What is the correlation between SAT MATH and HIGH SCHOOL GPA?
13. What is the correlation between SAT MATH and SAT VERBAL?
14. Discuss which of the three predictors is the best predictor of FROSH GPA:
15. Explain in words how much better the three predictor variables combined predict FROSH GPA than the best single predictor by itself.

3. Suppose that you are the marketing manager for 7Eleven Stores in Missouri and that you want to see if a proposed store location would generate sufficient yearly

sales volume to support the idea of building a new store at that location. You have checked the data available at your company to generate the following table for a random sample of 20 7Eleven stores in Missouri based on last year's data to create the hypothetical data given in Fig. 7.12.

Store ID	Y Annual Sales ($000)	X₁ Average Daily Traffic	X₂ Population (2-mile radius)	X₃ Average Income in Area
1	1,121	61,655	17,880	$28,991
2	766	35,236	13,742	$14,731
3	595	35,403	19,741	$8,114
4	899	52,832	23,246	$15,324
5	915	40,809	24,485	$11,438
6	782	40,820	20,410	$11,730
7	833	49,147	28,997	$10,589
8	571	24,953	9,981	$10,706
9	692	40,828	8,982	$23,591
10	1,005	39,195	18,814	$15,703
11	589	34,574	16,941	$9,015
12	671	26,639	13,319	$10,065
13	903	55,083	21,482	$17,365
14	703	37,892	26,524	$7,532
15	556	24,019	14,412	$6,950
16	657	27,791	13,896	$9,855
17	1,209	53,438	22,444	$21,589
18	997	54,835	18,096	$22,659
19	844	32,919	16,458	$12,660
20	883	29,139	16,609	$11,618

Fig. 7.12 Worksheet data for Chap. 7: Practice Problem #3

(a) Create an Excel spreadsheet using the annual sales figures as the criterion and the average daily traffic, population, and income figures as the predictors.
(b) Use Excel's *multiple regression* function to find the relationship between these four variables and place the SUMMARY OUTPUT below the table.
(c) Use number format (2 decimal places) for the multiple correlation on the SUMMARY OUTPUT, and use this same number format for the coefficients in the SUMMARY OUTPUT.
(d) Save the file as: multiple2
(e) Print the table and regression results below the table so that they fit onto one page.

Answer the following questions using your Excel printout:

1. What is multiple correlation R_{xy}?
2. What is the y-intercept a?
3. What is the coefficient for Average Daily Traffic b_1?
4. What is the coefficient for Population b_2?
5. What is the coefficient for Average Income b_3?
6. What is the multiple regression equation?

7. Predict the annual sales you would expect for Average Daily Traffic of 42,000, a population of 23,000, and income of $22,000.

(f) Now, go back to your Excel file and create a correlation matrix for these four variables, and place it underneath the SUMMARY OUTPUT on your spreadsheet.

(g) Save this file as: multiple3.

(h) Now, print out *just this correlation matrix* on a separate sheet of paper.

Answer the following questions using your Excel printout. Be sure to include the plus or minus sign for each correlation:

8. What is the correlation between traffic and sales?
9. What is the correlation between population and sales?
10. What is the correlation between income and sales?
11. What is the correlation between traffic and population?
12. What is the correlation between population and income?
13. Discuss which of the three predictors is the best predictor of annual sales:
14. Explain in words how much better the three predictor variables combined predict annual sales than the best single predictor by itself.

References

Keller, G. Statistics for Management and Economics (8th ed.). Mason, OH: South-Western Cengage Learning, 2009.

Levine, D.M., Stephan, D.F., Krehbiel, T.C., and Berenson, M.L. Statistics for Managers using Microsoft Excel (6th ed.). Boston, MA: Prentice Hall/Pearson, 2011.

Schatz, A. Follow the Points to Find a Super Bowl Champ. *The New York Times* (2005, January 23, p. G 11).

Chapter 8
One-Way Analysis of Variance (ANOVA)

So far in this 2010 Excel Guide, you have learned how to use a one-group *t*-test to compare the sample mean to the population mean, and a two-group *t*-test to test for the difference between two sample means. *But what should you do when you have more than two groups and you want to determine if there is a significant difference between the means of these groups?*

The answer to this question is: *Analysis of Variance (ANOVA).*

The ANOVA test allows you to test for the difference between the means when you have *three or more groups* in your research study.

Important note: In order to do One-way Analysis of Variance, you need to have installed the "Data Analysis Toolpak" that was described in Chap. 6 (see Sect. 6.5.1). If you did not install this, you need to do that now.

Let's suppose that you are interested in comparing prices between three major supermarket chains in St. Louis: (1) Dierberg's, (2) Schnuck's, and (3) Shop 'n Save. Suppose, further, that you have selected the 28 specific items listed in the table below as your "market basket of products" to compare prices at these three supermarkets. You have also specified the package size of each of these items in your checklist. Item #14, for example, might be: Tide Liquid laundry detergent, 16 ounces.

Suppose that you have selected zip code 63119 in St. Louis, as this zip code has one store of each of these three supermarket chains. You drive to each of these three supermarkets in this zip code area, and you have obtained the hypothetical data given in Fig. 8.1 summarizing the prices of the items in your market basket of products:

Fig. 8.1 Worksheet data for
supermarket price
comparisons (practical
example)

	SUPERMARKET PRICE COMPARISONS		
ITEM	**DIERBERG'S**	**SCHNUCK'S**	**SHOP 'n SAVE**
1	1.85	1.45	1.25
2	3.95	3.35	3.04
3	2.25	1.75	1.45
4	2.85	2.35	2.25
5	1.65	1.10	0.85
6	3.65	2.95	2.45
7	2.45	1.85	1.45
8	1.95	1.56	1.44
9	1.83	1.25	1.15
10	2.64	2.14	2.04
11	2.84	2.25	2.15
12	1.84	1.20	0.55
13	1.65	1.25	1.15
14	2.75	2.10	2.04
15	2.71	1.86	1.75
16	1.55	0.94	0.85
17	1.85	1.30	1.01
18	0.95	0.55	0.45
19	1.55	1.28	1.06
20	1.44	0.85	0.74
21	1.65	1.25	1.15
22	1.64	1.28	1.04
23	4.21	3.75	3.36
24	1.20	0.71	0.61
25	4.55	3.90	3.25
26	3.45	2.84	2.65
27	5.85	5.30	5.14
28	1.65	1.25	1.04

Create an Excel spreadsheet for these data in this way:

B1: SUPERMARKET PRICE COMPARISON
A3: ITEM
B3: DIERBERG'S
C3: SCHNUCK'S
D3: SHOP 'n SAVE
A4: 1
B4: 1.85

Enter the other information into your spreadsheet table. When you have finished entering these data, the last cell on the left should have 28 in cell A31, and the last cell on the right should have 1.04 in cell D31. Center the numbers in each of the columns. Use number format (2 decimals) for all numbers.

Important note: Be sure to double-check all of your figures in the table to make sure that they are exactly correct or you will not be able to obtain the correct answer for this problem!

Save this file as: SUPERMARKET5

8.1   Using Excel to Perform a One-Way Analysis of Variance (ANOVA)

Objective: To use Excel to perform a one-way ANOVA test.

You are now ready to perform an ANOVA test on these data using the following steps:

Data (at top of screen)
Data Analysis (far right at top of screen)
ANOVA: Single Factor (*scroll up to this formula and highlight it*; see Fig. 8.2)
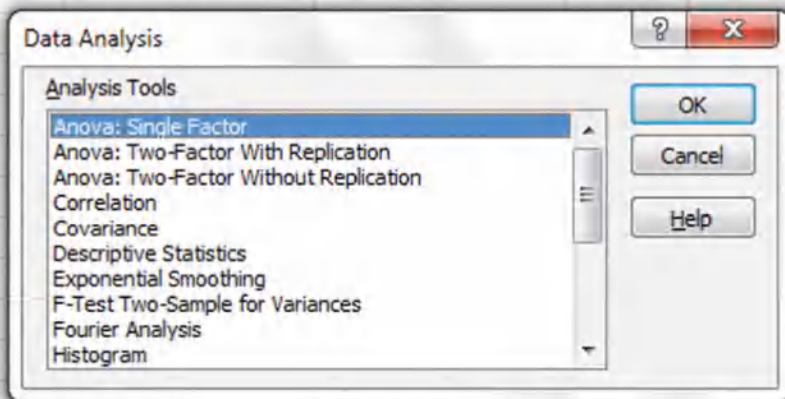
Fig. 8.2 Dialog box for Data Analysis: ANOVA Single Factor

OK

Input range: B3: D31 (note that you have included in this range the column titles that are in row 3)

Important note: Whenever the data set has a different sample size in the groups being compared, the INPUT RANGE that you define must start at the column title of the first group on the left and go to the last column on the right and go down to the lowest row that has a figure in it in the entire data matrix so that the INPUT RANGE has the "shape" of a rectangle when you highlight it.

Grouped by:	Columns
Put a check mark in:	Labels in First Row
Output range (click on the button to its left):	A36 (see Fig. 8.3)
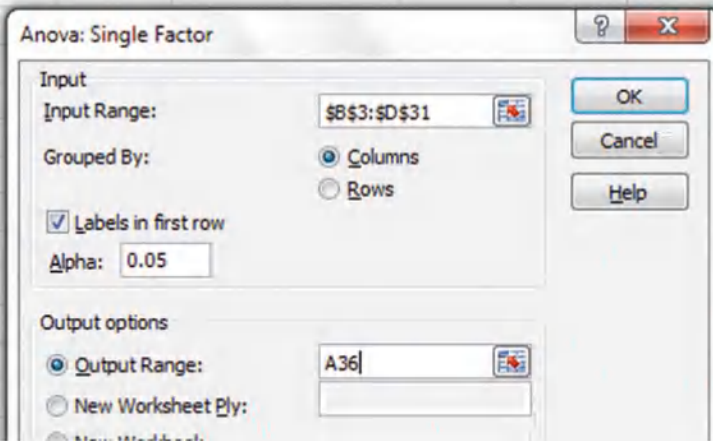
Fig. 8.3   Dialog box for ANOVA: Single Factor Input/Output Range

OK

   Save this file as: SUPER6

   You should have generated the table given in Fig. 8.4. If you round off all figures that are in decimal format to two decimal places and center all numbers in their cells, this will make your table much easier to read.

	A	B	C	D	E	F	G	
35								
36	**Anova: Single Factor**							
37								
38	**SUMMARY**							
39	*Groups*	*Count*	*Sum*	*Average*	*Variance*			
40	**DIERBERG'S**	28	68.40	2.44	1.32			
41	**SCHNUCK'S**	28	53.61	1.91	1.22			
42	**SHOP 'n SAVE**	28	47.36	1.69	1.13			
43								
44								
45	**ANOVA**							
46	*Source of Variation*	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*	
47	**Between Groups**	8.34	2	4.17	3.40	0.04	3.11	
48	**Within Groups**	99.23	81	1.23				
49								
50	Total	107.57	83					

Fig. 8.4 ANOVA results for supermarket price comparisons

Print out both the data table and the ANOVA summary table so that all of this information fits onto one page. (Hint: Set the Page Layout/Fit to Scale to *85% size*).

As a check on your analysis, you should have the following in these cells:

A36: ANOVA: Single Factor

D40: 2.44

D47: 4.17

E47: 3.40

G47: 3.11

Now, let's discuss how you should interpret this table:

8.2   How to Interpret the ANOVA Table Correctly

Objective: To interpret the ANOVA table correctly

ANOVA allows you to test for the differences between means when you have three or more groups of data. This ANOVA test is called the F-test statistic, and is typically identified with the letter: F.

The formula for the F-test is this:

$\qquad$ F = Mean Square between groups (MS$_b$) divided by Mean Square
$\qquad$ within groups (MS$_w$)

$$F = \text{MS}_b / \text{MS}_w \tag{8.1}$$

The derivation and explanation of this formula is beyond the scope of this *Excel Guide*. In this *Excel Guide*, we are attempting to teach you *how to use Excel*, and we are not attempting to teach you the statistical theory that is behind the ANOVA formulas. For a detailed explanation of ANOVA, see Weiers (2011).

Note that cell D47 contains MS$_b$ = 4.17, while cell D48 contains MS$_w$ = 1.23.

When you divide these two figures using their cell references in Excel, you get the answer for the F-test of 3.40, which is in cell E47. Let's discuss now the meaning of the figure: F = 3.40.

In order to determine whether this figure for F of 3.40 indicates a significant difference between the means of the three groups, the first step is to write the null hypothesis and the research hypothesis for the three groups of prices.

In our supermarket price comparisons, the null hypothesis states that the population means of the three groups are equal, while the research hypothesis states that the population means of the three groups are not equal and that there is, therefore, a significant difference between the population means of the three groups. Which of these two hypotheses should you accept based on the ANOVA results?

8.3   Using the Decision Rule for the ANOVA *t*-Test

To state the hypotheses, let's call Dierberg's as Group 1, Schnuck's as Group 2, and Shop 'n Save as Group 3. The hypotheses would then be:

$$H_0: \quad \mu_1 = \mu_2 = \mu_3$$

$$H_1: \quad \mu_1 \neq \mu_2 \neq \mu_3$$

The answer to this question is analogous to the decision rule used in this book for both the one-group t-test and the two-group t-test. You will recall that this rule (See Sect. 4.1.6 and Sect. 5.1.8) was:

If the absolute value of t is less than the critical t, you accept the null hypothesis.
or
If the absolute value of t is greater than the critical t, you reject the null hypothesis,
and accept the research hypothesis.

Now, here is the decision rule for ANOVA:

> Objective: To learn the decision rule for the ANOVA *F*-test

The decision rule for the ANOVA *F*-test is the following:

If the value for F is less than the critical F-value, accept the null hypothesis.
or
If the value of F is greater than the critical F-value, reject the null hypothesis,
and accept the research hypothesis.

Note that Excel tells you the critical *F*-value in cell G47: 3.11

Therefore, our decision rule for the supermarket ANOVA test is this:

Since the value of F of 3.40 is greater than the critical F-value of 3.11, we reject the
null hypothesis and accept the research hypothesis.

Therefore, our conclusion, in plain English, is:

There is a significant difference between the population means of the three super-
market prices.

Note that it is not necessary to take the absolute value of *F* of 3.40. The *F*-value
can never be less than one, and so it can never be a negative value, which requires
us to take its absolute value to treat it as a positive value.

It is important to note that ANOVA tells us that there was a significant difference
between the population means of the three groups, *but it does not tell us which pairs*
of groups were significantly different from each other.

8.4 Testing the Difference Between Two Groups Using the ANOVA *t*-Test

To answer that question, we need to do a different test called the ANOVA *t*-test.

> Objective. To test the difference between the means of two groups using an
> ANOVA *t*-test when the ANOVA results indicate a significant difference
> between the population means.

Since we have three groups of data (one group for each of the three super-
markets), we would have to perform three separate ANOVA *t*-tests to determine
which pairs of groups were significantly different. This means that we would have
to perform a separate ANOVA *t*-test for the following pairs of groups:

1. Dierberg's vs. Schnuck's
2. Dierberg's vs. Shop 'n Save
3. Schnuck's vs. Shop 'n Save

We will do just one of these pairs of tests, Dierberg's vs. Shop 'n Save, to illustrate the way to perform an ANOVA *t*-test comparing these two supermarkets. The ANOVA *t*-test for the other two pairs of groups would be done in the same way.

8.4.1 Comparing Dierberg's vs. Shop 'n Save in Their Prices Using the ANOVA t-Test

Objective: To compare Dierberg's vs. Shop 'n Save in their prices for the 28 items in the shopping basket using the ANOVA *t*-test.

The first step is to write the null hypothesis and the research hypothesis for these two supermarkets.

For the ANOVA *t*-test, the null hypothesis is that the population means of the two groups are equal, while the research hypothesis is that the population means of the two groups are not equal (i.e., there is a significant difference between these two means). Since we are comparing Dierberg's (Group 1) vs. Shop 'n Save (Group 3), these hypotheses would be:

$$H_0: \quad \mu_1 = \mu_3$$

$$H_1: \quad \mu_1 \neq \mu_3$$

For Group 1 vs. Group 3, the formula for the ANOVA *t*-test is:

$$\text{ANOVA } t = \frac{\bar{X}_1 - \bar{X}_2}{\text{s.e.}_{\text{ANOVA}}} \tag{8.2}$$

where

$$\text{s.e.}_{\text{ANOVA}} = \sqrt{MS_w \left(\frac{1}{n_1} + \frac{1}{n_2} \right)} \tag{8.3}$$

The steps involved in computing this ANOVA *t*-test are:

1. Find the difference of the sample means for the two groups ($2.44 - 1.69 = 0.75$).
2. Find $1/n_1 + 1/n_3$ (since both groups have 28 supermarket items in them, this becomes: $1/28 + 1/28 = 0.0357 + 0.0357 = 0.0714$)
3. Multiply MS_w times the answer for step 2 ($1.23 \times 0.0714 = 0.0878$)
4. Take the square root of step 3 (SQRT(0.0878) = 0.30)
5. Divide Step 1 by Step 4 to find ANOVA *t* ($0.75/0.30 = 2.50$)

Note: Since Excel computes all calculations to 16 decimal places, when you use Excel for the above computations, your answer will be 2.54 instead of 2.50 that you will obtain if you use your calculator.

Now, what do we do with this ANOVA *t*-test result of 2.50? In order to interpret this value of 2.50 correctly, we need to determine the critical value of *t* for the ANOVA *t*-test. To do that, we need to find the degrees of freedom for the ANOVA *t*-test as follows:

8.4.1.1   Finding the Degrees of Freedom for the ANOVA *t*-Test

Objective: To find the degrees of freedom for the ANOVA *t*-test.

The degrees of freedom (df) for the ANOVA *t*-test is found as follows:

df = take the total sample size of all of the groups and subtract the number of groups in your study ($n_{TOTAL} - k$ where $k =$ the number of groups)

In our example, the total sample size of the three groups is 84 since there are 28 prices for each of the three supermarkets, and since there are three groups, $84 - 3$ gives a degrees of freedom for the ANOVA *t*-test of 81.

If you look up df = 81 in the *t*-table in Appendix E in the degrees of freedom column (df), which is the *second column on the left of this table*, you will find that the critical *t*-value is 1.96.

Important note: Be sure to use the degrees of freedom column (df) in Appendix E for the ANOVA t-test critical t value

8.4.1.2   Stating the Decision Rule for the ANOVA *t*-test

Objective: To learn the decision rule for the ANOVA *t*-test

Interpreting the result of the ANOVA *t*-test follows the same decision rule that we used for both the one-group *t*-test (see Sect. 4.1.6) and the two-group *t*-test (see Sect. 5.1.8):

If the absolute value of t is less than the critical value of t, we accept the null hypothesis.
  or
If the absolute value of t is greater than the critical value of t, we reject the null hypothesis and accept the research hypothesis.

Since we are using a type of *t*-test, we need to take the absolute value of *t*. Since the absolute value of 2.50 is greater than the critical *t*-value of 1.96, we reject the null hypothesis (that the population means of the two groups are equal) and accept the research hypothesis (that the population means of the two groups are significantly different from one another).

This means that our conclusion, in plain English, is as follows:

The average prices of our market basket of items at Dierberg's were significantly higher than the average prices at Shop 'n Save ($2.44 vs. $1.69).

Note that this difference in average prices of $0.75 might not seem like much, but in practical terms, this means that the average prices at Dierberg's are 44% higher than the average prices at Shop 'n Save. This, clearly, is an important difference in prices from these two supermarkets based on our hypothetical data.

8.4.1.3   Performing an ANOVA *t*-Test Using Excel Commands

Now, let's do these calculations for the ANOVA *t*-test using Excel with the file you created earlier in this chapter: SUPER6

A52: Dierberg's vs. Shop 'n Save
A54: 1/n of Dierberg's + 1/n of Shop 'n Save
A56: s.e. of Dierberg's vs. Shop 'n Save
A58: ANOVA *t*-test
D54: =(1/28 + 1/28)
D56: SQRT(D48*D54)
D58: =(D40 − D42)/D56

You should now have the following results in these cells when you round off all these figures in the ANOVA *t*-test to two decimal points:

D54: 0.07
D56: 0.30
D58: 2.54

Save this final result under the file name: SUPER7
Print out the resulting spreadsheet so that it fits onto one page like Fig. 8.5 (Hint: Reduce the Page Layout/Scale to Fit to 75%).

	SUPERMARKET PRICE COMPARISONS				
ITEM	DIERBERG'S	SCHNUCK'S	SHOP 'n SAVE		
1	1.85	1.45	1.25		
2	3.95	3.35	3.04		
3	2.25	1.75	1.45		
4	2.85	2.35	2.25		
5	1.65	1.10	0.85		
6	3.65	2.95	2.45		
7	2.45	1.85	1.45		
8	1.95	1.56	1.44		
9	1.83	1.25	1.15		
10	2.64	2.14	2.04		
11	2.84	2.25	2.15		
12	1.84	1.20	0.55		
13	1.65	1.25	1.15		
14	2.75	2.10	2.04		
15	2.71	1.86	1.75		
16	1.55	0.94	0.85		
17	1.85	1.30	1.01		
18	0.95	0.55	0.45		
19	1.55	1.28	1.06		
20	1.44	0.85	0.74		
21	1.65	1.25	1.15		
22	1.64	1.28	1.04		
23	4.21	3.75	3.36		
24	1.20	0.71	0.61		
25	4.55	3.90	3.25		
26	3.45	2.84	2.65		
27	5.85	5.30	5.14		
28	1.65	1.25	1.04		

Anova: Single Factor

SUMMARY

Groups	Count	Sum	Average	Variance
DIERBERG'S	28	68.40	2.44	1.32
SCHNUCK'S	28	53.61	1.91	1.22
SHOP 'n SAVE	28	47.36	1.69	1.13

ANOVA

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	8.34	2	4.17	3.40	0.04	3.11
Within Groups	99.23	81	1.23			
Total	107.57	83				

Dierberg's vs. Shop 'n Save

1/n of Dierberg's + 1/n of Shop 'n Save			0.07
s.e of Dierberg's vs. Shop 'n Save			0.30
ANOVA t-test			2.54

Fig. 8.5 Final spreadsheet of supermarket price comparisons for Dierberg's vs. Shop 'n Save

For a more detailed explanation of the ANOVA *t*-test, see Black (2010).

Important note: You are only allowed to perform an ANOVA t-test comparing the population means of two groups when the F-test produces a significant difference between the population means of all of the groups in your study.

It is improper to do any ANOVA t-test when the value of F is less than the critical value of F. Whenever F is less than the critical F, this means that there was no difference between the population means of the groups, and, therefore, that you cannot test to see if there is a difference between the means of any two groups since this would capitalize on chance differences between these two groups.

8.5   End-of-Chapter Practice Problems

1. Suppose that you wanted to compare your company's premium brand of tire (Brand A) against two major competitors' brands (B and C). You have set up a laboratory test of the three types of tires, and you have measured the number of simulated miles driven before the tread length reached a predetermined amount. The hypothetical results are given in Fig. 8.6. Note that the data are in thousands of miles driven (000), so, for example, 63 is really 63,000 miles driven.

TIRE MILEAGE TEST

(Data are in thousands of miles)

Brand A	Brand B	Brand C
62	61	65
61	62	67
62	63	71
64	60	66
61	64	65
	59	64
	62	
	63	
	62	
	63	

Fig. 8.6 Worksheet data for Chap. 8: Practice Problem #1

(a) Enter these data on an Excel spreadsheet.
(b) Perform a *one-way ANOVA test* on these data, and show the resulting ANOVA table *underneath* the input data for the three brands of tires.

(c) If the F-value in the ANOVA table is significant, create an Excel formula to compute the ANOVA t-test comparing the average for Brand A against Brand C and show the results below the ANOVA table on the spreadsheet (put the standard error and the ANOVA t-test value on separate lines of your spreadsheet, and use two decimal places for each value)

(d) Print out the resulting spreadsheet so that all of the information fits onto one page

(e) Save the spreadsheet as: TIRE7

Now, write the answers to the following questions using your Excel printout:

1. What are the null hypothesis and the research hypothesis for the ANOVA F-test?
2. What is MS_b on your Excel printout?
3. What is MS_w on your Excel printout?
4. Compute $F = MS_b/MS_w$ using your calculator.
5. What is the critical value of F on your Excel printout?
6. What is the result of the ANOVA F-test?
7. What is the conclusion of the ANOVA F-test in plain English?
8. If the ANOVA F-test produced a significant difference between the three brands in miles driven, what is the null hypothesis and the research hypothesis for the ANOVA t-test comparing Brand A vs. Brand C?
9. What is the mean (average) for Brand A on your Excel printout?
10. What is the mean (average) for Brand C on your Excel printout?
11. What are the degrees of freedom (df) for the ANOVA t-test comparing Brand A vs. Brand C?
12. What is the critical t value for this ANOVA t-test in Appendix E for these degrees of freedom?
13. Compute the s.e.$_{ANOVA}$ using your calculator.
14. Compute the ANOVA t-test value comparing Brand A vs. Brand C using your calculator.
15. What is the result of the ANOVA t-test comparing Brand A vs. Brand C?
16. What is the conclusion of the ANOVA t-test comparing Brand A vs. Brand C in plain English?

Note that since there are three brands of tires, you need to do three ANOVA t-tests to determine what the significant differences are between the tires. *Since you have just completed the ANOVA t-test comparing Brand A vs. Brand C, let's do the ANOVA t-test next comparing Brand A vs. Brand B.*

17. State the null hypothesis and the research hypothesis comparing Brand A vs. Brand B.
18. What is the mean (average) for Brand A on your Excel printout?
19. What is the mean (average) for Brand B on your Excel printout?
20. What are the degrees of freedom (df) for the ANOVA t-test comparing Brand A vs. Brand B?

21. What is the critical t value for this ANOVA t-test in Appendix E for these degrees of freedom?
22. Compute the s.e.$_{ANOVA}$ for Brand A vs. Brand B using your calculator.
23. Compute the ANOVA t-test value comparing Brand A vs. Brand B.
24. What is the result of the ANOVA t-test comparing Brand A vs. Brand B?
25. What is the conclusion of the ANOVA t-test comparing Brand A vs. Brand B in plain English?

The last ANOVA t-test compares Brand B vs. Brand C. Let's do that test below:

26. State the null hypothesis and the research hypothesis comparing Brand B vs. Brand C.
27. What is the mean (average) for Brand B on your Excel printout?
28. What is the mean (average) for Brand C on your Excel printout?
29. What are the degrees of freedom (df) for the ANOVA t-test comparing Brand B vs. Brand C?
30. What is the critical t value for this ANOVA t-test in Appendix E for these degrees of freedom?
31. Compute the s.e.$_{ANOVA}$ comparing Brand B vs. Brand C using your calculator.
32. Compute the ANOVA t-test value comparing Brand B vs. Brand C with your calculator.
33. What is the result of the ANOVA t-test comparing Brand B vs. Brand C?
34. What is the conclusion of the ANOVA t-test comparing Brand B vs. Brand C in plain English?
35. What is the summary of the three ANOVA t-tests in plain English?
36. What recommendation would you make to your company about these three brands of tires based on the results of your analysis? Why would you make that recommendation?

2. McDonald's rolled out the "100% Angus Beef Third Pounders Burgers" in July 2009 to compete with the supersize hamburgers sold by Hardee's. Suppose that you had been hired as a consultant by McDonald's to analyze the data from a test market study involving four test market cities matched for population size, average household income, average family size, and number of McDonald's restaurants in each city. Suppose, further, that the test market ran for 12 weeks, and that each city used only one type of advertisement for these burgers: (1) Radio, (2) Local TV, (3) Billboards, and (4) Local newspaper. The cities were randomly assigned to one type of ad, and each city spent the same advertising dollars each week on their one type of ad. The hypothetical data for the number of units sold each week of the Angus Burger are given in Fig. 8.7.

ANGUS BURGER TEST MARKET STUDY			
1	2	3	4
Radio	Local TV	Billboards	Local newspaper
300	310	340	280
320	315	330	285
310	320	345	290
290	326	342	275
280	324	341	282
315	318	351	284
326	330	339	291
295	327	337	284
278	328	329	279
289	319	328	274
287	326	332	283
305	328	335	285

Fig. 8.7 Worksheet data for Chap. 8: Practice Problem #2

(a) Enter these data on an Excel spreadsheet.
(b) Perform a *one-way ANOVA test* on these data, and show the resulting ANOVA table *underneath* the input data for the four types of commercials.
(c) If the *F*-value in the ANOVA table is significant, create an Excel formula to compute the ANOVA *t*-test comparing the average number of units sold for Billboard ads against the average for Radio ads, and show the results below the ANOVA table on the spreadsheet (put the standard error and the ANOVA *t*-test value on separate lines of your spreadsheet, and use two decimal places for each value)
(d) Print out the resulting spreadsheet so that all of the information fits onto one page
(e) Save the spreadsheet as: McD4
Let's call the Radio ads Group 1, the Local TV ads Group 2, the Billboards ads Group 3, and the Local Newspaper ads Group 4.
Now, write the answers to the following questions using your Excel printout:

1. What are the null hypothesis and the research hypothesis for the ANOVA *F*-test?
2. What is MS_b on your Excel printout?
3. What is MS_w on your Excel printout?
4. Compute $F = MS_b/MS_w$ using your calculator.
5. What is the critical value of *F* on your Excel printout?

6. What is the result of the ANOVA F-test?
7. What is the conclusion of the ANOVA F-test in plain English?
8. If the ANOVA F-test produced a significant difference between the four types of ads in the number of Angus Burgers sold per week, what is the null hypothesis and the research hypothesis for the ANOVA t-test comparing Billboards ads (Group 3) vs. Radio ads (Group 1)?
9. What is the mean (average) for Billboards ads on your Excel printout?
10. What is the mean (average) for Radio ads on your Excel printout?
11. What are the degrees of freedom (df) for the ANOVA t-test comparing Billboards ads vs. Radio ads?
12. What is the critical t value for this ANOVA t-test in Appendix E for these degrees of freedom?
13. Compute the s.e.$_{ANOVA}$ using your calculator for Billboards ads vs. Radio ads.
14. Compute the ANOVA t-test value comparing Billboard ads vs. Radio ads using your calculator.
15. What is the result of the ANOVA t-test comparing Billboards ads vs. Radio ads?
16. What is the conclusion of the ANOVA t-test comparing Billboards ads vs. Radio ads in plain English?

3. Suppose that you have been hired as a consultant by Procter & Gamble to analyze the data from a pilot study involving three recent focus groups that were shown four different television commercials for a new type of Crest toothpaste that have not yet been shown on television. The participants were given a 10-item survey to complete after seeing the commercials, and the hypothetical data from question #8 is given in Fig. 8.8 for the four TV commercials.

ITEM #8:	"How believable is this commercial to you?"							
1	2	3	4	5	6	7	8	9
not very believable								very believable

Rating for Focus Groups 1, 2, 3 combined

Television commercial			
A	B	C	D
2	3	5	6
3	4	6	7
5	5	7	4
4	2	5	5
5	6	8	3
3	1	6	8
6	4	7	2
4	3	5	6
3	7	4	7
7	6	6	5
2	5	3	8
1	3	6	9
3	4	8	5
5	2	9	6
6	3	5	7

Fig. 8.8 Worksheet data for Chap. 8: Practice Problem #3

(a) Enter these data on an Excel spreadsheet.
(b) Perform a *one-way ANOVA test* on these data, and show the resulting ANOVA table *underneath* the input data for the four types of commercials.
(c) If the F-value in the ANOVA table is significant, create an Excel formula to compute the ANOVA t-test comparing the average for Commercial B against the average for Commercial D, and show the results below the ANOVA table on the spreadsheet (put the standard error and the ANOVA t-test value on separate lines of your spreadsheet, and use two decimal places for each value)
(d) Print out the resulting spreadsheet so that all of the information fits onto one page
(e) Save the spreadsheet as: TV6

Now, write the answers to the following questions using your Excel printout:

1. What are the null hypothesis and the research hypothesis for the ANOVA F-test?
2. What is MS_b on your Excel printout?
3. What is MS_w on your Excel printout?
4. Compute $F = MS_b/MS_w$ using your calculator.
5. What is the critical value of F on your Excel printout?
6. What is the result of the ANOVA F-test?
7. What is the conclusion of the ANOVA F-test in plain English?
8. If the ANOVA F-test produced a significant difference between the four types of TV commercials in their believablity, what is the null hypothesis and the research hypothesis for the ANOVA t-test comparing Commercial B vs. Commercial D?
9. What is the mean (average) for Commercial B on your Excel printout?
10. What is the mean (average) for Commercial D on your Excel printout?
11. What are the degrees of freedom (df) for the ANOVA t-test comparing Commercial B vs. Commercial D?
12. What is the critical t value for this ANOVA t-test in Appendix E for these degrees of freedom?
13. Compute the $s.e._{ANOVA}$ using your calculator for Commercial B vs. Commercial D.
14. Compute the ANOVA t-test value comparing Commercial B vs. Commercial D using your calculator.
15. What is the result of the ANOVA t-test comparing Commercial B vs. Commercial D?
16. What is the conclusion of the ANOVA t-test comparing Commercial B vs. Commercial D in plain English?

References

Black, K. Business Statistics: For Contemporary Decision Making (6th ed.). Hoboken, NJ: John
    Wiley & Sons, Inc., 2010.
Weiers, R.M. Introduction to Business Statistics (7th ed.). Mason, OH: South-Western Cengage
    Learning, 2011.

Appendix A
Answers to End-of-Chapter Practice Problems

Chapter 1: Practice Problem #1 Answer (see Fig. A.1)

Wal-Mart St. Louis			
DOLLAR SALES PER CUSTOMER LAST WEEK			
127.12			
140.45			
104.64	n		29
80.06			
114.07			
109.35	Mean		$117.46
117.28			
72.84			
67.67	STDEV		$ 28.36
79.85			
109.96			
117.13	s.e.		$ 5.27
85.25			
149.36			
147.57			
153.54			
118.76			
69.86			
154.47			
154.88			
109.44			
97.36			
87.55			
154.85			
143.82			
145.55			
142.33			
122.57			
128.75			

Fig. A.1 Answer to Chap. 1: Practice Problem #1

Chapter 1: Practice Problem #2 Answer (see Fig. A.2)

HUMAN RESOURCES MORALE SURVEY							
Item #21:	"Management is doing a good job of keeping employee morale at a high level."						
1	**2**	**3**	**4**	**5**	**6**	**7**	
Disagree						**Agree**	
		Rating					
		3					
		6					
		5					
		7		n	23		
		2					
		3					
		6		Mean	4.52		
		5					
		4					
		7		STDEV	1.73		
		6					
		1					
		3		s.e.	0.36		
		2					
		4					
		5					
		6					
		4					
		5					
		3					
		6					
		4					
		7					

Fig. A.2 Answer to Chap. 1: Practice Problem #2

Chapter 1: Practice Problem #3 Answer (see Fig. A.3)

Ford Motor Co.				
Number of defects per day for the Ford Focus				
Day	**No. of defects**			
1	6			
2	8			
3	14		n	18
4	12			
5	6			
6	8		Mean	11.944
7	23			
8	17			
9	14		STDEV	4.759
10	16			
11	18			
12	12		s.e.	1.122
13	13			
14	15			
15	8			
16	6			
17	9			
18	10			

Fig. A.3   Answer to Chap. 1: Practice Problem #3

Chapter 2: Practice Problem #1 Answer (see Fig. A.4)

FRAME NUMBERS	Duplicate frame numbers	RANDOM NO.
1	44	0.367
2	33	0.327
3	38	0.361
4	43	0.731
5	13	0.664
6	10	0.732
7	50	0.517
8	1	0.410
9	48	0.026
10	61	0.564
11	4	0.303
12	22	0.216
13	40	0.824
14	37	0.076
15	35	0.951
16	60	0.326
17	59	0.572
18	7	0.135
19	17	0.258
20	30	0.624
21		16
	11	0.
56	56	0.059
57	57	0.559
58	54	0.351
59	9	0.983
60	51	0.844
61	39	0.959
62	53	0.864
63	26	0.008

Fig. A.4 Answer to Chap. 2: Practice Problem #1

Chapter 2: Practice Problem #2 Answer (see Fig. A.5)

FRAME NO.	Duplicate frame no.	Random number
1	45	0.460
2	102	0.674
3	16	0.957
4	8	0.308
5	109	0.745
6	64	0.454
7	37	0.024
8	31	0.307
9	27	0.249
10	76	0.936
11	9	0.871
12	70	0.782
13	13	0.490
14	32	0.284
15	56	0.188
16	46	0.566
17	3	0.828
18	98	0.008
19	10	0.218
20	100	0.863
21	29	

		0.290
100	35	0.295
101	20	0.820
102	73	0.854
103	11	0.217
104	24	0.653
105	82	0.474
106	5	0.761
107	17	0.952
108	34	0.444
109	104	0.511
110	51	0.484
111	6	0.337
112	84	0.270
113	96	0.777
114	67	0.302

Fig. A.5 Answer to Chap. 2: Practice Problem #2

Chapter 2: Practice Problem #3 Answer (see Fig. A.6)

FRAME NUMBERS	Duplicate frame numbers	Random number
1	47	0.522
2	68	0.362
3	15	0.878
4	69	0.696
5	67	0.451
6	38	0.996
7	43	0.471
8	50	0.235
9	65	0.078
10	40	0.724
11	57	0.579
12	37	0.874
13	22	0.870
14	3	0.539
15	17	0.127
16	60	0.080
17	5	0.561
18	29	0.687
19	74	0.049
20	72	0.098
21	14	0.395
22	41	0.734
23	53	0.334
24	9	0.024
25	19	0.622
26		.07
	23	0.
70	27	0.690
71	46	0.850
72	35	0.294
73	11	0.151
74	7	0.136
75	12	0.585
76	30	0.700

Fig. A.6 Answer to Chap. 2: Practice Problem #3

Chapter 3: Practice Problem #1 Answer (see Fig. A.7)

St. Louis Post-Dispatch Phone Survey

Question #4: "How much would you be willing to pay per week for a 6-month weekday/weekend subscription to the Post-Dispatch?"

Subscription Price ($)					
4.15	Null hypothesis:		μ	=	$ 3.80
3.75					
3.80					
4.10	Research hypothesis:		μ	≠	$ 3.80
3.60					
3.60					
3.65	n		22		
4.40					
3.15					
4.00	Mean	$	3.77		
3.75					
4.00					
3.25	STDEV	$	0.31		
3.75					
3.30					
3.75	s.e.	$	0.07		
3.65					
4.00					
4.10	95% confidence interval				
3.90					
3.50		lower limit	$ 3.63		
3.75		upper limit	$ 3.90		

$3.63 ——— –$3.77––$3.80 ———— $3.90
lower limit   Mean   Ref. value   upper limit

Result: Since the reference value of $3.80 is inside the confidence interval, we accept the null hypothesis

Conclusion: Past subscribers would be willing to pay $3.80 per week for a 6-month weekday/weekend subscription to the Post-Dispatch

Fig. A.7 Answer to Chap. 3: Practice Problem #1

Chapter 3: Practice Problem #2 Answer (see Fig. A.8)

HUMAN RESOURCES DEPARTMENT

MORALE SURVEY OF MANAGERS

Item #24 How would you rate the quality of leadership shown by
top management in this company?

1	2	3	4	5	6	7
very weak						very strong

Rating				
5				
6	Null hypothesis:	μ	=	4
3				
4				
7	Research hypothesis:	μ	≠	4
2				
3				
4	n	27		
2				
5				
3	Mean	4.00		
4				
2				
2	STDEV	1.52		
3				
6				
5	s.e.	0.29		
7				
4				
6	95% confidence interval			
4				
3		lower limit	3.40	
4				
2		upper limit	4.60	
3				
5				
4	—— 3.40 ———— 4.00 ——— 4.60 ———			

	lower limit	Mean and Ref. Value	upper limit

Result:	Since the reference value of 4.00 is inside the confidence interval, we accept the null hypothesis

Conclusion:	Managers rated the quality of leadership shown by top management as neither weak nor strong.

Fig. A.8 Answer to Chap. 3: Practice Problem #2

Chapter 3: Practice Problem #3 Answer (see Fig. A.9)

FOCUS GROUP PRICING STUDY					
Question #10:	**"How much would you be willing to pay for this blouse?"**				
Groups 1, 2, 3 in S					
62		**Null hypothesis:**	**μ**	**=**	**$68**
55					
73					
53		**Research hypothesis:**	**μ**	**≠**	**$68**
46					
48					
57		n	30		
59					
65					
68		**Mean**	$	63.23	
64					
72					
62		**STDEV**	$	6.75	
67					
59					
71		s.e.	$	1.23	
65					
63					
69		**95% confidence interval**			
71					
70		**lower limit**	$	60.71	
58					
67		**upper limit**	$	65.75	
65					
63					
59	---- $60.71 ———————	---$63.23 ———————	$65.75 ————	$68 -------	
70	lower	Mean	upper	Ref.	
67	limit		limit	Value	
64					
65					
Result:		Since the reference value is outside of the confidence interval, we reject the null hypothesis and accept the research hypothesis			
Conclusion:		Adult women (ages 25-44) were willing to pay a price significantly less than $68 , and it was probably closer to $63			

Fig. A.9 Answer to Chap. 3: Practice Problem #3

Chapter 4: Practice Problem #1 Answer (see Fig. A.10)

SUBARU Customer Satisfaction Survey

Question #1d: "The salesperson was knowledgeable about the Subaru model line."

1	2	3	4	5	6	7
Completely Disagree				5.09 Mean		Completely Agree

Results from the week of Oct. 2, 2011
for St. Louis Subaru dealer

5			
7	Null hypothesis:	μ = 4
6			
4			
3	Research hypothesis	μ ≠ 4
5			
6			
7	n	22	
2			
3			
5	Mean	5.09	
7			
4			
7	STDEV	1.51	
7			
5			
6	s.e.	0.32	
6			
4			
3		critical t	2.080
5			
5			
		t-test	3.39

Result: Since the absolute value of 3.39 is greater than the critical t of 2.080, we reject the null hypothesis and accept the research hypothesis

Conclusion: In the week of Oct. 2, 2011, new car buyers at the St. Louis Subaru dealer significantly agreed that the salesperson was knowledgeable about the Subaru model line

Fig. A.10   Answer to Chap. 4: Practice Problem #1

Chapter 4: Practice Problem #2 Answer (see Fig. A.11)

HUMAN RESOURCES DEPARTMENT

MORALE SURVEY OF MANAGERS

Item #35 How would you rate the intellectual challenge provided by your job?

1	2	3	4	5	6	7	8	9
very low								very high
	Rating							
	5		Null hypothesis:		μ	$=$	5	
	6							
	4							
	7		Research hypothesis		μ	$\neq$	5	
	8							
	2							
	4		n	25				
	3							
	6							
	4		Mean	4.72				
	7							
	9							
	2		STDEV	1.90				
	4							
	3							
	5		s.e.	0.38				
	3							
	4							
	6		critical t	2.064				
	5							
	7							
	4		t-test	-0.74				
	3							
	5							
	2		Result:	Since the absolute value of -0.74 is less than the critical t of 2.064, we accept the null hypothesis				
			Conclusion	Managers rated the intellectual challenge provided by their jobs as neither low nor high				

Fig. A.11 Answer to Chap. 4: Practice Problem #2

Chapter 4: Practice Problem #3 Answer (see Fig. A.12)

MISSOURI BOTANICAL GARDEN

VISITOR SURVEY

Item #10 "How would you rate the helpfulness of The Garden staff?"

1	2	3	4	5	6	7	8	9	
poor						6.57		excellent	
						Mean			
	Results of the week of Nov. 6, 2011								
			8						
			6		Null hypothesis:		μ	=	5
			5						
			7						
			9		Research hypothesis		μ	≠	5
			5						
			6						
			4		n	21			
			8						
			7						
			6		Mean	6.57			
			8						
			6						
			7		STDEV	1.54			
			9						
			7						
			6		s.e.	0.34			
			3						
			8						
			7		critical t	2.086			
			6						
					t-test	4.69			

Result: Since the absolute value of 4.69 is greater than the critical value of 2.086, we reject the null hypothesis and accept the research hypothesis

Conclusion: Visitors to the Missouri Botanical Garden during the week of Nov. 6, 2011 rated the helpfulness of The Garden staff as significantly positive

Fig. A.12   Answer to Chap. 4: Practice Problem #3

Chapter 5: Practice Problem #1 Answer (see Fig. A.13)

Boeing Morale Survey			
Note: A high score indicates high job satisfaction, and a low score indicates low job satisfaction			
Group	n	mean	STDEV
1 Males	241	88.20	4.30
2 Females	202	84.80	5.10
Null hypothesis:		μ_1 = μ_2	
Research hypothesis:		μ_1 $\neq$ μ_2	
STDEV1 squared / n1		0.077	
STDEV2 squared / n2		0.129	
E19 + E21		0.205	
s.e.		0.453	
critical t		1.96	
t-test		7.500	
Result:	Since the absolute value of 7.500 is greater than the critical t of 1.96, we reject the null hypothesis and accept the research hypothesis		
Conclusion:	Males had significantly higher job satisfaction scores than females at Boeing last month (88.20 vs. 84.80)		

Fig. A.13   Answer to Chap. 5: Practice Problem #1

Chapter 5: Practice Problem #2 Answer (see Fig. A.14)

Item:	"How interested are you in learning more about how life insurance can provide income for retirement?"						
	1	2	3	4	5	6	7
	Not at all interested		3.44 Women		5.16 Men		Very Interested

Ad: Male model

Men	Women					
		Null hypothesis:		μ_1	=	μ_2
5	3	Research hypothesis		μ_1	$\neq$	μ_2
6	4					
4	6					
7	5	Group	n	mean	STDEV	
5	2	1 Men	32	5.16	1.51	
6	3	2 Women	34	3.44	1.31	
5	1					
4	3					
3	2	STDEV1 squared / n1			0.07	
6	4					
7	3	STDEV2 squared / n2			0.05	
5	5					
6	6					
4	3	s.e.			0.35	
7	4					
5	2					
4	5	critical t			1.96	
6	3	(df = n1 + n2 -2 = 64)				
3	4					
7	5					
5	4					
6	3	t-test			4.93	
2	2					
6	4					
1	3	Result:	Since the absolute value of 4.93 is greater			
7	5		than the critical t of 1.96, we reject the			
6	1		null hypothesis and accept the research			
5	3		hypothesis			
4	2	Conclusion	Adult me (ages 25-39) were significantly			
6	3		more interested than adult women			
5	2		(ages 25-39) in learning more about how			
7	5		life insurance can provide income for			
	3		retirement when a male model was used			
	4		in the ad (5.16 vs. 3.44)			

Fig. A.14   Answer to Chap. 5: Practice Problem #2

Chapter 5: Practice Problem #3 Answer (see Fig. A.15)

		1	2	3	4	5	6	7

American Airlines in-flight meal survey

Question #10: "How likely are you to purchase an in-flight meal on a future flight?"

	1	2	3	4	5	6	7
	Definitely would not purchase	2.36 Vac	3.23 Bus				Definitely would purchase

Group	n	mean	STDEV
1 Business	64	3.23	1.04
2 Vacationers	56	2.36	1.35

Null hypothesis:	μ_1	$=$	μ_2
Research hypothesis:	μ_1	$\neq$	μ_2
STDEV1 squared / n1		0.02	
STDEV2 squared / n2		0.03	
E25 + E27		0.05	
s.e.		0.22	
critical t		1.96	
t-test		3.91	

Result: Since the absolute value of 3.91 is greater than the critical t of 1.96, we reject the null hypothesis and accept the research hypothesis

Conclusion: Last month on American Airlines, Vacationers were significantly less likely than Business passengers to indicate that they were planning to purchase an in-flight meal on a future flight (2.36 vs. 3.23)

Fig. A.15 Answer to Chap. 5: Practice Problem #3

Chapter 6: Practice Problem #1 Answer (see Fig. A.16)

Average Family Income ($000)	Rentals (per day)			
62	705		correlation	0.81
41	525			
27	309			
45	498			
50	623			
47	425			
44	314			
28	203			
30	465			
41	540			
47	605			
62	690			

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.81
R Square	0.661
Adjusted R Square	0.627
Standard Error	96.037
Observations	12

ANOVA

	df	SS	MS	F	Significance F
Regression	1	179612.237	179612.237	19.474	0.001
Residual	10	92231.430	9223.143		
Total	11	271843.667			

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	7.61	113.175	0.067	0.948	-244.556	259.784	-244.556	259.784
X Variable 1	11.09	2.513	4.413	0.001	5.490	16.688	5.490	16.688

Fig. A.16 Answer to Chap. 6: Practice Problem #1

Chapter 6: Practice Problem #1 (continued)

1. $a = y$-intercept $= 7.61$
2. $b = $ slope $= 11.09$
3. $Y = a + bX$
   $Y = 7.61 + 11.09X$
4. $Y = 7.61 + 11.09(50)$
   $Y = 7.61 + 554.5$
   $Y = 562.11$
   $Y = 562$ rentals per day

Chapter 6: Practice Problem #2 Answer (see Fig. A.17)

U.S. Airline On-time Percentage vs. Passenger Complaints (August, 2006)

Airline	On-time Percent	Complaints per 100,000 passengers
	X	Y
ALASKA	68.5	0.48
AMERICAN	75.3	1.31
ATLANTIC SOUTHEAST	58.1	0.76
CONTINENTAL	76.3	0.96
DELTA	76.0	1.33
FRONTIER	83.7	0.78
JETBLUE	75.9	0.60
NORTHWEST	77.1	0.95
SOUTHWEST	81.0	0.15
UNITED	76.3	1.48
US AIRWAYS	75.7	1.77
MESA AIRLINES	73.7	1.47
AMERICAN EAGLE	72.9	1.21
ATA	68.3	1.21
COMAIR	70.3	0.99
AIRTRAN	72.3	0.95
HAWAIIAN AIRLINES	95.7	0.36

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.26
R Square	0.068007685
Adjusted R Square	0.005874864
Standard Error	0.432401221
Observations	17

ANOVA

	df	SS	MS	F	Significance F
Regression	1	0.205	0.205	1.095	0.312
Residual	15	2.805	0.187		
Total	16	3.009			

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	2.084	1.055	1.976	0.067	-0.164	4.331	-0.164	4.331
X Variable 1	-0.015	0.014	-1.046	0.312	-0.044	0.015	-0.044	0.015

Fig. A.17   Answer to Chap. 6: Practice Problem #2

Chapter 6: Practice Problem #2 (continued)

1. $a = y\text{-intercept} = 2.084$
2. $b = \text{slope} = -0.015$ (note the minus sign as the slope is negative)
3. $Y = a + bX$
   $Y = 2.084 - 0.015X$
4. $Y = 2.084 - 0.015(80)$
   $Y = 2.084 - 1.200$
   $Y = 0.88$ complaints per $100,000$ passengers

Chapter 6: Practice Problem #3 Answer (see Fig. A.18)

No. of sales calls	No. of copiers sold			
25	40			
30	55			
18	30		correlation	0.95
22	35			
14	18			
18	23			
22	28			
24	38			
12	15			
13	16			
18	25			
22	28			
25	36			

RELATIONSHIP BETWEEN NO. OF SALES CALLS AND COPIERS SOLD

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.95
R Square	0.909940662
Adjusted R Square	0.901753449
Standard Error	3.500084158
Observations	13

ANOVA

	df	SS	MS	F	Significance F
Regression	1	1361.551	1361.551	111.142	4.35044E-07
Residual	11	134.756	12.251		
Total	12	1496.308			

	Coefficients	Standard Err	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	-10.82	3.970	-2.724	0.020	-19.555	-2.078	-19.555	-2.078
X Variable 1	2.01	0.190	10.542	0.000	1.587	2.425	1.587	2.425

Fig. A.18   Answer to Chap. 6: Practice Problem #3

Chapter 6: Practice Problem #3 (continued)

1. $r = .95$
2. $a = y\text{-intercept} = -10.82$
3. $b = \text{slope} = 2.01$
4. $Y = a + bX$
   $Y = -10.82 + 2.01X$
5. $Y = -10.82 + 2.01(25)$
   $Y = -10.82 + 50.25$
   $Y = 39.43$
   $Y = 39$ copiers sold per month

Chapter 7: Practice Problem #1 Answer (see Fig. A.19)

NFL Super Bowl Champions

SEASON	TEAM	Y VICTORIES	X_1 POINTS SCORED	X_2 POINTS ALLOWED
1988	San Francisco 49ers	10	369	294
1989	San Francisco 49ers	14	442	253
1990	NY Giants	13	335	211
1991	Washington Redskins	14	485	224
1992	Dallas Cowboys	13	409	243
1993	Dallas Cowboys	12	376	229
1994	San Francisco 49ers	13	505	296
1995	Dallas Cowboys	12	435	291
1996	Green Bay Packers	13	456	210
1997	Denver Broncos	12	472	287
1998	Denver Broncos	14	501	309
1999	St. Louis Rams	13	526	242
2000	Baltimore Ravens	12	333	165
2001	New England Patriots	11	371	272
2002	Tampa Bay Buccaneers	12	346	196
2003	New England Patriots	14	348	238

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.57
R Square	0.320
Adjusted R Square	0.215
Standard Error	1.017
Observations	16

ANOVA

	df	SS	MS	F	Significance F
Regression	2	6.312	3.156	3.053	0.082
Residual	13	13.438	1.034		
Total	15	19.750			

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	11.02	1.883	5.853	0.000	6.953	15.089	6.953	15.089
POINTS SCORED	0.01	0.005	2.415	0.031	0.001	0.021	0.001	0.021
POINTS ALLOWED	-0.01	0.007	-1.655	0.122	-0.028	0.004	-0.028	0.004

	VICTORIES	POINTS SCORED	POINTS ALLOWED
VICTORIES	1		
POINTS SCORED	0.42	1	
POINTS ALLOWED	-0.12	0.50	1

Fig. A.19 Answer to Chap. 7: Practice Problem #1

Chapter 7: Practice Problem #1 (continued)

1. Multiple correlation $= +.57$
2. y-intercept $= 11.02$
3. Points scored coefficient $= 0.01$
4. Points allowed coefficient $= -0.01$
5. $Y = a + b_1X_1 + b_2X_2$
   $Y = 11.02 + 0.01X_1 - 0.01X_2$
6. $Y = 11.02 + 0.01(526) - 0.01(242)$
   $Y = 11.02 + 5.26 - 2.42$
   $Y = 13.86$
   $Y = 14$ wins (note that the Rams actually won 13 games in 1999 when they won the Super Bowl)
7. 0.42
8. -0.12
9. 0.50
10. Points scored is a much better predictor of the number of wins because it has a correlation of $+.42$ with the number of wins, and points allowed is only correlated with the number of wins at $-.12$ (note that the plus or minus sign is ignored when you try to decide which predictor is the better predictor of the criterion; since .42 is greater than .12, points scored is the better predictor of these two predictors)
11. The two predictors combined predict the number of wins at $+.57$, and this is much better than the better single predictor's correlation of $+.42$ with the number of wins

Chapter 7: Practice Problem #2 Answer (see Fig. A.20)

Y	X₁	X₂	X₃
FROSH GPA	**HIGH SCHOOL GPA**	**SAT VERBAL**	**SAT MATH**
3.25	3.35	500	420
2.85	2.93	480	410
3.65	3.25	525	480
3.45	3.35	510	470
3.25	2.85	460	430
2.95	2.75	420	410
2.83	2.58	440	450
2.56	1.66	410	420
3.15	3.25	480	490
3.36	3.42	470	460

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.87
R Square	0.7694
Adjusted R Square	0.6406
Standard Error	0.1979
Observations	10

ANOVA

	df	SS	MS	F	Significance F
Regression	3	0.7457	0.2486	6.3475	0.0272
Residual	6	0.2349	0.0392		
Total	9	0.9806			

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	-0.739	1.0578	-0.6987	0.5109	-3.3273	1.8492	-3.3273	1.8492
HIGH SCHOOL GPA	0.307	0.3582	0.8569	0.4244	-0.5695	1.1833	-0.5695	1.1833
SAT VERBAL	0.004	0.0030	1.4259	0.2038	-0.0031	0.0117	-0.0031	0.0117
SAT MATH	0.002	0.0027	0.7637	0.4740	-0.0045	0.0086	-0.0045	0.0086

	FROSH GPA	HIGH SCHOOL GPA	SAT VERBAL	SAT MATH
FROSH GPA	1			
HIGH SCHOOL GPA	0.79	1		
SAT VERBAL	0.83	0.81	1	
SAT MATH	0.61	0.54	0.54	1

Fig. A.20 Answer to Chap. 7: Practice Problem #2

Chapter 7: Practice Problem #2 (continued)

1. Multiple correlation $= +.87$
2. y - intercept $= -0.739$
3. HIGH SCHOOL GPA $= 0.307$
4. SAT VERBAL $= 0.004$
5. SAT MATH $= 0.002$
6. $Y = a + b_1X_1 + b_2X_2 + b_3X_3$
   $Y = -0.739 + 0.307X_1 + 0.004X_2 + 0.002X_3$
7. $Y = -0.739 + 0.307(3.15) + 0.004(490) + 0.002(480)$
   $Y = -0.739 + 0.97 + 1.96 + 0.96$
   $Y = 3.15$
8. $+0.79$

9. +0.83
10. +0.61
11. +0.81
12. +0.54
13. +0.54
14. SAT VERBAL is the best predictor of FROSH GPA because it has a correlation of +.83 with FROSH GPA, and the other two predictors have a correlation that is smaller than 0.83 (0.79 and 0.61)
15. The three predictors combined predict FROSH GPA at +.87, and this is only slightly better than the best single predictor's correlation of +.83 with FROSH GPA

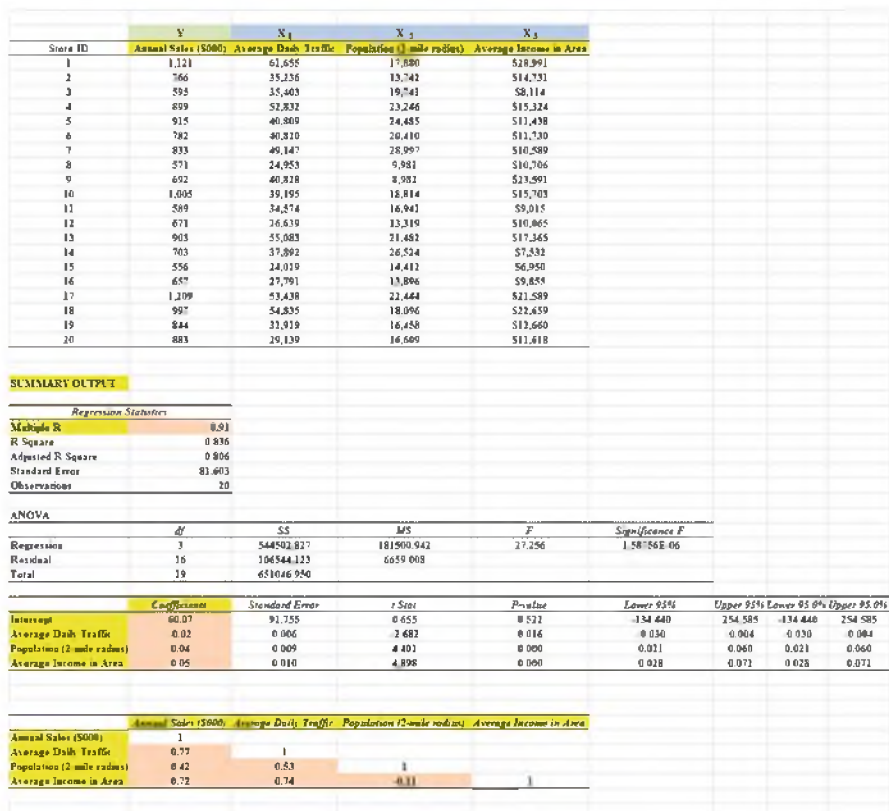*Chapter 7: Practice Problem #3 Answer (see Fig. A.21)*

	Y	X₁	X₂	X₃					
Store ID	Annual Sales ($000)	Average Daily Traffic	Population (3 mile radius)	Average Income in Area					
1	1,121	61,655	17,880	$28,991					
2	766	35,236	13,742	$14,731					
3	595	35,403	19,741	$8,114					
4	899	52,832	23,246	$15,324					
5	915	40,809	24,485	$11,438					
6	782	40,310	20,410	$11,730					
7	833	49,142	28,997	$10,589					
8	571	24,953	9,981	$10,706					
9	692	40,828	8,982	$23,591					
10	1,005	39,195	18,814	$15,703					
11	589	34,574	16,941	$9,015					
12	671	36,639	13,319	$10,865					
13	903	55,083	21,482	$17,365					
14	703	37,892	26,524	$7,832					
15	556	24,019	14,412	$6,950					
16	657	27,791	13,896	$9,855					
17	1,209	53,438	22,464	$21,589					
18	997	54,835	18,096	$22,659					
19	844	31,919	16,458	$12,660					
20	883	29,139	16,609	$11,618					

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.91
R Square	0.836
Adjusted R Square	0.806
Standard Error	81.603
Observations	20

ANOVA

	df	SS	MS	F	Significance F
Regression	3	544502.827	181500.942	27.256	1.58756E-06
Residual	16	106544.123	6659.008		
Total	19	651046.950			

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	60.07	91.755	0.655	0.522	-134.440	254.585	-134.440	254.585
Average Daily Traffic	0.02	0.006	2.682	0.016	0.004	0.030	0.004	0.030
Population (2 mile radius)	0.04	0.009	4.401	0.000	0.021	0.060	0.021	0.060
Average Income in Area	0.05	0.010	4.898	0.000	0.028	0.071	0.028	0.071

	Annual Sales ($000)	Average Daily Traffic	Population (2 mile radius)	Average Income in Area
Annual Sales ($000)	1			
Average Daily Traffic	0.77	1		
Population (2 mile radius)	0.42	0.53	1	
Average Income in Area	0.72	0.74	-0.11	1

Fig. A.21 Answer to Chap. 7: Practice Problem #3

Chapter 7: Practice Problem #3 (continued)

1. Multiple correlation $= +.91$
2. y - intercept $= 60.07$
3. Average Daily Traffic $= -0.02$
4. Population $= 0.04$
5. Average Income $= 0.05$
6. $Y = a + b_1X_1 + b_2X_2 + b_3X_3$
   $Y = 60.07 - 0.02X_1 + 0.04X_2 + 0.05X_3$
7. $Y = 60.07 - 0.02(42,000) + 0.04(23,000) + 0.05(22,000)$
   $Y = 60.07 - 840 + 920 + 1100$
   $Y = 1240.07$
   $Y = \$1,240,000$ or $\$1.24$ million
8. $+0.77$
9. $+0.42$
10. $+0.72$
11. $+0.53$
12. -0.11
13. Average Daily Traffic is the best predictor of Annual Sales because it has a correlation of +.77 with Annual Sales, and the other two predictors have a correlation that is smaller than 0.77 (0.72 and 0.42)
14. The three predictors combined predict Annual Sales at +.91, and this is much better than the best single predictor's correlation of +.77 with Annual Sales

Chapter 8: Practice Problem #1 Answer (see Fig. A.22)

Chapter 8: Practice Problem #1 Answer

TIRE MILEAGE TEST

(Data are in thousands of miles)

	Brand A	Brand B	Brand C
	62	61	65
	61	62	67
	62	63	71
	64	60	66
	61	64	65
		59	64
		62	
		63	
		62	
		63	

Anova: Single Factor

SUMMARY

Groups	Count	Sum	Average	Variance
Brand A	5	310	62.00	1.50
Brand B	10	619	61.90	2.32
Brand C	6	398	66.33	6.27

ANOVA

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	83.00	2	41.50	12.83	0.0003	3.55
Within Groups	58.23	18	3.24			
Total	141.24	20				

Brand A vs. Brand C

1/5 + 1/6	0.37
s.e. ANOVA	1.09
ANOVA t-test	-3.98

Fig. A.22   Answer to Chap. 8: Practice Problem #1

Chapter 8: Practice Problem #1 (continued)

1. Null hypothesis: $\mu_A = \mu_B = \mu_C$
   Research hypothesis: $\mu_A \neq \mu_B \neq \mu_C$
2. $MS_b = 41.50$
3. $MS_w = 3.24$
4. $F = 12.81$
5. Critical $F = 3.55$
6. Since the F-value of 12.81 is greater than the critical F value of 3.55, we reject the null hypothesis and accept the research hypothesis
7. There was a significant difference in the number of miles driven between the three brands of tires

BRAND A vs. BRAND C

8. Null hypothesis: $\mu_A = \mu_C$
   Research hypothesis: $\mu_A \neq \mu_C$
9. 62
10. 66.33
11. Degrees of freedom $= 21 - 3 = 18$
12. Critical $t = 2.101$
13. s.e. $_{ANOVA} = SQRT(MS_w \times \{1/5 + 1/6\}) = SQRT (3.24 \times \{0.20 + 0.167\})$
    $= SQRT(1.19) = 1.09$
14. ANOVA $t = (62 - 66.33) / 1.09 = -3.97$
15. Since the absolute value of -3.97 is greater than the critical t of 2.101, we reject the null hypothesis and accept the research hypothesis
16. Brand C was driven significantly more miles than Brand A (66,000 vs. 62,000)

BRAND A vs. BRAND B

17. Null hypothesis: $\mu_A = \mu_B$
    Research hypothesis: $\mu_A \neq \mu_B$
18. 62
19. 61.9
20. degrees of freedom $= 21 - 3 = 18$
21. critical $t = 2.101$
22. s.e.$_{ANOVA} = SQRT(MS_w \times \{1/5 + 1/10\}) = SQRT(3.24 \times \{0.20 + 0.10\})$
    $= SQRT(0.972) = 0.99$
23. ANOVA $t = (62 - 61.9) / 0.99 = 0.10$
24. Since the absolute value of 0.10 is less than the critical t of 2.101, we accept the null hypothesis
25. There was no difference in the number of miles driven between Brand A and Brand B

BRAND B vs. BRAND C

26. Null hypothesis: $\mu_B = \mu_C$
    Research hypothesis: $\mu_B \neq \mu_C$
27. 61.90
28. 66.33
29. Degrees of freedom $= 21 - 3 = 18$
30. Critical $t = 2.101$
31. s.e.$_{ANOVA}$ = SQRT(MS$_w$ × {1/10 + 1/6}) = SQRT(3.24 × {0.10 + 0.167})
    = SQRT(0.87) = 0.93
32. ANOVA $t = (61.90 - 66.33)/0.93 = -4.76$
33. Since the absolute value of -4.76 is greater than the critical t of 2.101, we reject the null hypothesis and accept the research hypothesis
34. Brand C was driven significantly more miles than Brand B (66,000 vs. 62,000)

SUMMARY

35. Brand C was driven significantly more miles than both Brand A and Brand B. There was no difference in the number of miles driven between Brand A and Brand B
36. Since our company's Brand A was driven significantly less miles than Brand C, we should never claim in our advertising for Brand A that we last more miles than Brand C. Since our Brand A and Brand B were driven the same number of miles, we should never claim that our tires last longer than Brand B

Chapter 8: Practice Problem #2 Answer (see Fig. A.23)

ANGUS BURGER TEST MARKET STUDY

1	2	3	4
Radio	Local TV	Billboards	Local newspaper
300	310	340	280
320	315	330	285
310	320	345	290
290	326	342	275
280	324	341	282
315	318	351	284
326	330	339	291
295	327	337	284
278	328	329	279
289	319	328	274
287	326	332	283
305	328	335	285

Anova: Single Factor

SUMMARY

Groups	Count	Sum	Average	Variance
Radio	12	3595	299.58	247.54
Local TV	12	3871	322.58	37.72
Billboards	12	4049	337.42	48.63
Local newspaper	12	3392	282.67	26.61

ANOVA

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	21172.40	3	7057.47	78.31	1.12354E-17	2.82
Within Groups	3965.42	44	90.12			
Total	25137.81	47				

Billboard ads vs. Radio ads

1/n Billboards + 1/n Radio	0.17
s.e of Billboard ads vs. Radio ads	3.88
ANOVA t-test	9.76

Fig. A.23 Answer to Chap. 8: Practice Problem #2

Chapter 8: Practice Problem #2 (continued)

1. Null hypothesis: $\mu_1 = \mu_2 = \mu_3 = \mu_4$
   Research hypothesis: $\mu_1 \neq \mu_2 \neq \mu_3 \neq \mu_4$
2. $MS_b = 7057.47$
3. $MS_w = 90.12$
4. $F = 78.31$
5. critical $F = 2.82$
6. Since the F-value of 78.31 is greater than the critical F value of 2.82, we reject the null hypothesis and accept the research hypothesis
7. There was a significant difference in the number of Angus burgers sold in the four types of advertising media
8. Null hypothesis: $\mu_3 = \mu_1$
   Research hypothesis: $\mu_3 \neq \mu_1$
9. 337.42
10. 299.58
11. Degrees of freedom $= 48 - 4 = 44$
12. Critical $t = 1.96$
13. s.e.$_{ANOVA}$ = SQRT(MS$_w$ × {1/12 + 1/12}) = SQRT (90.12 × {.083 + .083}) = SQRT(14.96) = 3.87
14. ANOVA $t = (337.42 - 299.58) / 3.87 = 9.78$
15. Since the absolute value of 9.78 is greater than the critical t of 1.96, we reject the null hypothesis and accept the research hypothesis
16. Billboard ads sold significantly more Angus Burgers than Radio ads (337 vs. 300)

Chapter 8: Practice Problem #3 Answer (see Fig. A.24)

ITEM #8:	"How believable is this commercial to you?"							
1	2	3	4	5	6	7	8	9
not very believable								very believable

Rating for Focus Groups 1, 2, 3 combined

	Television commercial			
	A	B	C	D
	2	3	5	6
	3	4	6	7
	5	5	7	4
	4	2	5	5
	5	6	8	3
	3	1	6	8
	6	4	7	2
	4	3	5	6
	3	7	4	7
	7	6	6	5
	2	5	3	8
	1	3	6	9
	3	4	8	5
	5	2	9	6
	6	3	5	7

Anova: Single Factor

SUMMARY

Groups	Count	Sum	Average	Variance
A	15	59	3.93	2.92
B	15	58	3.87	2.84
C	15	90	6.00	2.57
D	15	88	5.87	3.70

ANOVA

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	62.18	3	20.73	6.89	0.0005	2.77
Within Groups	168.40	56	3.01			
Total	230.58	59				

Commercial B vs. Commercial D

1/ 15 + 1/ 15	0.13
s.e. ANOVA	0.63
ANOVA t - test	-3.16

Fig. A.24 Answer to Chap. 8: Practice Problem #3

Chapter 8: Practice Problem #3 (continued)

1. Null hypothesis: $\mu_A = \mu_B = \mu_C = \mu_D$
   Research hypothesis: $\mu_A \neq \mu_B \neq \mu_C \neq \mu_D$
2. $MS_b = 20.73$
3. $MS_w = 3.01$
4. $F = 6.89$
5. Critical $F = 2.77$
6. Since the F-value of 6.89 is greater than the critical F value of 2.77, we reject the null hypothesis and accept the research hypothesis
7. There was a significant difference in the believability of the four television commercials
8. Null hypothesis: $\mu_B = \mu_D$
   Research hypothesis: $\mu_B \neq \mu_D$
9. 3.87
10. 5.87
11. Degrees of freedom $= 60 - 4 = 56$
12. Critical $t = 1.96$
13. s.e.$_{ANOVA}$ = SQRT($MS_w \times$ {1/15 + 1/15}) = SQRT (3.01 $\times$ {0.067 + 0.067}) = SQRT(0.40) = 0.64
14. ANOVA $t = (3.87 - 5.87) / 0.64 = -3.125$
15. Since the absolute value of -3.125 is greater than the critical t of 1.96, we reject the null hypothesis and accept the research hypothesis
16. Commercial D was significantly more believable than Commercial B (5.87 vs. 3.87)

Appendix B
Practice Test

Chapter 1: Practice Test

Suppose that you have been asked by the manager of the Webster Groves Subaru dealer in St. Louis to analyze the data from a recent survey of its customers. Subaru of America mails a "SERVICE EXPERIENCE SURVEY" to customers who have recently used the Service Department for their car. Let's try your Excel skills on Item #10e of this survey (see Fig. A.25).

Item #10e:	"Your overall rating of the quality of work performed on your vehicle."								
1	2	3	4	5	6	7	8	9	10
Unacceptable									Extraordinary

	Week of Nov. 16, 2010
	8
	5
	6
	5
	4
	8
	7
	7
	8
	6
	7
	5
	4
	8
	7
	5
	7
	5
	7
	6

Fig. A.25 Worksheet data for Chap. 1 practice test (practical example)

(a) Create an Excel table for these data, and then use Excel to the right of the table to find the sample size, mean, standard deviation, and standard error of the mean for these data. Label your answers, and round off the mean, standard deviation, and standard error of the mean to two decimal places.

(b) Save the file as: SUBARU8

Chapter 2: Practice Test

Suppose that you wanted to do a personal interview with a random sample of 12 of your company's 42 salespeople as part of a "company morale survey."

(a) Set up a spreadsheet of frame numbers for these salespeople with the heading: FRAME NUMBERS

(b) Then, create a separate column to the right of these frame numbers which duplicates these frame numbers with the title: Duplicate frame numbers.

(c) Then, create a separate column to the right of these duplicate frame numbers called RAND NO. and use the *=RAND()* function to assign random numbers to all of the frame numbers in the duplicate frame numbers column, and change this column format so that 3 decimal places appear for each random number.

(d) Sort the *duplicate frame numbers and random numbers* into a random order.

(e) Print the result so that the spreadsheet fits on one page.

(f) Circle on your printout the ID number of the first 12 salespeople that you would interview in your company morale survey.

(g) Save the file as: RAND15

Important note: Note that everyone who does this problem will generate a different random order of salesperson ID numbers since Excel assigns a different random number each time the RAND() command is used. For this reason, the answer to this problem given in this Excel Guide will have a completely different sequence of random numbers from the random sequence that you generate. This is normal and what is to be expected.

Chapter 3: Practice Test

Suppose that you have been asked to analyze the data from a flight on Southwest Airlines from St. Louis to Boston in 2010. Southwest sent an online customer satisfaction survey to a sample of its frequent fliers the day after the flight and asked them to rate their flight on a 10-point scale with $1 =$ extremely dissatisfied, and $10 =$ extremely satisfied. The data for Item #2c appear in Fig. A.26.

SOUTHWEST AIRLINES ONLINE SURVEY

Item #2c: "Please tell us your overall satisfaction with you gate area
            experience at the airport (gate agent service, facilities,
            boarding process, and departure time).

1	2	3	4	5	6	7	8	9	10
extremely dissatisfied									extremely satisfied

STL-BOS 1256 on 11/5/10

6
3
8
5
9
10
4
7
6
9
8
7
9
10
7
6
8

Fig. A.26   Worksheet data for Chap. 3 practice test (practical example)

(a) Create an Excel table for these data, and use Excel to the right of the table to find the sample size, mean, standard deviation, and standard error of the mean for these data. Label your answers, and round off the mean, standard deviation, and standard error of the mean to two decimal places in number format.

(b) By hand, write the null hypothesis and the research hypothesis on your printout.

(c) Use Excel's *TINV function* to find the 95% confidence interval about the mean for these data. Label your answers. Use two decimal places for the confidence interval figures in number format.

(d) On your printout, draw a diagram of this 95% confidence interval by hand, including the reference value.

(e) On your spreadsheet, enter the *result*.

(f) On your spreadsheet, enter the *conclusion in plain English*.

(g) Print the data and the results so that your spreadsheet fits on one page.

(h) Save the file as: south3

Chapter 4: Practice Test

Suppose that you have been asked by the American Marketing Association to analyze the data from the 2010 Summer Educators' conference in Boston. In order to check your Excel formulas, you have decided to analyze the data for one of these questions before you analyze the data for the entire survey, one item at a time. The conference used a five-point scale with $1 =$ Definitely Would Not, and $5 =$ Definitely Would. A random sample of the hypothetical data for this one item is given in Fig. A.27.

American Marketing Association				
2010 Summer Educators' Conference in Boston, MA				
Item #3: "How likely are you to recommend the Conference to a friend or colleague?"				
1	2	3	4	5
Definitely Would Not				Definitely Would
		Rating		
		4		
		5		
		3		
		4		
		2		
		5		
		4		
		5		
		3		
		5		
		4		
		5		
		3		
		2		
		1		
		4		
		5		
		4		
		5		
		3		
		5		
		5		

Fig. A.27 Worksheet data for Chap. 4 practice test (practical example)

(a) Write the null hypothesis and the research hypothesis on your spreadsheet.
(b) Create a spreadsheet for these data, and then use Excel to find the sample size, mean, standard deviation, and standard error of the mean to the right of the data set. Use number format (3 decimal places) for the mean, standard deviation, and standard error of the mean.
(c) Type the *critical t* from the *t*-table in Appendix E onto your spreadsheet, and label it.
(d) Use Excel to compute the *t*-test value for these data (use 3 decimal places) and label it on your spreadsheet.
(e) Type the *result* on your spreadsheet, and then type the *conclusion in plain English* on your spreadsheet.
(f) Save the file as: BOS2

Chapter 5: Practice Test

Massachusetts Mutual Financial Group (2010) placed a full-page color ad in *The Wall Street Journal* in which it used a male model hugging a 2-year old daughter. The ad had the headline and subheadline:

WHAT IS THE SIGN OF A GOOD DECISION?

It's knowing your life insurance can help provide income for retirement. And peace of mind until you get there.

Since the majority of the subscribers to *The Wall Street Journal* are men, an interesting research question would be the following:

Research question: "Does the gender of the model affect adult men's willingness to learn more about how life insurance can provide income for retirement?"

Suppose that you have shown two groups of adult males (ages 25–44) a mockup of an ad such that one group of males saw the ad with a male model, while the other group of males saw the same ad with a female model. (You randomly assigned these males to one of the two experimental groups.) The two groups were kept separate during the experiment and could not interact with one another.

At the end of a 1-hour discussion of the mockup ad, the respondents were asked the question given in Fig. A.28.
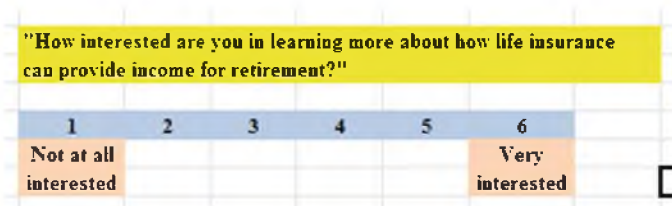

Fig. A.28 Survey item for a mockup ad (practical example)

The resulting data for this one item appear in Fig. *A.29*.

MASS MUTUAL FINANCIAL GROUP

Item:	"How interested are you in learning more about how life insurance can provide income for retirement?"				
1	2	3	4	5	6
Not at all interested					Very interested

Male model	Female model
3	4
2	6
4	5
5	3
1	4
6	6
2	6
4	5
3	3
5	5
2	4
4	3
3	5
5	4
1	6
2	5
3	5
1	6
4	4
5	6
6	3
2	4
3	6
1	5
4	6
3	4
5	4

Fig. A.29 Worksheet data for Chap. 5 practice test (practical example)

(a) Write the null hypothesis and the research hypothesis.
(b) Create an Excel table that summarizes these data.
(c) Use Excel to find the standard error of the difference of the means.
(d) Use Excel to perform a *two-group t-test*. What is the value of *t* that you obtain (use two decimal places)?
(e) On your spreadsheet, type the *critical value of t* using the *t*-table in Appendix E.
(f) Type the *result* of the test on your spreadsheet.
(g) Type your *conclusion in plain English* on your spreadsheet.
(h) Save the file as: lifeinsur3
(i) Print the final spreadsheet so that it fits on one page.

Chapter 6: Practice Test

Is there a relationship between on-time performance and the number of passenger complaints for US major airlines? An article from *The Wall Street Journal* (McCartney 2010) presented the data given in Fig. A.30.

How the Major Airlines Performed in 2009		
Airline	% On-time Arrivals	Passenger complaints per million passengers
Southwest	82.5	2.1
Alaska	82.4	5.5
United	80.5	13.4
US Airways	80.5	13.1
Delta	78.6	16.7
Continental	77.9	10.1
JetBlue	77.2	8.9
AirTran	76.0	9.9
American	75.7	10.8

Fig. A.30 Worksheet data for Chap. 6 practice test (practical example)

Create an Excel spreadsheet and enter the data using on-time arrivals as the independent variable (predictor) and the number of passenger complaints per million passengers as the dependent variable (criterion).

(a) Use Excel's *=correl* function to find the correlation between these two sets of scores, and round off the result to two decimal places.
(b) Create an *XY scatterplot* of these two sets of data below the table such that:
   • Top title: RELATIONSHIP BETWEEN ON-TIME % AND PASSENGER COMPLAINTS
   • *x*-axis title: % On-time Arrivals
   • *y*-axis title: Passenger Complaints per million passengers
   • Move the chart below the table.
   • Resize the chart so that it is 7 columns wide and 25 rows long.

- Delete the legend.
- Delete the gridlines.

(c) Create the *least squares regression line* for these data on the scatterplot.
(d) Use Excel to run the regression statistics to find the *equation for the least-squares regression line* for these data and display the results below the chart on your spreadsheet. Use number format (2 decimal places) for the correlation and for the coefficients.

Print *just the input data and the chart* so that this information fits on one page.
Then, print *just the regression output table* on a separate page so that it fits on that separate page in portrait format.
By hand:

(a) Circle and label the value of the *y-intercept* and the *slope* of the regression line onto that separate page.
(b) Write the regression equation by hand on your printout for these data (use two decimal places for the *y*-intercept and the slope).
(c) Circle and label the *correlation* between these two sets of scores in the regression analysis summary output table on your printout.
(d) Underneath the regression equation you wrote by hand on your printout, use the regression equation to predict the number of passenger complaints you would expect for an *on-time arrival of 80%*.
(e) *Read from the graph* the number of passenger complaints you would predict for an *on-time arrival rate of 76%* and write your answer in the space immediately below:
(f) Save the file as: ontime3

Chapter 7: Practice Test

The National Football League (2009) and ESPN (2009a, 2009b) record a large number of statistics about players, teams, and leagues on their Web sites. Suppose that you wanted to record the data for 2009 and create a multiple regression equation for predicting the number of wins during the regular season based on four predictors: (1) yards gained on offense, (2) points scored on offense, (3) yards allowed on defense, and (4) points allowed on defense. These data are given in Fig. A.31.

NATIONAL FOOTBALL LEAGUE (NFL)		2009 Regular Season			
Team		Offense		Defense	
	Games Won	Yards Gained	Points Scored	Yards allowed	Points allowed
Arizona	10	5510	375	5543	325
Atlanta	9	5447	363	5582	325
Baltimore	9	5619	391	4808	261
Buffalo	6	4382	258	5449	326
Carolina	8	5297	315	5053	308
Chicago	7	4965	327	5404	375
Cincinnati	10	4946	305	4822	291
Cleveland	5	4163	245	6229	375
Dallas	11	6390	361	5054	250
Denver	8	5463	326	5040	324
Detroit	2	4784	262	6274	494
Green Bay	11	6065	461	4551	297
Indianapolis	14	5809	416	5427	307
Jacksonville	7	5385	290	5637	380
Kansas City	4	4851	294	6211	424
Miami	7	5401	360	5589	390
Minnesota	12	6074	470	4888	312
New England	10	6357	427	5123	285
New Orleans	13	6461	510	5724	341
NY Giants	8	5856	402	5198	427
NY Jets	9	5136	348	4037	236
Oakland	5	4258	197	5791	379
Philadelphia	11	5726	429	5137	337
Pittsburgh	9	5941	368	4885	324
San Diego	13	5761	454	5230	320
San Francisco	8	4652	330	5222	281
Seattle	5	5069	280	5703	390
St. Louis	1	4470	175	5965	436
Tempa Bay	3	4600	244	5849	400
Tennesee	8	5623	354	5850	402
Washington	4	4998	266	5115	336
Houston	9	6129	388	5198	333

Fig. A.31 Worksheet data for Chap. 7 practice test (practical example)

(a) Create an Excel spreadsheet using Games Won as the criterion (Y), and the other variables as the four predictors of this criterion.

(b) Use Excel's *multiple regression* function to find the relationship between these variables and place it below the table.

(c) Use number format (2 decimal places) for the multiple correlation on the Summary Output, and use number format (three decimal places) for the coefficients in the Summary Output

(d) Print the table and regression results below the table so that they fit on one page.

(e) By hand, on this printout, *circle and label:*

    (1a) Multiple correlation R_{xy}

    (1b) Coefficients for the *y*-intercept, yards gained, points scored, yards allowed, and points allowed.

(f) Save this file as: NFL2009B

(g) Now, go back to your Excel file and create a correlation matrix for these five variables, and place it underneath the Summary Table. *Change each correlation to just two digits.* Save this file as: NFL2009C

(h) Now, print out *just this correlation matrix in portrait mode* on a separate sheet of paper.

Answer the following questions using your Excel printout:

1. What is the multiple correlation R_{xy}?
2. What is the *y*-intercept *a*?
3. What is the coefficient for Yards Gained b_1?
4. What is the coefficient for Points Scored b_2?
5. What is the coefficient for Yards Allowed b_3?
6. What is the coefficient for Points Allowed b_4?
7. What is the multiple regression equation?
8. Underneath this regression equation, by hand, predict the number of wins you would expect for 5,100 yards gained, 360 points scored, 5,400 yards allowed, and 330 points allowed.

Answer to the following questions using your Excel printout. Be sure to include the plus or minus sign for each correlation:

9. What is the correlation between Yards Gained and Games Won?
10. What is the correlation between Points Scored and Games Won?
11. What is the correlation between Yards Allowed and Games Won?
12. What is the correlation between Points Allowed and Games Won?
13. What is the correlation between Points Scored and Yards Gained?
14. What is the correlation between Points Allowed and Points Scored?
15. Discuss which of the four predictors is the best predictor of Games Won.
16. Explain in words how much better the four predictor variables combined predict Games Won than the best single predictor by itself.

Chapter 8: Practice Test

Suppose that you worked in R&D for Purina in St. Louis and you were asked to test four flavors of kitten food to see which flavor produces the largest amount of food eaten by kittens. Suppose, further, that the kittens have been matched by age, gender, and species, and randomly assigned to four groups. The resulting amount of food eaten by the kittens appears in the hypothetical data in Fig. A.32. You have been asked to determine if there was a significant difference in the amount of food eaten in these four groups.

FLAVORS OF NEW KITTEN FOOD			
A	**B**	**C**	**D**
12	23	29	38
14	20	27	33
18	17	30	40
11	23	35	34
19	20	33	34
10	28	34	37
17	25	32	43
19	22	35	38
23	28	40	45
16	25	38	39
24			39
15			42

Fig. A.32 Worksheet data for Chap. 8 practice test (practical example)

(a) Enter these data on an Excel spreadsheet.
(b) On your spreadsheet, write the null hypothesis and the research hypothesis for these data
(c) Perform a *one-way ANOVA test* on these data, and show the resulting ANOVA table *underneath* the input data for the four types of kitten food.
(d) If the F-value in the ANOVA table is significant, create an Excel formula to compute the ANOVA t-test comparing the amount of food eaten in Group B against the amount of food eaten in Group D, and show the results below the ANOVA table on the spreadsheet (put the standard error and the ANOVA t-test value on separate lines of your spreadsheet; use two decimal places for each value)
(e) Print out the resulting spreadsheet so that all of the information fits on one page
(f) On your printout, label by hand the MS between groups and the MS within groups.
(g) Circle and label the value for F on your printout for the ANOVA of the input data.
(h) Label by hand on the printout the mean for Group B and the mean for Group D that were produced by your ANOVA formulas.

Save the spreadsheet as: kitten2
On a separate sheet of paper, now do the following by hand:

(i) Find the critical value of F using the ANOVA Single Factor table that you created.
(j) Write a summary of the *results* of the ANOVA test for the input data.
(k) Write a summary of the *conclusion* of the ANOVA test in plain English for the input data.

(l) Write the null hypothesis and the research hypothesis comparing Group B versus Group D.

(m) Compute the degrees of freedom for the *ANOVA t-test* by hand for four flavors.

(n) Write the *critical value of t* for the ANOVA *t*-test using the table in Appendix E.

(o) Write a summary of the *result* of the ANOVA *t*-test.

(p) Write a summary of the *conclusion* of the ANOVA *t*-test in plain English.

References

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McCartney, S. An airline report card: fewer delays, hassles last year, but bumpy times may be ahead. *The Wall Street Journal* (2010 January 7), pp. D1, D3.

National Football League. Standings [2009 Regular Season by league]. Retrieved December 9, 2010 from http://www.nfl.com/standings?category=league&season=2009-REG&split=Overall

Appendix C
Answers to Practice Test

Practice Test Answer: Chapter 1 (see Fig. A.33)

Question #10e:	"Your overall rating of the quality of work performed on your vehicle."		
	Week of Nov. 16, 2010		
	8		
	5	n	20
	6		
	5		
	4	Mean	6.25
	8		
	7		
	7	STDEV	1.33
	8		
	6		
	7	s.e.	0.30
	5		
	4		
	8		
	7		
	5		
	7		
	5		
	7		
	6		

Fig. A.33 Practice test answer to Chap. 1 problem

Practice Test Answer: Chapter 2 (see Fig. A.34)

FRAME NUMBERS	Duplicate frame numbers	RAND NO.
1	8	0.871
2	22	0.309
3	31	0.658
4	42	0.443
5	4	0.489
6	29	0.370
7	3	0.064
8	21	0.440
9	37	0.026
10	17	0.922
11	34	0.980
12	25	0.930
13	10	0.138
14	41	0.504
15	30	0.884
16	36	0.789
17	13	0.243
18	15	0.250
19	20	0.343
20	14	0.958
21	9	0.779
22	12	0.147
23	38	0.253
24	26	0.476
25	1	0.865
26	5	0.170
27	35	0.410
28	28	0.325
29	24	0.216
30	32	0.439
31	27	0.138
32	19	0.168
33	6	0.326
34	39	0.373
35	2	0.454
36	18	0.777
37	7	0.631
38	11	0.448
39	16	0.412
40	40	0.391
41	33	0.471
42	23	0.865

Fig. A.34 Practice test answer to Chap. 2 problem

Practice Test Answer: Chapter 3 (see Fig. A.35)

SOUTHWEST AIRLINES ONLINE SURVEY

Item #2c:	"Please tell us your overall satisfaction with you gate area experience at the airport (gate agent service, facilities, boarding process, and departure time).

STL-BOS 1256 on 11/5/10	Null hypothesis:	μ = 5.5
6		
3	Research hypothesis:	μ ≠ 5.5
8		
5	n	17
9		
10		
4	Mean	7.18
7		
6		
9	STDEV	2.01
8		
7		
9	s.e.	0.49
10		
7		
6	95% confidence interval	
8		
	lower limit	6.14
	upper limit	8.21

Draw a diagram of the confidence interval

```
------------- 5.5 ------- 6.14 ------ --------------- 7.18 - ---------- ---- 8.21 ------------
              Ref.     lower              Mean                       upper
              Value    limit                                         limit
```

Result:	Since the reference value of 5.5 is outside of the confidence interval, we reject the null hypothesis and accept the research hypothesis.

Conclusion:	Frequent flier passengers on Southwest Airlines flight #1256 from St. Louis to Boston on 11/5/10 were significantly satisfied with their gate experience at the St. Louis airport

Fig. A.35 Practice test answer to Chap. 3 problem

Practice Test Answer: Chapter 4 (see Fig. A.36)

American Marketing Association

2010 Summer Educators' Conference in Boston, MA

Item #3: "How likely are you to recommend the Conference to a friend or colleague?"

Rating				
		Null hypothesis:	$\mu = 3$	
4				
5		Research hypothesis:	$\mu \neq 3$	
3				
4				
2		n	22	
5				
4				
5		Mean	3.909	
3				
5				
4		STDEV	1.192	
5				
3				
2		s.e.	0.254	
1				
4				
5		critical t	2.080	
4				
5				
3		t-test	3.578	
5				
5				

Result: Since the absolute value of 3.578 is greater than the critical t of 2.080, we reject the null hypothesis and accept the research hypothesis.

Conclusion: Attendees at the Summer 2010 Educators' Conference of the American Marketing Association in Boston were significantly likely to recommend the Conference to a friend or colleague.

Fig. A.36 Practice test answer to Chap. 4 problem

Practice Test Answer: Chapter 5 (see Fig. A.37)

MASS MUTUAL FINANCIAL GROUP						

Item:	"How interested are you in learning more about how
	life insurance can provide income for retirement?"

1	2	3	4	5	6
Not at all interested		3.30		4.70	Very interested

Male model	Female model		Group	n	Mean	STDEV
3	4		1 Male model	27	3.30	1.54
2	6		2 Female model	27	4.70	1.07
4	5		Null hypothesis:	μ_1 = μ_2		
5	3					
1	4		Research hypothesis:	$\mu_1 \neq \mu_2$		
6	6					
2	6		1/n1 + 1/n2		0.07	
4	5					
3	3					
5	5		(n1 - 1) x S1 squared		61.63	
2	4					
4	3					
3	5		(n2 - 1) x S2 squared		29.63	
5	4					
1	6					
2	5		n1 + n2 - 2 (degrees of freedom)		52	
3	5					
1	6					
4	4		s.e.		0.36	
5	6					
6	3					
2	4		critical t		1.96	
3	6					
1	5					
4	6		t-test		-3.90	
3	4					
5	4					

Result:	Since the absolute value of - 3.90 is greater than the critical t of 1.96, we reject the null hypothesis and accept the research hypothesis.

Conclusion:	Adult men (ages 25-44) were significantly more interested in learning more about how life insurance can provide income for retirement when a female model was used than when a male model was used in the ad (4.70 vs. 3.30)

Fig. A.37 Practice test answer to Chap. 5 problem
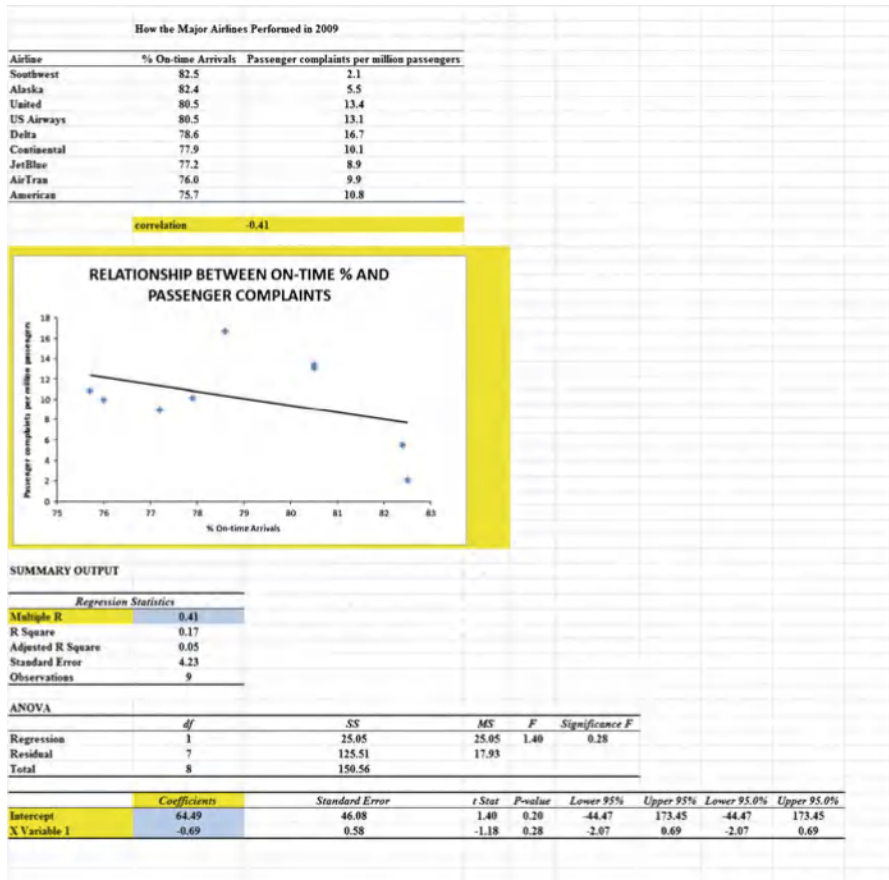
Practice Test Answer: Chapter 6 (see Fig. A.38)

Fig. A.38   Practice test answer to Chap. 6 problem

Practice Test Answer: Chapter 6: (continued)

(a) $a = y$ - intercept $= 64.49$
  $b = $ slope $= -0.69$ (note the minus sign as the slope is negative)
(b) $Y = a + bX$
  $Y = 64.49 - 0.69X$
(c) $r = $ correlation $= -0.41$ (note that the correlation is negative because the slope is negative!)
(d) $Y = 64.49 - 0.69(80)$
  $Y = 64.49 - 55.20$
  $Y = 9.29$ complaints per million passengers
(e) About 12 complaints per million passengers

Practice Test Answer: Chapter 7 (see Fig. A.39)

NATIONAL FOOTBALL LEAGUE (NFL)   2009 Regular Season

Team	Games Won	Offense		Defense	
		Yards Gained	Points Scored	Yards allowed	Points allowed
Arizona	10	5510	375	5543	325
Atlanta	9	5447	363	5582	325
Baltimore	9	5619	391	4808	261
Buffalo	6	4382	258	5449	326
Carolina	8	5297	315	5053	308
Chicago	7	4965	327	5404	375
Cincinnati	10	4946	305	4822	291
Cleveland	5	4163	245	6229	375
Dallas	11	6390	361	5054	250
Denver	8	5463	326	5040	324
Detroit	2	4784	262	6274	494
Green Bay	11	6065	461	4551	297
Indianapolis	14	5809	416	5427	307
Jacksonville	7	5385	290	5637	380
Kansas City	4	4851	294	6211	424
Miami	7	5401	360	5589	390
Minnesota	12	6074	470	4888	312
New England	10	6357	427	5123	285
New Orleans	13	6461	510	5724	341
NY Giants	8	5856	402	5198	427
NY Jets	9	5136	348	4037	236
Oakland	5	4258	197	5791	379
Philadelphia	11	5726	429	5137	337
Pittsburgh	9	5941	368	4885	324
San Diego	13	5761	454	5230	320
San Francisco	8	4652	330	5222	281
Seattle	5	5069	280	5703	390
St. Louis	1	4470	175	5965	436
Tampa Bay	3	4600	244	5849	400
Tennesee	8	5623	354	5850	402
Washington	4	4998	266	5115	336
Houston	9	6129	388	5198	333

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.94
R Square	0.8831
Adjusted R Square	0.8658
Standard Error	1.1807
Observations	32

ANOVA

	df	SS	MS	F	Significance F
Regression	4	284.3581	71.0895	50.9914	3.3639E-12
Residual	27	37.6419	1.3941		
Total	31	322.0000			

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	0.601	4.0020	0.1503	0.8817	-7.6100	8.8127	-7.6100	8.8127
Yards Gained	0.000	0.0007	0.0633	0.9500	-0.0014	0.0014	-0.0014	0.0014
Points Scored	0.030	0.0056	5.3058	0.0000	0.0181	0.0410	0.0181	0.0410
Yards allowed	0.001	0.0007	1.5543	0.1317	-0.0004	0.0026	-0.0004	0.0026
Points allowed	-0.026	0.0062	-4.2655	0.0002	-0.0389	-0.0136	-0.0389	-0.0136

	Games Won	Yards Gained	Points Scored	Yards allowed	Points allowed
Games Won	1				
Yards Gained	0.77	1			
Points Scored	0.88	0.87	1		
Yards allowed	-0.56	-0.45	-0.47	1	
Points allowed	-0.68	-0.41	-0.46	0.80	1

Fig. A.39 Practice test answer to Chap. 7 problem

Practice Test Answer: Chapter 7 (continued)

1. $R_{xy} = +0.94$
2. y-Intercept $= 0.601$
3. Yards Gained $= 0.000$
4. Points Scored $= 0.030$
5. Yards Allowed $= 0.001$
6. Points Allowed $= -0.026$
7. $Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4$
   $Y = 0.601 + 0.000X_1 + 0.030X_2 + 0.001X_3 - 0.026X_4$
8. $Y = 0.601 + 0.000(5100) + 0.030(360) + 0.001(5400) - 0.026(330)$
   $Y = 0.601 + 0.0 + 10.8 + 5.4 - 8.58$
   $Y = 8.22$
   $Y = 8$ Games Won
9. $+0.77$
10. $+0.88$
11. -0.56
12. -0.68
13. $+0.87$
14. -0.46
15. The best predictor of Games Won was Points Scored with a correlation of +0.88
16. The four predictors combined predict Games Won with a correlation of +0.94 which is much better than the best single predictor by itself

Practice Test Answer: Chapter 8 (see Fig. A.40)

FLAVORS OF NEW KITTEN FOOD					Null hypothesis:	$\mu_A = \mu_B = \mu_C = \mu_D$
A	B	C	D		Research hypothesis:	$\mu_A \neq \mu_B \neq \mu_C \neq \mu_D$
12	23	29	38			
14	20	27	33			
18	17	30	40			
11	23	35	34			
19	20	33	34			
10	28	34	37			
17	25	32	43			
19	22	35	38			
23	28	40	45			
16	25	38	39			
24			39			
15			42			

Anova: Single Factor

SUMMARY

Groups	Count	Sum	Average	Variance
A	12	198	16.50	19.55
B	10	231	23.10	12.54
C	10	333	33.30	16.01
D	12	462	38.50	13.73

ANOVA

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	3429.55	3	1143.18	73.40	2.58E-16	2.84
Within Groups	623.00	40	15.58			
Total	4052.55	43				

Group B vs. Group D

1/ n Group B + 1/n Group D	0.18
s.e. ANOVA	1.69
ANOVA t-test	-9.11

Fig. A.40 Practice test answer to Chap. 8 problem

Practice Test Answer: Chapter 8 (continued)

(f) $MS_b = 1143.18$ and $MS_w = 15.58$
(g) $F = 73.40$
(h) Mean Group B = 23.10, and Mean Group D = 38.50
(i) critical $F = 2.84$
(j) Results: Since 73.40 is greater than the critical F of 2.84, we reject the null hypothesis and accept the research hypothesis

(k) Conclusion: There was a significant difference in the amount of food eaten by the kittens in the four flavors of kitten food

(l) Null hypothesis : $\mu_B = \mu_D$
   Research hypothesis : $\mu_B \neq \mu_D$

(m) df $= n_{\text{TOTAL}} - k = 44 - 4 = 40$

(n) critical $t = 1.96$

(o) Result: Since the absolute value of -9.11 is greater than the critical t of 1.96, we reject the null hypothesis and accept the research hypothesis

(p) Conclusion: The kittens ate significantly more of Flavor D than Flavor B (38.50 vs. 23.10)

Appendix D
Statistical Formulas

Mean	$$\bar{X} = \frac{\sum X}{n}$$
Standard Deviation	$$\text{STDEV} = S = \sqrt{\frac{\sum (X - \bar{X})^2}{n-1}}$$
Standard error of the mean	$$\text{s.e.} = S_{\bar{X}} = \frac{S}{\sqrt{n}}$$
Confidence interval about the mean	$\bar{X} \pm t\, S_{\bar{X}}$ where $S_{\bar{X}} = \dfrac{S}{\sqrt{n}}$
One-group t-test	$$t = \frac{\bar{X} - \mu}{S_{\bar{X}}}$$ where $S_{\bar{X}} = \dfrac{S}{\sqrt{n}}$
Two-group t-test	
(a) When both groups have a sample size greater than 30	$$t = \frac{\bar{X}_1 - \bar{X}_2}{S_{\bar{X}_1 - \bar{X}_2}}$$ where $S_{\bar{X}_1 - \bar{X}_2} = \sqrt{\dfrac{S_1^2}{n_1} + \dfrac{S_2^2}{n_2}}$ and where $df = n_1 + n_2 - 2$
(b) When one or both groups have a sample size less than 30	$$t = \frac{\bar{X}_1 - \bar{X}_2}{S_{\bar{X}_1 - \bar{X}_2}}$$ where $S_{\bar{X}_1 - \bar{X}_2} = \sqrt{\dfrac{(n_1 - 1)S_1^2 + (n_2 - 1)S_2^2}{n_1 + n_2 - 2}\left(\dfrac{1}{n_1} + \dfrac{1}{n_2}\right)}$ and where $df = n_1 + n_2 - 2$
Correlation	$$r = \frac{\frac{1}{n-1}\sum (X - \bar{X})(Y - \bar{Y})}{S_x S_y}$$ where $S_x = $ standard deviation of X and where $S_y = $ standard deviation of Y

(continued)

(continued)

Simple linear regression	$Y = a + bX$
	where $a = y$-intercept and $b = $ slope of the line
Multiple regression equation	$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + $ etc.
	where $a = y$-intercept
One-way ANOVA F-test	$F = MS_b/MS_w$
ANOVA t-test	$ANOVA\ t = \dfrac{\bar{X}_1 - \bar{X}_2}{s.e._{ANOVA}}$
	where $\quad s.e._{ANOVA} = \sqrt{MS_w\left(\dfrac{1}{n_1} + \dfrac{1}{n_2}\right)}$
	and where $\quad df = n_{TOTAL} - k$
	where $\quad n_{TOTAL} = n_1 + n_2 + n_3 + $ etc.
	and where $k = $ the number of groups

Appendix E
t-Table

Critical *t*-values needed for rejection of the null hypothesis (see Fig. *A.41*)

sample size n	degrees of freedom df	critical t
10	9	2.262
11	10	2.228
12	11	2.201
13	12	2.179
14	13	2.160
15	14	2.145
16	15	2.131
17	16	2.120
18	17	2.110
19	18	2.101
20	19	2.093
21	20	2.086
22	21	2.080
23	22	2.074
24	23	2.069
25	24	2.064
26	25	2.060
27	26	2.056
28	27	2.052
29	28	2.048
30	29	2.045
31	30	2.042
32	31	2.040
33	32	2.037
34	33	2.035
35	34	2.032
36	35	2.030
37	36	2.028
38	37	2.026
39	38	2.024
40	39	2.023
infinity	infinity	1.960

Fig. A.41 Critical *t*-values needed for rejection of the null hypothesis

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