# Introduction to Online Experimentation and A/B Testing

Data Science Dojo



# Agenda

#### Introduction

- What is A/B testing?
- Some interesting A/B tests

#### Fundamentals

- Steps in Experimentation
- Hypothesis testing and related ideas
- Metrics for A/B testing
- Focus on intuitive understanding than specific distributions, formulas and tests

#### Common pitfalls

Depth of discussion will depend upon audience engagement and time



# Introduction

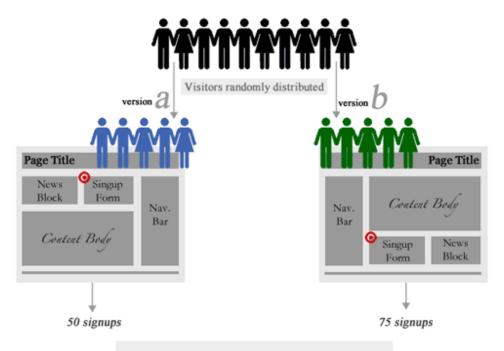


# In God we trust. All others bring data.

W. E. Deming



# What is A/B Testing?



Version B is better than version A

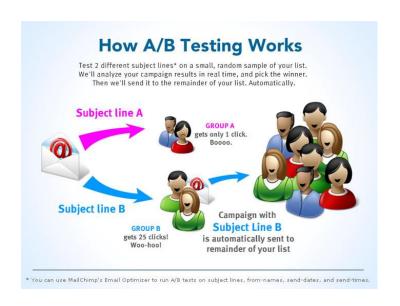


# Obama 2012 Campaign





# A/B Testing On Newsletters And Email



## Run tests on many things:

- Subject lines
- From names
- Send dates
- > **Send** time



# Obama 2012 Campaign

#### **Maximize Sign-Ups And Donations**

















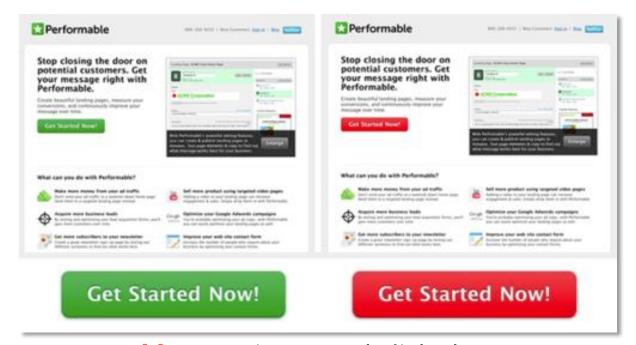




**Source:** http://www.nathanielward.net/2011/06/see-ab-testing-in-action-on-barack-obamas-reelection-website/



# **Testing Call-to-Action Button**



**Red button** increased clicks by 21%



# **Testing Navigation Bar**





**'How It Works'** increased clicks by 47.7%



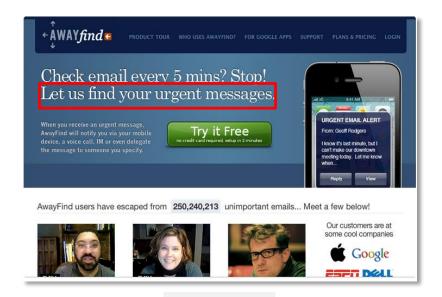
# Jocelyn or Michael?

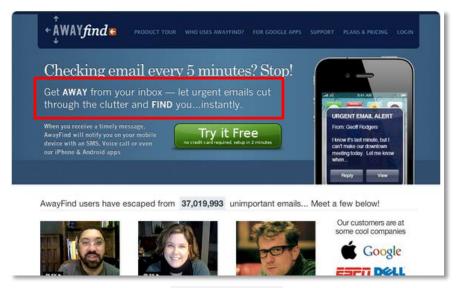


Michael increased conversions by 21%



# AwayFind - Mobile notifications for priority messages





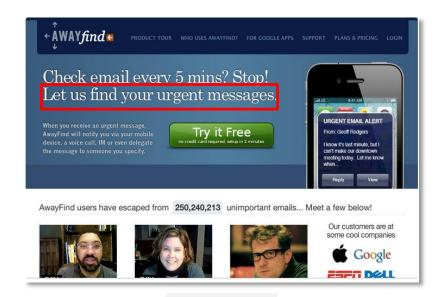
**Version A** 

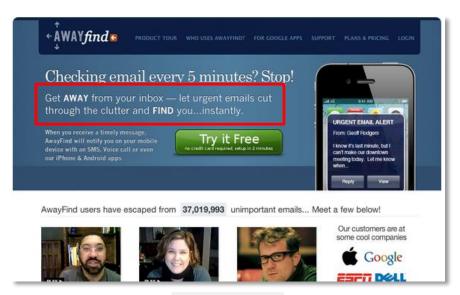
**Version B** 

Which version increased sign-ups by 38%?



# AwayFind - Mobile notifications for priority messages





Version A

**Version B** 

Version B!

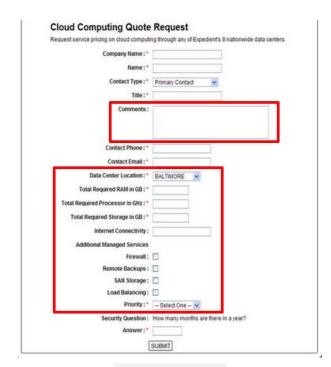
A longer yet clearer message is more effective.



## **Online Form**

ommercial, education and	government entities. We are com enter services. As a managed da	ion, network and managed services to enterprises, nmitted to providing our clients with reliable, secure an ta services provider, we can offer your company high
ill out the form below and	get data center pricing today.	
Company Name: * Name: * Phone: * Contact Email: *		Est 10 tipe 8
Services ; *  Services ; *  Desired Dafa Center ;	Cloud Computing 3 Virtual Colocation 3 Virtual Colocation 3 Virtual On Demand 3 Virtual Instance 3 Managed Backup 3 Managed Sanv 3 Internet Connectivity 3 Other	PCI
Comments:	Get a Quote	

Version	Α



**Version B** 

Which Radically Redesigned Form Increased B2B Leads By 368.5%?



# **Online Form**

mmercial, education and	government entities. We are enter services. As a manage	committed to providing	ianaged services to enterprises, g our clients with reliable, secure a ir, we can offer your company high
Il out the form below and (	get data center pricing today.		
Company Name:			(IIII)
Name:			E 10
Phone:		Ext	Type
Contact Email:			Times of
Sen/ces:*	Colocation		PCi
Desired Data Center : Comments :	Select v		
Security Question: Answer:	How many months are then	e in a year?	J

Company Name : *		
Name:*		
Contact Type:	Primary Contact	
Tide:		
Comments :		
Contact Phone:		
Contact Email:		
Data Center Location: *	BALTIMORE ¥	
Total Required RAM in GB:		
Total Required Processor in GHz:		
Total Required Storage in GB:		
Internet Connectivity:		
Additional Managed Services		
Firewall:		
Remote Backups :	70.	
SAN Storage:		
Load Balancing : Priority : *	- Select One - 💌	
Security Question :	How many months are there in a year?	

**Version A** 

Version A!
Better be to the point

**Version B** 



### **WIKIJOB**





**Testimonials** 

**Version A** 

**Version B** 

Version B has **testimonials**, does it work?



### **WIKIJOB**





**Testimonials** 

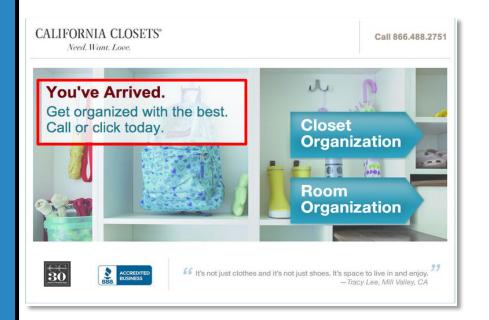
**Version A** 

**Version B** 

Yes, testimonials increased sales by 34%



### **CALIFORNIA CLOSET**





**Version A** 

**Version B** 



### **CALIFORNIA CLOSET**





**Version A** 

**Version B** 

Version A increased leads by 115%.

This is why you should test...!



# **Fundamentals**



# Why We Use A/B Testing

#### **Statement**

- Users are complex and our intuition is often wrong
- Rolling out a feature to all the users at the same time is risky

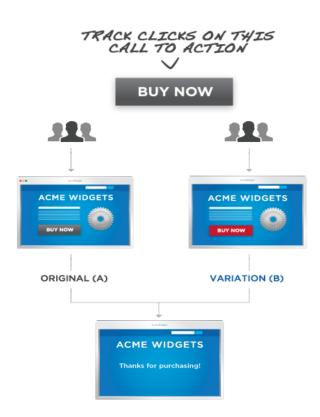
### A/B testing purpose

- Know what the users want subconsciously or otherwise.
- Helps to fail fast and move on

Impact is always expected to be positive, but outcome is often humbling



# A/B Testing vs. Multivariate Testing







# A/B Testing vs Multivariate Testing

	A/B Testing	Multivariate Testing
Common use	Compare two very different designs with each other	<ul> <li>Several minor variations are up for debate:</li> <li>Two colors of button with three different headlines</li> <li>Also called full factorial testing</li> </ul>
Advantages	<ul><li>Simple in design</li><li>Small sample size may be ok</li></ul>	A lot of different combinations tried at once.
Limitations	Trying only one alternative	<ul> <li>Bigger sample size</li> <li>Complex</li> <li>Need better understanding of interactions</li> </ul>



# **Terminology**



### **Control and Treatment**

#### **Control**

Default experience, the way things are now.

**Example:** Current look and feel of your 'Buy Now' button



#### **Treatment**

The change we want to make.

**Example:** Change the button from green to blue



#### Illustration





### **Factor and Level**

### **Factor**

> The item we want change

### Level

> The variations of factor





# Metrics Used For A/B Testing

### > Search engines

Queries/UU, Session length, Sessions/UU, Page views, Bounce rate

#### > Online Retailers

Conversion rate, revenue/UU, Avg Cart Value and so on

#### > Other websites

CTR, signup for newsletter

**Each business is different** 



# **Brainstorming**



## **OEC: Overall evaluation Criteria**

- Summarizes the primary indicator of success
- May be one of the metrics or a combination of metrics



# **Null vs Alternate Hypothesis**

- Null Hypothesis (H<sub>o</sub>):
  - Control and treatment are similar (in terms of the parameter we are estimating)
- Alternate Hypothesis (H<sub>a</sub>):
  - Treatment is different from control



# **Null vs Alternate Hypothesis**



- Null Hypothesis (H<sub>o</sub>): Green and blue buttons have the same CTR
- Alternate Hypothesis (H<sub>a</sub>): CTRs for both buttons are different



# Type I and Type II Error

## Type I Error

The probability of falsely accepting null hypothesis

### Type II Error

The probability of **falsely** rejecting null hypothesis

#### **Ground Truth**

	Ground math		
	Ho is true.	Ho is false.	
Reject Ho.	Type I error	Correct decision.	
Do not reject Ho.	Correct decision.	Type II error	

Experiment Outcome



# Can you tell me in simple words...



### The Cook and Smoke Detector

- Null Hypothesis (Ho): There is no fire
- Alternate Hypothesis (Ha): There is fire







### The Cook and Smoke Detector

- Type I Error: There is no fire but smoke detector goes off.
- The cook removes the alarm to prevent type I error.
- This increases the chance of Type II Error i.e. a fire without an alarm.







# The Boy Who Cried Wolf

- Null Hypothesis (Ho): There is no wolf
- Alternate Hypothesis (Ha): There is a wolf





### The Boy Who Cried Wolf

- Type I Error: Villagers believe the boy when there is no wolf
- Type II Error: Villagers do not believe the boy when the wolf is really there





### **Confidence Intervals**

**Problem:** On a 5-point scale, a product has an average review of 4.32 and a standard deviation of 0.845 based on 62 participants in the study. What is the 95% confidence interval?

$$\overline{X} \pm 1.96 \, \sigma / \sqrt{n}$$

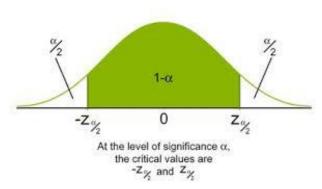


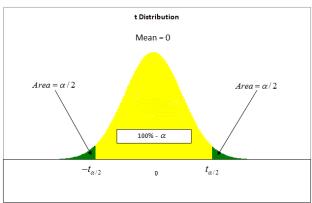
### **Confidence Intervals**

Mean  $\bar{X} = 4.32$ Standard deviation  $\sigma = 0.845$ Standard error SE =  $\frac{0.845}{\sqrt{n}} = \frac{0.845}{\sqrt{62}} = 0.11$ Margin or error is  $2 \times 0.11 = 0.22$ The confidence interval is 4.32+0.22 = 4.544.32 - 0.22 = 4.10



### **Calculating Confidence Interval**





Confidence level	Z score
90%	1.645
95%	1.960
98%	2.326
99%	2.576

	Critical Values (t*)		
	Confidence Level		
n – 1	0.900	0.950	0.990
10	1.812	2.228	3.169
20	1.725	2.086	2.845
30	1.697	2.042	2.750
40	1.684	2.021	2.704
50	1.676	2.009	2.678
60	1.671	2.000	2.660
70	1.667	1.994	2.648
80	1.664	1.990	2.639
90	1.662	1.987	2.632
100	1.660	1.984	2.626



### Type I and Type II Error

### **Type I Error**

The probability of falsely rejecting null hypothesis

### **Type II Error**

The probability of **falsely accepting** null hypothesis

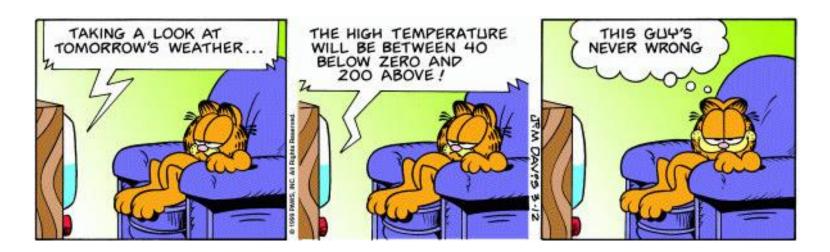
# Experiment Outcome

#### **Ground Truth** Ho is false. Ho is true. Reject Ho Correct Type I decision. error Do not reject Ho. Correct Type II decision. error



#### **Confidence Interval**

 Range of plausible values of parameter being estimated given the sample data





### A/A Test

- Comparing the identical experience on different random sets of users
- Used for validation of setup





### **Steps in Experimentation**

#### Planning

- •Choose factors, levels, sample size(how long to run)
- What business question to answer
- •Metrics and expected outcome



#### Coding and Logging

•Setup of test and instrumentation



#### A/A Test

•To make sure the setup is correct.



#### Make a Decision

•To ship or not to ship



### Analysis and interpretation

- •Some times this can be an art
- Newness effect
- •Seasonality, segments etc.



A/B and/or multivariate test



### **Categories of Metrics**

	Short-term	Medium-term	Long-term
Examples	<ul><li>CTR</li><li>PVs</li><li>Bounce Rate</li></ul>	<ul><li>PVs/user/day</li><li>CTR/user /day</li><li>Avg session length</li></ul>	Days with at least one visit:  Total time on site Repeat visits/user
What is measured?	Immediate or almost immediate impact	Engagement over hours up to a day	Loyalty



### **Common Pitfalls**



### Pitfalls in Online Experimentation

- 1. Picking an OEC for which it is easy to beat the control
- 2. Incorrectly computing the confidence intervals
- 3. Using standard statistical formulas for computation of variance and power
- 4. Combining metrics over periods where proportions assigned to Control and Treatment vary or over subpopulations sampled at different rates
- 5. Neglecting to filter bots
- 6. Failing to validate each step of the analysis pipeline and the OEC components
- 7. Forgetting to control for all differences, and assuming that humans can keep the variants in sync



### Pitfall 1: Picking an Easy-to-Beat Overall Evaluation Criteria (OEC)

- Before running an experiment an OEC is selected
- OEC should be tied to a long term goals as opposed to short term goals. Click-through Rate (CTR) vs. long term revenue
- Loyal/repeat users get more weight?
- Sometimes getting the true metric is hard. High CTR does not necessarily mean high conversion rate



# Pitfall 1: Picking an Easy-to-Beat Overall Evaluation Criteria (OEC)

- Measuring click through on a small area of the page, ignoring the impact on other areas
  - What if the small area on the page was bold/flashing/high contrast?
  - What happens to the whole page CTR?
- Is 'time on site' a good OEC?
  - What if the treatment has a reduced user's effectiveness?



### Pitfall 2: Incorrect Computation of Confidence Intervals

- Hypothesis Test: determines whether there is a statistically significant difference in the means of the control and the treatment
- Confidence Interval: provides a plausible range of the size of the effect (difference in C and T means)



### Pitfall 2: Incorrect Computation of Confidence Intervals

$$0.95 = 1 - \alpha = P(-z \le Z \le z) = P\left(-1.96 \le \frac{\bar{X} - \mu}{\sigma/\sqrt{n}} \le 1.96\right)$$

$$= P\left(\bar{X} - 1.96 \frac{\sigma}{\sqrt{n}} \le \mu \le \bar{X} + 1.96 \frac{\sigma}{\sqrt{n}}\right)$$

$$= P\left(\bar{X} - 1.96 \times 0.5 \le \mu \le \bar{X} + 1.96 \times 0.5\right)$$

$$250g$$

$$250g \pm 2.5g$$

$$(\bar{x} - 0.98; \bar{x} + 0.98) = (250.2 - 0.98; 250.2 + 0.98) = (249.22; 251.18).$$

**Confidence interval implies:** If we randomly fill a cup from this vending machine, there is a 95% chance that our cup will have this much coffee



### Pitfall 2: Incorrect Computation of Confidence Intervals

- Confidence interval should be formed out of absolute difference
- Do not form a confidence interval around percent change. Percentage change involves dividing by a random variable.
- Some techniques to compute CI are mentioned when the OEC is a linear/non-linear combination of metrics that have the same/different basis/experimental unit.



# Pitfall 3: Standard Statistical Formulas for Computation of Variance and Power

- Variance of the metric is needed to compute the statistical significance
- Variance estimates using standard statistical formula for some families of metrics are inaccurate
- This happens when the experimental unit used in random assignment is different from the experiment unit used in the calculation of the metric.



# Pitfall 3: Standard Statistical Formulas for Computation of Variance and Power

- Variance, Power and Sample size estimates may be wrong if care is not taken
- How to correct this?
  - Bootstrap method: Estimate variance using bootstrap samples and compare with the variance from standard formula
- This should be done for all metrics and especially for the one with different experiment and randomization units



### Pitfall 4: Simpson's Paradox

- Unintuitive but not uncommon
- Simpson's paradox: 'A correlation or trend present in different groups is reversed when the groups are combined'.

	Treatment A	Treatment B
Small Stones	Group 1	Group 2
	93% (81/87)	87% (234/270)
Large Stones	Group 3	Group 4
	73% (192/263)	69% (55/80)
Both	78% (273/350)	83% (289/350)



### Pitfall 4: Simpson's Paradox

- 1 million visitors/day
- On Friday the treatment ran with 1% traffic
- On Saturday, the allocation was raised to 50%.
- If we consider Friday and Saturday separately T has a better CTR
- T's CTR is worse when aggregated over days

Table 1: Conversion Rate for two days.

Each day has 1M customers, and the Treatment (T) is better than Control (C) on each day, yet worse overall

		,	
	Friday	Saturday	Total
	C/T split: 99%/1%	C/T split: 50%/50%	Total
C	$\frac{20,000}{990,000} = 2.02\%$	$\frac{5,000}{500,000} = 1.00\%$	$\frac{25,000}{1,490,000} = 1.68\%$
Т	$\frac{230}{10,000} = 2.30\%$	$\frac{6,000}{500,000} = 1.20\%$	$\frac{6,230}{510,000} = 1.20\%$

It is possible to have 
$$\frac{a}{b} < \frac{A}{B}$$
 and  $\frac{c}{d} < \frac{C}{D}$  while  $\frac{a+c}{b+C} < \frac{A+C}{B+D}$ 



# Pitfall 4: Simpson's Paradox – A Scenario in Controlled Experiments

Sampling of users with non uniform sampling to make sure all browsers have a representative sample

Overall results show treatment is better than control but when segmented by browser, control looks better than treatment for each browser



### Pitfall 5: Ignoring Bot Traffic

For experimentation, we are interested in removing bots/fraud clicks that are not uniformly distributed across the control and treatment

Uniformly distributed bots will only reduce the power of the experiment



### Pitfall 5: Ignoring Bot Traffic

Failing to exclude bot traffic and fraud clicks may invalidate the results of an experiment



# Pitfall 6: Failing to Validate Each Step of Analysis

It is important to keep a check on the health of the pipeline

- Assignment of users to experiment variants
- Calculation of metrics
- Any abnormal shift in metrics
- Movement of metrics that are not expected to move
- Broken instrumentation



# Pitfall 6: Failing to Validate Each Step of Analysis

#### **Logging Tests:**

- Compare with real historical data
- Compare with generated data
- Look for unexpected patterns
  - Volume of data over time
  - New and repeat users over time
  - Abnormal shift in any of the metrics
- A/A Tests
- Rich Instrumentation



### Pitfall 7: Failing to 'Control' the Control

 Don't allow any difference between the Control and the Treatment besides what is actually being tested

 If the Treatment has some updates, Control should have them too and vice versa



### Pitfall 7: Failing to 'Control' the Control

 If the site is receiving frequent updates, these updates should be applied equally to the control and the treatment

 Forgetting to control for all differences, and assuming that humans can keep the variants in sync.



### A/B Testing Tools



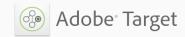








fivesecondtest







Have you heard the latest statistics joke?

Probably....



Did you hear about the statistician who was thrown in jail?

He now has zero degrees of freedom.



A statistician's wife has twins. He was delighted, and he called to tell his minister the good news.

"Excellent!", said the minister. "Bring them to church on Sunday and we'll baptize them."

"No," replied the statistician. "Let's just baptize one. We'll keep the other as control."



How many statisticians does it take to change a light bulb?

$$1 - 3$$
.  $\alpha = 0.05$ 



### Questions?

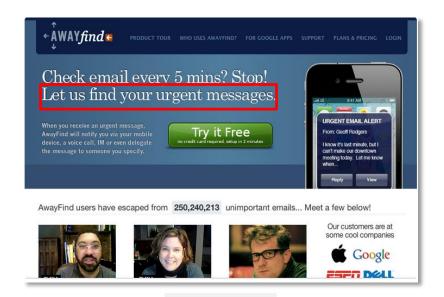


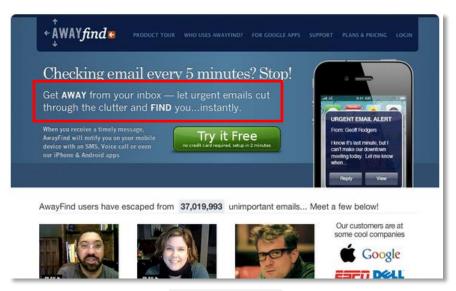


### More examples (appendix)



### AwayFind - Mobile notifications for priority messages





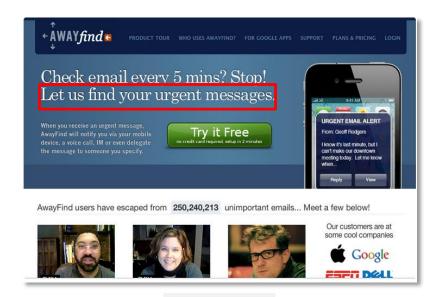
**Version A** 

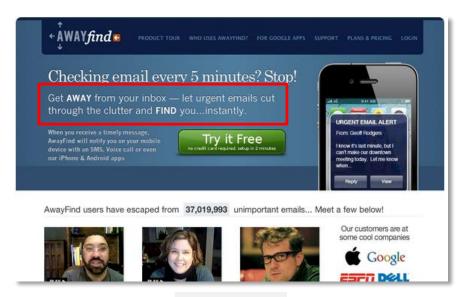
**Version B** 

Which version increased sign-ups by 38%?



### AwayFind - Mobile notifications for priority messages





Version A Version B

Version B!
A longer yet clearer message is more effective.



### **Online Form**

commercial, education and	edient provides superior colocation, network and managed ser government entities. We are committed to providing our clients enter services. As a managed data services provider, we can of ins to meet your needs.	with reliable, secure and
Fill out the form below and q	get data center pricing today.	
Company Name: * Name: * Phone: * Contact Email: *	- Ex	545 10 F
Services : *  Desired Dafa Center :	Colocation (I) Cloud Computing (II) Virtual Colocation (III) Managed Backup (III) Managed San (III) Managed Server (III) Managed Server (III) Internet Connectivity (III) Other Select	PCI
Comments:  Answer:	Get a Quote  If to privacy and we will never sell or share your data.	

Contact Type: * Title: *	Primary Contact
Comments:	
Contact Phone: *	
Contact Email: *  Data Center Location: *	BALTIMORE ¥
Total Required RAM in GB:	
Total Required Processor in GHz:	
Total Required Storage in GB:	
Internet Connectivity:	
Additional Managed Services	
Firewall:	
Remote Backups :	
SAN Storage:	
Load Balancing:	
Priority:	- Select One - 🕶
Security Question:	How many months are there in a year?
Answer:	

Cloud Computing Quote Request

**Version A** 

**Version B** 

Which Radically Redesigned Form Increased B2B Leads By 368.5%?



### **Online Form**

Get Data Center		
commercial, education and	edient provides superior colocation, network and managed services to enterprise government entities. We are committed to providing our clients with reliable, secu inter services. As a managed data services provider, we can offer your company h is to meet your needs.	re and
Fill out the form below and (	et data center pricing today.	
Company Name:		
Name:	(10)	1
Phone: "	SA Type II	)
Contact Email:	William Co	
	Colocation (b) Cloud Computing (c) Virtual Colocation (d) Virtual Colocation (d) Virtual Instance (d) Managed Backup (d) Managed Sarver (d) Managed Stream (d) Internet Connectivity (d) Other	
Desired Data Center: Comments:	Select <u>✓</u>	
Security Question :	How many months are there in a year?	
ADRU.	Get a Quote	
San a discal as a san a da como or da l	t to privacy and we will never sell or share your data.	

Ve	rs	ion	A

Version A!
Better be to the point

Company Name: *		
Name:*		
Contact Type:	Primary Contact	
Title:		
Comments:		
Contact Phone : *		
Contact Email: *		
Data Center Location: *	BALTIMORE .	
Total Required RAM in GB: *		
Total Required Processor in GHz:		
Total Required Storage in GB: *		
Internet Connectivity:		
Additional Managed Services		
Firewall:		
Remote Backups :		
SAN Storage:		
Load Balancing:	The second secon	
Priority:	- Select One - 💌	

**Version B** 



#### **WIKIJOB**





**Testimonials** 

**Version A** 

**Version B** 

Version B has **testimonials**, does it work?



#### **WIKIJOB**





**Testimonials** 

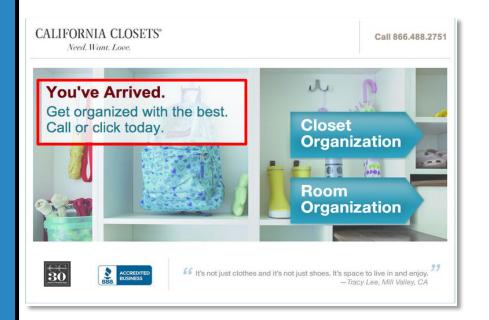
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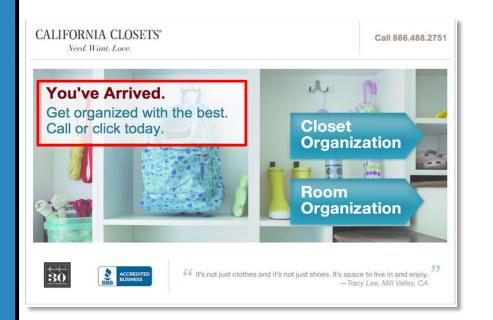


**Version A** 

**Version B** 



### **CALIFORNIA CLOSET**





**Version A** 

**Version B** 

Version A increased leads by 115%.

This is why you should test...!

