Whitepaper – Demo 1

Link to code repository: [btgrbo/GCP\_ML\_Demos (github.com)](https://github.com/btgrbo/GCP_ML_Demos)

1. Introduction

In the dynamic landscape of urban transportation, leveraging technology for competitive advantage is key. This whitepaper presents an innovative approach implementing an end-to-end TensorFlow pipeline on the Google Cloud Platform (GCP) to optimize taxi fare predictions in Chicago based on the [Chicago taxi trips dataset](https://www.kaggle.com/chicago/chicago-taxi-trips-bq). While the core of our project involves developing a Deep Neural Network (DNN) for fare prediction, the crux of this paper is the sophisticated MLOps framework that enables such machine learning endeavours.

Our system harnesses critical data points—pickup and drop-off coordinates, timestamps, and distance—to feed into a DNN model. However, the spotlight is on the orchestration of this process within GCP's ecosystem. We demonstrate how Vertex AI, Dataflow and other GCP services are leveraged not just for model training and evaluation, but more importantly, for creating a scalable, efficient, and robust MLOps pipeline.

The integration of our model into the operational workflow of a taxi company is envisioned to be a hallmark of adaptive pricing strategies. The model’s predictions inform a dynamic pricing engine, which is part of a broader, automated MLOps pipeline. This pipeline ensures real-time responsiveness to market conditions, enhancing the agility of pricing decisions. The seamless automation in model retraining, deployment, and monitoring exemplifies the power of a well-architected MLOps infrastructure.

In this whitepaper, we delve into the intricacies of building and managing this MLOps infrastructure in GCP. We aim to provide a blueprint for effectively using cloud-based tools and services to deploy machine learning models in a production environment. The ensuing sections will detail the MLOps architecture, the challenges we navigated, and the best practices we established, offering valuable insights for organizations aspiring to harness the potential of MLOps in operational optimization.

1. Business Goal: Optimizing Pricing Strategy Through Predictive Analytics

The primary business goal of our project is to revolutionize the way taxi fares are determined and optimized, harnessing the capabilities of machine learning within the robust framework of GCP's MLOps infrastructure. In an industry where pricing decisions can significantly impact both market competitiveness and profitability, our goal is to empower the taxi company with a data-driven, dynamic pricing model.

Enhancing Revenue Management: Central to our business objective is the enhancement of revenue management. The traditional approach to taxi fare calculation, often a fixed rate based on distance and time, does not account for fluctuating demand, traffic patterns, or other situational variables. Our solution aims to integrate these dynamic factors, enabling the company to adjust fares in real-time. This responsiveness to market conditions can lead to an increase in revenue, particularly during peak demand times or in high-demand zones.

Operational Efficiency and Scalability: Implementing an MLOps-based approach also addresses the goal of operational efficiency. Automating the model training, deployment, and monitoring processes reduces manual intervention, minimizes errors, and speeds up response times. Scalability is a key consideration; as the company grows and data volumes increase, the infrastructure is designed to scale seamlessly, ensuring that the fare prediction system remains robust and reliable.

Long-Term Strategic Vision: Finally, this project aligns with the company's long-term strategic vision of being a data-centric organization. By adopting advanced analytics and machine learning, the company is not just optimizing for the present but also building a foundation for future innovations in areas like personalized customer experiences, operational optimization, and expanded service offerings.

In conclusion, the business goal of this project extends beyond the technical accomplishment of developing a predictive model. It is about transforming the core pricing strategy of the taxi company, making it more adaptive, efficient, and forward-looking. This shift towards a more data-driven approach is expected to yield significant competitive advantages and set a new standard in the urban transportation industry.

1. Machine Learning Solution: Deep Neural Network for Enhanced Fare Prediction

At the heart of our project lies a sophisticated Deep Neural Network (DNN), designed to predict taxi fares with unprecedented accuracy and efficiency. This model represents a significant leap in our capability to process and interpret complex, multidimensional data. The model’s hyperparameter were determined by a hyperparameter tuning outlined in section Hyperparameter Tuning.

The model handles both continuous as well as categorical variables. Categorical variables include 'day\_of\_week', 'start\_month', 'start\_day', 'start\_hour', and 'start\_minute' while 'trip\_seconds', 'trip\_miles', 'pickup\_latitude', 'pickup\_longitude', 'dropoff\_latitude', and 'dropoff\_longitude' represent continuous variables. Both types of variables undergo preprocessing which is detailed in the section Preprocessing.

Our DNN consists of multiple layers, each designed to extract and process different levels of abstractions from the input data. The architecture includes input layers, several hidden layers with a configuration of [64, 32, 16] neurons each, and an output layer for regression output. Interspersed, we included dropout layers (20%) to reduce overfitting. Similarly, overfitting was reduced by including We employ the non-linear activation function ReLU (Rectified Linear Unit) in the hidden layers to introduce non-linearity into the model, enabling it to capture complex patterns in the data. The model uses the ADAM optimizer, known for its efficiency in handling sparse gradients and its adaptiveness in different problem settings. The loss function is tailored for regression, focusing on minimizing the error in fare prediction.

The DNN is trained on a substantial subset of the Chicago Taxi Driver dataset, ensuring a comprehensive learning process. We use a split of training and validation data (80%/20%) to fine-tune the model parameters and prevent overfitting. The model's performance is evaluated using the mean-squared-error metric, ensuring its predictions are as close to the actual fares as possible.

Once trained, the DNN model is integrated into the taxi company's pricing system, providing real-time fare predictions. This integration represents a significant enhancement over traditional fare calculation methods, offering a more responsive, data-driven approach to pricing.

Moving forward, we plan to continually refine the DNN model by incorporating more granular data, exploring advanced neural network architectures, and implementing continuous learning mechanisms to adapt to changing market dynamics.

In conclusion, the deployment of this DNN model marks a pivotal advancement in utilizing deep learning for practical, business-critical applications. It stands as a testament to the potential of AI in transforming industry practices, offering a glimpse into the future of intelligent transportation systems.

Data Exploration

We explored data in two steps. In the first step, data was loaded into a table in BigQuery (bt-int-ml-specialization.demo1.taxi\_trips). In BigQuery Studio, we then took advantage of the ‘SCHEMA’ tab to get an overview of the variables included in the dataset: unique\_key, taxi\_id, trip\_start\_timestamp, trip\_end\_timestamp, trip\_seconds, trip\_miles, pickup\_census\_tract, dropoff\_census\_tract, pickup\_community\_area, dropoff\_community\_area, fare, tips, tolls, extras, trip\_total, payment\_type, company, pickup\_latitude, pickup\_longitude, pickup\_location, dropoff\_latitude, dropoff\_longitude, dropoff\_location.

Since our business goal is to predict taxi fare prices in real-time, we chose the variable ‘fare’ as our target. While there are many more variables which collect information about the costs associated with a ride, i.e. tips, tolls, extras, and trip\_total, the variable ‘fare’ represents the main source of income and thus also the adjusting screw for our dynamic pricing adjustments.

We then eliminated variables from the dataset which do not serve our business goal o. These variables include:

* unique\_key: The unique identifier for the trip serves as primary key for the table but does not carry predictive information for the fare.
* taxi\_id: The taxi\_id is a unique identifier for the taxi. The taxi\_id might contain predictive information for the fare since a taxi\_id is tied to a specific company with a specific pricing strategy. A given taxi\_id will also be associated with a number of seats and a certain level of fuel consumption. Yet, this information is extremely sparse since the dataset contained approximately 10.000 different taxi\_ids. We thus did not use the taxi\_id as input to our model even though future, fine-tuned approaches might as well consider it.
* trip\_end\_time: Because we considered trip\_start\_timestamp and trip\_seconds, we argue that trip\_end\_time should not deliver additional value to our prediction.

Partners must describe the following:

● How and what type of data exploration was performed

● What decisions were influenced by data exploration

Evidence must include a description (in the whitepaper) of the tools used and the type(s) of data exploration performed, along with code snippets (that achieve the data exploration). Additionally, the whitepaper must describe how the data/model algorithm/architecture decisions were influenced by the data exploration.

Feature Engineering

Partners must describe the following:

● What feature engineering was performed

● What features were selected for use in the machine learning model and why

Evidence must include a description (in the whitepaper) of the feature engineering performed (and rationale for the same), what original and engineered features were selected for incorporation as independent predictors in the machine learning model, and why. Evidence must include code snippets detailing the feature engineering and feature selection steps.

Preprocessing and the data pipeline

The partner must describe the data preprocessing pipeline, and how this is accomplished via a package/function that is a callable API (that is ultimately accessed by the served, production model). Evidence must include a description (in the whitepaper) of how data preprocessing is accomplished using Dataflow, BigQuery and/or Dataproc, along with the code snippet that performs data preprocessing as a callable API.

The model handles both continuous as well as categorical variables. Categorical variables include 'day\_of\_week', 'start\_month', 'start\_day', 'start\_hour', and 'start\_minute'. These features undergo one-hot encoding to convert them into a format that the neural network can process, capturing the cyclical nature of time-based data. Continuous variables 'trip\_seconds', 'trip\_miles', 'pickup\_latitude', 'pickup\_longitude', 'dropoff\_latitude', and 'dropoff\_longitude' were cleaned from outliers and standardized to ensure consistent scale. This step is crucial for the DNN to effectively weigh these features during training.

Machine learning model design and selection

Partners must describe the following:

● Which machine learning model/algorithm(s) were chosen for demo #1

● What criteria were used for machine learning model selection

Evidence must describe (in the whitepaper) selection criteria implemented, and the specific machine learning model algorithms that were selected for training and evaluation purposes. Code snippets detailing the model design and selection steps must be enumerated.

Machine learning model training and development

Partners must document the use of Vertex AI or Kubeflow for machine learning model training, and describe the following:

* Dataset sampling used for model training (and for independent dev/test datasets) and justification of sampling methods
* Implementation of model training, including adherence to Google Cloud best practices for distribution, device usage, and monitoring
* The model evaluation metric that is implemented, and a discussion of why the implemented metric is optimal given the business question/goal being addressed
* Hyperparameter tuning and model performance optimization
* How bias/variance were determined (from the train-dev datasets) and tradeoffs used to influence and optimize machine learning model architecture

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Partners must provide documentation of where the data of demo #1 is stored within Google Cloud (for access by the machine learning models during training, testing, and in production). Evidence must include the project name and project ID for the Google Cloud Storage bucket or BigQuery dataset with the data (for demo #1).