

SEARCH



RESOURCES



CONCEPTS

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individual also has seven additional features associated with them, which are provided in the `features` column of the `V7` dataset.

Optimization Strategy

Your task is to use the training data to understand what patterns in `V1-V7` indicate which customers should be provided to a user. Specifically, your goal is to maximize the following metrics:

- **Incremental Response Rate (IRR)**

IRR depicts how many more customers purchased the product with the promotion than those who didn't receive the promotion. Mathematically, it's the ratio of the number of purchases in the promotion group to the total number of customers in the purchasers group (*treatment*) minus the ratio of the number of purchases in the non-promotional group to the total number of customers in the non-promotional group (*control*).

$$IRR = \frac{purch_{treat}}{cust_{treat}} - \frac{purch_{ctrl}}{cust_{ctrl}}$$

- **Net Incremental Revenue (NIR)**

NIR depicts how much is made (or lost) by sending out the promotion. Mathematically, it's the total number of purchases that received the promotion minus 0.15 times the number of purchases sent out, minus 10 times the number of purchases who were not given the promotion.

$$NIR = (10 \cdot purch_{treat} - 0.15 \cdot cust_{treat}) - 10 \cdot purch_{ctrl}$$

For a full description of what Starbucks provides to candidates see the [instruction](#) document.

You can find the data in the workspace on the next page. Explore the data and develop your optimization strategies.

How To Test Your Strategy?

When you feel like you have an optimization strategy, complete the `promotion_strategy` function and pass it to the `test_results` function.

From past data, we know there are four possible outcomes:

Table of actual promotion vs. predicted promotion customers:

	Actual	
Predicted	Yes	No
Yes	I	II
No	III	IV

The metrics are only being compared for the individuals we predict should obtain the promotion, i.e., quadrants I and II. Since the first set of individuals that receive the promotion is chosen randomly, we can expect that quadrants I and II will have approximately equal numbers of participants.

Comparing quadrant I to II then gives an idea of how well your promotion strategy is performing.

See how each variable or combination of variables along with a promotion influence purchasing. When you feel like you have a strategy for who should receive a promotion, pass it to the `test_results` function.



Mentor Help

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