

Congratulations! You passed!

TO PASS 80% or higher

Keep Learning

GRADE
100%

The Prediction effect: A little prediction goes a long way

TOTAL POINTS 2

1. "A skunk with bling" is a funny way to think about predictive analytics, but in what way is it actually somewhat descriptive of this technology? 1 / 1 point

- ☐ An overcomplicated, clunky model (the "bling") is often less desirable (it "stinks") than a simple, lightweight model.
- ☒ A model that performs only slightly better than guessing (it "stinks") can still provide drastic improvements to the bottom line (the "bling").
- ☐ A flashy model (the "bling") may damage your reputation in the long run (it "stinks").

 Correct

2. *Back of the envelope calculation:* 1 / 1 point

You work at an up and coming shoe manufacturer that is doing online advertising to a group of 500,000 potential customers. Assume, through a certain channel, the charge is \$0.05 per view, and that each customer will only see your ad once. 100% of the 500,000 potential customers view the ad; only 1% of them click on the ad. Of those that click, some buy and some do not, giving us an average profit of \$25 per click.

Without machine learning, if we just go ahead and indiscriminately advertise to everyone in the group, we'll earn a bottom line profit of:

- ☐ \$0
- ☐ \$98,750
- ☒ \$100,000

☐ -\$25,000



Correct

The amount earned is \$25 for each of those who click. 1% of 500k click, which is 5,000 clicks. $\$25 * 5,000 = \$125,000$. The amount spent is 5 cents each for 500k, which comes to \$25,000. So earned - spent = \$100,000.