

## Small Exercise

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## Data Processing

The first thing I did was to convert the csv data into a sqlite database, which is easier to handle. This was done in python simply by reading the csv file and adding each row into the newly created *events* table that I had previously created. Furthermore, I decided to add an index for each *uid* in order to be able to perform user based searches faster.

### Question 1

*Calculate the average number of song/minigame\_plays before a user subscribes.*

**3.55 or 4.33 according to whether users who create an account without playing songs or minigames are included.**

In order to obtain this result I needed a subscription time stamp for each user that subscribed. This was easily done with an SQL query:

Code Example 1: Generate subscription table

```
CREATE TABLE subscribed AS
SELECT uid, date
FROM events
WHERE event = 'subscribed '
```

This allows me to have a time stamp to be used in order to check which uid events took place before the user subscribed. The next step therefore was to return the number of pre-subscription events.

Code Example 2: Return pre-sub events

```
SELECT COUNT(*)
FROM subscribed
LEFT JOIN events
USING (uid)
WHERE events.date < subscribed.date
AND event in ('minigame-played', 'song-played ')
```

The script returns 2146 events, which divided by the number of subscriptions (605) gives me **3.55** songs or minigames on average before subscription.

A more elegant and direct way to solve the issue is to use SQL directly. This can be achieved by counting the events for each uid and then averaging.

Code Example 3: Return SQL average

```
SELECT AVG(cnt)
FROM (
SELECT count(*) AS cnt
FROM subscribed
LEFT JOIN events USING (uid)
WHERE (events.date < subscribed.date)
AND event in ('minigame-played', 'song-played ')
GROUP BY (uid)
)
```

The result, for this implementation is different: **4.33**. This is because in this way of formulating the query the users who subscribed directly without first playing songs or games are not counted in the statistics. In order to obtain the same result as before however, one can use a simple trick to force the LEFT JOIN to return at least one event: the subscription event, which can later be discarded.

Code Example 4: Return SQL average - Fixed

```
SELECT AVG(cnt)
FROM (
  SELECT count(*) -1 AS cnt
  FROM subscribed
  LEFT JOIN events USING (uid)
  WHERE (events.date <= subscribed.date)
  AND event in ('minigame_played', 'song_played', 'subscribed')
  GROUP BY (uid) )
```

This method returns again an average of **3.55**.

## Question 2

*Does the group B have a better conversion rate between account created and the first song played than the control group?*

**No. Group B has a slightly higher conversion rate, but it is statistically not significant.**

In order to answer this question I started by doing a similar job as in code example 2, thus creating a table that stores the time stamp for the account creation. This allows me to check for individual uid activity after account creation. Similarly again, the SQL search is very similar to the the previous question, where in this case I filter for *song-played* events after the account creation.

Code Example 5: Return conversion rates

```
SELECT COUNT(DISTINCT(uid))
FROM account
LEFT JOIN events USING (uid)
WHERE events.date > account.date
AND event = 'song_played'
AND groupName = a/b
```

The query returns 326 and 330 for groups a and b respectively. Both groups have 333 users, thus giving us a very high conversion rate for both groups:

- Group A conversion rate:  $p_a = 0.97898$
- Group B conversion rate:  $p_b = 0.99099$

While the numbers are similar, suggesting no significant difference between the two groups, one needs to take into account the sample size and perform further statistical test.

In this case we want to test the null hypothesis  $p_a = p_b$  which means that both samples are taken from the same binomial distribution having identical success rate.

From there we can check the null hypothesis by performing a  $z$  test

$$z = \frac{p_a - p_b}{\sqrt{p(1-p)(\frac{1}{n_a} + \frac{1}{n_b})}} \quad (1)$$

where  $n_a = n_b = 333$  is the sample size for each group and  $p = n_a p_a + n_b p_b / (n_a + n_b)$  is the weighed average of the two rates, which in this case is just the arithmetica mean since the two sample groups are identical in size:  $p = (0.97898 + 0.99099)/2 = 0.9849445$ . The tests returns a  $z$  score of 1.27, which gives us a  $\approx 20\%$  probability for the two results to be a product of the same distribution. While this value is low, it's usually not considered low enough to reach a definite conclusion. A  $z$  score of 1.96 would give a 5% probability, which is often considered a reliable indicator. In this case the problem seems to lie in the high conversion rate of the control group, which requires group b to be pretty much "perfect" in its conversion rate. Given the sample available, 332 out of 333 users would have had to play a song after account creation in order to suggest a statistical outperformance of group B.

Another way to tackle the problem is to take the control group as a reference point to see whether its statistical properties would be able to justify the performance of group B. This can be simply done with a binomial test, as shown in code example 6. In this case, the probability of obtaining 330 successes with the conversion rate of control is also  $\approx 20\%$ , once again, coherently with what discussed before.

Code Example 6: Binomial Test

```
scipy.stats.binom_test(330,n=333,p = 326/333.)
0.17582542997318404
```

### Question 3

*In your opinion, is the experiment of the group C bringing more money to the company? Please explain why.*

**Yes. More than 60% of the subscribed users in both groups are likely to remain subscribed indefinitely, allowing the higher weekly cost of group C to counterbalance the higher short-term unsubscrip-  
tion costs of group B.**

An initial analysis can be done in a way similar to Question 2 in terms of whether the groups are performing differently in regard to subscription and unsubscription rates. Table 1 shows the numbers of subscribed and unsubscribed users for each group, along with their rates (the unsubscription rates are based on the number of subscribed users, of course).

Table 1: Subscriptions and Unsubscriptions for Groups B and C

Group	Subscribed		Unsubscribed	
B	199	59.76%	73	36.68%
C	205	61.56%	76	37.07%

With these numbers we can check whether the subscription rates are statistically significantly different.

The z-score for the hypothesis that the two subscription distributions are different is 0.475, implying that there is no significant statistical evidence for one group being more likely to have subscriptions over the other. The same result applies to the unsubscription rate, which has a z score of 0.145, also revealing no statistical difference.

We can therefore conclude, on a first level of analysis, that the two groups do not show to perform differently in terms of subscription rates and unsubscription rates. If this pattern is confirmed, the difference in revenue for each group ultimately depends on how long the users remain subscribed. In fact, group C has a higher price on a weekly basis, which is however counterbalanced by the fact that an early unsubscription during the week will be less profitable compared to the unsubscriptions for group B. For each week of subscription, group C generates 5,6€ vs 5€ from group B. If we assume that there is no preferred day of unsubscription in the 7 days interval, group B will give a 1.8€ average revenue per user due to the asymmetry in the payments. Given also the 0.6€ weekly extra revenue for group C, we can therefore conclude that if the similarity in subscription and unsubscription rates is confirmed, the daily payment type becomes more profitable only starting from the beginning of the fourth week. The question we have is thus the following: *Do users reach week 4 on average in the two groups?*

This problem is linked to the known problem of *survival analysis*, which aims at estimating "death times" where deaths represent the withdrawal of members from a certain group, in this case from the subscribed group. In our scenario, we are also facing the issue of censorship, i.e. the presence of users whose death might be not observed yet. In Fig.1 we can see practically what that means: while the red lines show a birth (subscription) and a death (unsubscription), the blue lines do have a birth but are still missing a death time.

The function that gives the probability of an user to survive time T is called survival function and it can be estimated with a non-parametric statistic called the Kaplan-Meier estimator, which is defined as:

$$\hat{S}(T) = \prod_{i:t_i < T} \left(1 - \frac{d_i}{n_i}\right) \quad (2)$$

What the estimator does is calculate the probability of survival by multiplying the death probability at each interval, which is calculated using the number of deaths  $n_i$  over the alive population  $d_i$ . The important aspect of this estimator

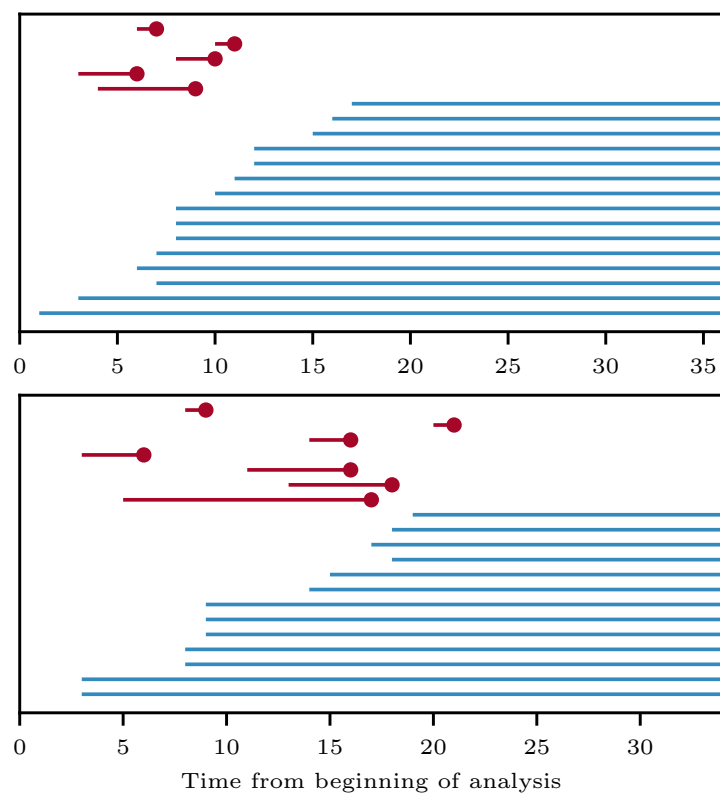


Figure 1: Example of lifetimes for 40 randomly selected users from group B (top) and group C (bottom).

is that at the same time it does not require information on the actual functional form of the survival function and it also allows to approximate its variance. A similarly related concept is the hazard function, which measures the instantaneous failure rate for a single user:  $\lambda(t) = \frac{-S'(t)}{S(t)}$ . This in turn allows to calculate the Nelson-Aalen estimator, which estimates the cumulative function of  $\lambda(t)$ , that is the sum of all the risk of failure that users have experienced until time T:

$$\hat{\Lambda}(T) = \prod_{i:t_i < T} \frac{d_i}{n_i} \quad (3)$$

Fig.2 shows the fitting of both estimators, along with the errors. Both estimators shows that, for both groups, the curves stabilize after 10/15 days at similar values. The estimators are telling us that the users either unsubscribe within a limited period of time (roughly 10 days) or else are likely to keep their subscription indefinitely. Statistically speaking, the absence of deaths in the  $t \in [11, 36]$  range is a strong indicator that users are extremely unlikely to randomly unsubscribe after the first 10 day period. In the code example 7 we can also see the result of a statistical test that compares the survival curves of the two groups, showing that there is no statistical difference between the groups.

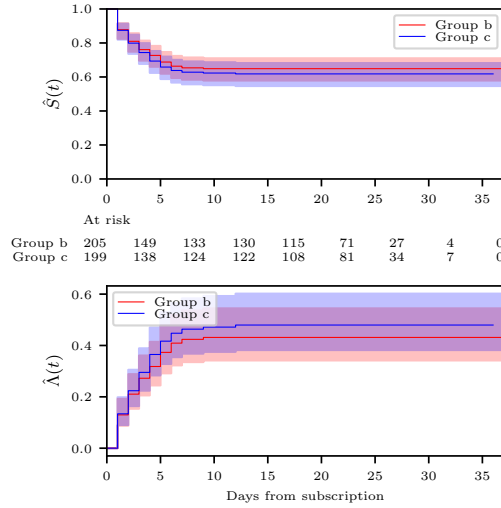


Figure 2: Survival function (top) and cumulative hazard function (bottom).

#### Code Example 7: LogRank test

```
results = logrank_test(b_life , c_life , b_events , c_events , alpha=.99)
results.print_summary()

Results
df: 1
alpha: 0.99
t 0: -1
```

test: logrank			
null distribution: chi squared			
p-value	test statistic	test result	is significant
0.53285	0.389	Cannot Reject Null	False

To summarize we have seen that:

- There is no statistical difference between the subscription and unsubscription rates in the two groups
- The profitability of one group over the other depends on how long the users remain within the system
- The critical time in which group C statistically is more profitable than group B is of 3 weeks
- Users most likely either unsubscribe in the first 10 days or else will remain subscribed indefinitely

We can thus conclude that, since the payment option of group C does not influence the subscription/unsubscription dynamics, its higher weekly cost will eventually make it more profitable.