IDENTIFYING THE VIPS AT ETOTS

In this exercise, you will be asked to "identify" the VIP customers in the test set of 30,000 customers. Data for the test set of customers are found in the "VIP Exercise Decision Set" file (UVA-M-0649X2). Remember that the customers in the test set are identical to the customers in the training set (UVA-M-0649X1) in almost every way. The test group contains 10,000 customers who purchased during Holiday 2000 and 20,000 who did not. The test set and training set are split samples of an original set of 60,000 customers.

We know the Holiday 2000 purchase results for the new group of customers but have *not* included them in the file "VIP Exercise Decision Set" (UVA-M-0649X2). The two held-out variables (Holiday 2000 repeat and Holiday 2000 MVA) are found in the faculty spreadsheet file "VIP Exercise Secret Answers" (UVA-M-0649TNX), which your instructors will use to evaluate and score your team's performance on this exercise.

You must decide which of the 30,000 customers in the test group to designate for VIP treatment. You will submit your decisions in an Excel file containing two columns. The first column should contain the 30,000 customer IDs. The second column should contain a 0/1 variable, where 1 represents VIP treatment and 0 represents regular treatment.

For the purposes of this exercise,[1] your decisions will be scored as follows:

You will be charged $3.25 for each VIP treatment.

You will receive a contribution of $0.2 \times \text{MVA} - \$20$ from each VIP-treated customer who made a purchase during Holiday 2000, where MVA is the actual Monetary Value Amount the customer purchased during Holiday 2000.

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[1] The economic parameters have been carefully chosen to make this an interesting exercise. It may help to think of the 0.2 as the product of a 50% increase in spending due to the VIP designation and a 40% margin. The $20 can be thought of as the incremental cost of the VIP treatment given to a responding customer, and the $3.25 is the cost associated with communicating the VIP status to each customer so designated. Please note, however, that the economics used in this exercise are not a perfect representation of the actual eTOTS situation.

The following table summarizes the scores your group will receive for each individual in the test set.

Table 1. Group scores for individuals in the test set.

	Holiday 2000 purchaser	Not a Holiday 2000 purchaser
VIP treatment	$0.2 \times \text{MVA} - \$23.25$	$-\$3.25$
Regular treatment	$0	$0

Your score for this exercise will be your total score for all 30,000 customers in the test set minus any extra fees your team may have paid for software or consulting.