

## A/B Testing project

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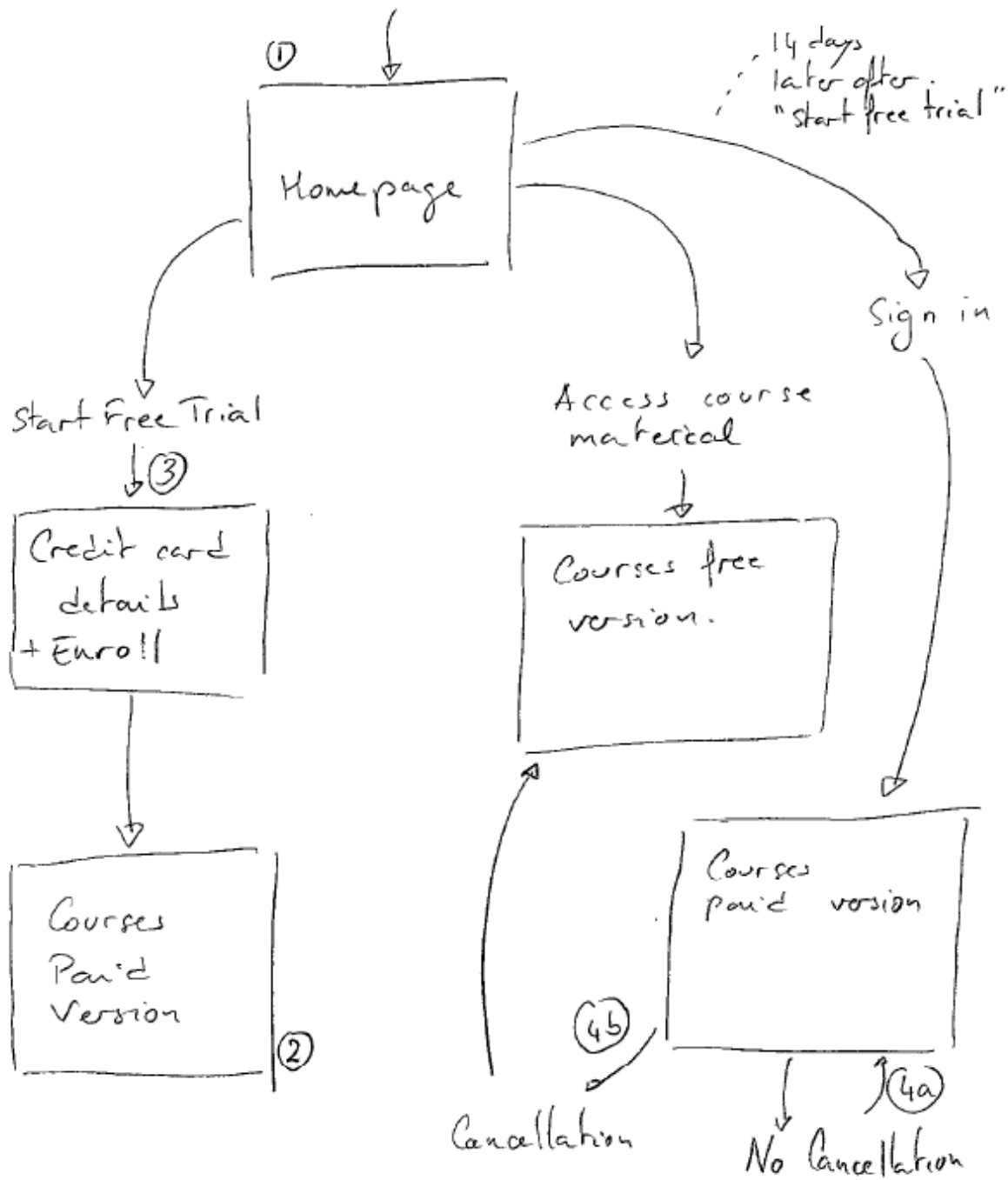
### Business understanding

The aim of this paragraph is to provide a business understanding of the Udacity proposed changes and the expected impact Udacity expect.

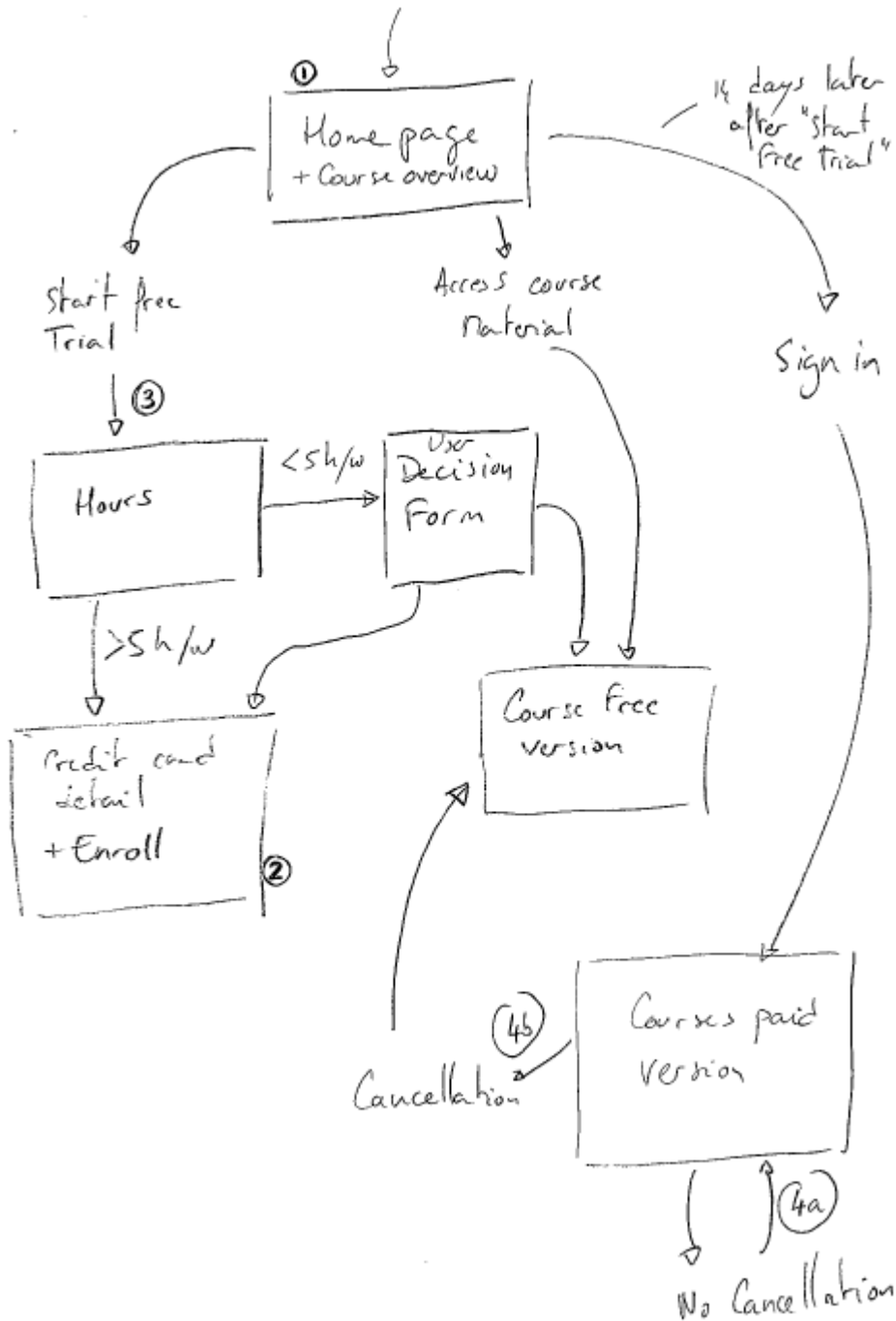
For this, I use a user experience flow diagram of the current Udacity website, and the proposed modified one.

The different figures on the diagram show points of measures to capture raw metrics.

Current user experience flow diagram:



New proposed user experience flow diagram:



From Udacity expectation and changes done, we do not expect changes in the number of people visiting the Udacity homepage and courses list. There should not be any change in term of people clicking the 'Start free trial' button.

By challenging the user enrolment, Udacity expect to have less user enrolled for the 14 days free trial, but more engaged peoples. At the same time, Udacity expect less cancellation at the

end of the 14 days free trial period. In other words, Udacity expect to change the 4a/4b distribution by Increasing 4a (in %) and reduction 4b (in %).

## Experiment Design

### Metric Choice

The following table maps the proposed metrics on the user experience flow diagram. I also try to get an intuition about the change direction that should occur on the metric if the experiment is successful:

Metrics / definition	Place of data collection or computation formula	Possible change / explanation
<b>Number of cookies</b> number of unique cookies to view the course overview page	1	<b>No change</b> The Udacity planned change shall have no effect on the number of internet user visiting the homepage and course overview page.  This metric can be used as an invariant metric. If we notice significant changes, it may be due to a failure in the experiment.
<b>Number of userids</b> number of users who enroll in the free trial.	2	<b>Decrease</b> By challenging user decision, we can expect more users going to free section, and only the more engaged ones starting the 14 days trial period. Nevertheless,
<b>Number of clicks</b> number of unique cookies to click the "Start free trial" button (which happens before the free trial screener is trigger)	3	<b>No change</b> The Udacity planned change shall have no effect on the number of internet user clicking on the 'Start free trial' button.  This metric can be used as an invariant metric. If we notice significant changes, it may be due to a failure in the experiment.
<b>Click through probability</b> number of unique cookies to click the "Start free trial" button divided by number of unique cookies to view the course overview page	3 / 1	<b>No change</b> As the underlining collected metrics shall not change, we are not expecting any change on that metric.  This metric can be used as an invariant metric. If we notice significant changes, it may be due to a failure in the experiment.
<ul style="list-style-type: none"> <li><b>Gross conversion</b> number of userids to complete checkout and enroll in the free trial divided by number of unique cookies to click the "Start free trial" button.</li> </ul>	2 / 3	<b>Decrease</b> As the number of created user ids (2) could decrease, maintaining the number of clicks, we can expect a decrease of the gross conversion.
<ul style="list-style-type: none"> <li><b>Retention</b></li> </ul>	4a / 2	<b>Increase</b>

Metrics / definition	Place of data collection or computation formula	Possible change / explanation
number of usersids to remain enrolled past the 14day boundary (and thus make at least one payment) divided by number of usersids to complete checkout		As mentioned earlier, for the same number of user id, we expect an increase of people not cancelling the paying service. Therefore, we expect the retention metrics to increase.
<ul style="list-style-type: none"> <li><b>Net conversion</b> number of usersids to remain enrolled past the 14day boundary (and thus make at least one payment) divided by the number of unique cookies to click the "Start free trial" button</li> </ul>	4a / 3	<p><b>Decrease</b> We expect retention to increase, but it may be at the end a lower number of users in absolute value. As the number of cookies clicking on the 'Start free trial' button shall be stable, we expect the Net conversion to decrease.</p> <p><b>Udacity does not expect decrease of this metric and even would like this metric to increase.</b></p>

As the 'number of user id' metric and the 'Gross conversion' are highly correlated, I will only select one of these 2 metrics as evaluation metrics. As the 'number of user id' is a measure and is meaningless without a comparison baseline and the 'Gross conversion' is a metric including this comparison baseline, I would recommend using the 'Gross conversion'.

As Udacity wants to improve user experience, it shall be reflected by within the 'retention' metric. This shall be one of our evaluation metrics.

As Udacity do not expects to reduce the number of people to continue past the free trialperiod and an improved user experience, this shall be reflected in the 'Net conversion' metric. This shall be one of our evaluation metrics.

I propose to use the following metrics as invariant metrics for sanity check:

- Number of cookies
- Number of clicks
- Click through rate

I propose to use the following metrics as evaluation metrics:

- Gross conversion
- Retention
- Net conversion

In order to accept the modification we expect:

- The Gross conversion to decrease
- AND the retention to increase
- AND the net conversion to be stable or increase

The gross conversion metric addresses the “his might set clearer expectations for students upfront, thus reducing the number of frustrated students who left the free trial because they didn't have enough time” part of the initial hypothesis.

The retention and net conversion metrics address the “without significantly reducing the number of students to continue past the free trial and eventually complete the course” part of the initial hypothesis.

## **Decision criteria**

I propose the following null and alternative hypotheses:

- $H_0$  : The proposed modification has no impact. It means it does not change neither the gross conversion, neither the retention, neither the net conversion.
- $H_a$  : The proposed modification has an impact. It changes either the gross conversion, either the retention, either net conversion.

In addition to these hypotheses, if we reject the null hypothesis, we add a business decision logic before deciding the launch (or not) of the proposed modification.

In order to accept the modification we expect:

- The Gross conversion to decrease
- AND the retention to increase
- AND the net conversion to be stable or increase

In our study, we will first focus on the identifying the statistical and practical significance of the different metrics, in order to accept or reject the null hypothesis. If the null hypothesis is rejected, we will then apply our business decision logic to finally decide (or not) the launch of the modification.

Business risks associated to possible errors:

- The risk of rejecting the null hypothesis while true (type 1 error), is only implementing a modification that has no impact on Udacity revenues.
- The risk of failing to reject the null hypothesis while false (type 2 error), is for Udacity to loose possible revenues opportunities.

In both error cases, we have no negative financial impact for Udacity.

## **Measuring Standard Deviation**

The provided figures are:

Unique cookies to view page per day:	40000
Unique cookies to click "Start free trial" per day:	3200
Enrollments per day:	660

Click-through-probability on "Start free trial":	0.08
Probability of enrolling, given click:	0.20625
Probability of payment, given enroll:	0.53
Probability of payment, given click	0.1093125

If we assume only 5000 unique cookies to view per per day, we will get the following figures:

Unique cookies to view page per day:	5000	
Unique cookies to click "Start free trial" per day:	400	= 3200 * 5000 / 40000
Enrollments per day:	82.5	= 660 * 5000 / 40000
Click-through-probability on "Start free trial":	0.08	
Probability of enrolling, given click:	0.20625	
Probability of payment, given enroll:	0.53	
Probability of payment, given click	0.1093125	

We get the following analytic standard deviation for the 3 evaluation metrics:

Metric	Standard deviation	Formula
Gross conversion	0.0202	$=\text{sqrt}(0.20625*(1-0.20625)/400)$
Retention	0.0549	$=\text{sqrt}(0.53*(1-0.53)/82.5)$
Net conversion	0.0156	$=\text{sqrt}(0.1093125*(1-0.1093125)/400)$

Our test has the cookie as unit of diversion.

For the Retention metrics, denominator is user-id. So, I expect to have a much higher empirical variability.

For the Gross conversion and Net conversion, the denominator matches the unit of diversion of the test. In that case, I expect to have a higher empirical variability close to the analytical one.

## Sizing

### Number of Samples vs. Power

#### Use of Bonferroni correction

Our null hypothesis is based on the assumption that none of the 3 evaluation metrics won't change. In other word, gross conversion won't change AND retention won't change AND net conversion won't change. If we get a false positive for one of this metric, we won't generate a false positive for the whole hypothesis. This multiple testing in this case do not generate a decrease of the confidence level (due to the AND logical operator).

In addition, as stated earlier, rejecting the null hypothesis while true won't have a negative impact on Udacity revenues. Therefore, there is no need to use the Bonferroni correction to reduce the risk of false positive error.

To compute the number of needed pageviews, Ewans Miller online calculator available at: <http://www.evanmiller.org/ab-testing/sample-size.html>.

Metric	Baseline conversion rate	Minimum Detectable Effect	Population in each group	Number of page views
Gross conversion	20.265%	1%	25502 clicks	637550 $25502 * 2 / 3200 * 40000$
Retention	53%	1%	39087 User ids	4737818 $39087 * 2 / 660 * 40000$
Net conversion	10.93125%	0.75%	27413 clicks	685325 $27413 * 2 / 3200 * 40000$

$$\alpha = 0.05$$

$$\beta = 0.2$$

To be able to conduct our analysis, we will need to have more than 4.737.818 pages view in our test.

### **Risk assessment**

We fundamentally do not change the registration process. The new process does not change in any way the information collected for each participant nor the price he will pay. We can consider that this experiment does not generate any risk greater than minimal risk for the participant.

### **Duration vs. Exposure**

We have currently 40000 pages view per day. It means if we divert 100% of the traffic to the test, it will last around 119 days, so around 16 weeks. This is a very long duration with a 100% traffic diversion. I think this proposal cannot be made to Udacity deciders.

Therefore, I propose not to use the Retention as an evaluation metric anymore and to rely only on the Gross and Net conversion metrics. As I only have 2 evaluation metrics, use of the Bonferroni correction even less needed.



In mean that I will “only” need 685325 pages view for that study. If we divert 100% of the traffic to the test, it will take 18 days. In addition, we need to wait another 14 days in order end the full experiment process (up to cancellation or payment). It means a total of 32 days.

As the experiment is not risky for the participant, I suggest to divert 100% of the traffic.

## Experiment Analysis

### Sanity Checks

As the invariant metrics are not related to enrolment nor payment, we can use the full set of data for the provided 37 days.

Control set

Total pages view	Total click	Click trough probability
345543	28378	0.082126

Experiment set

Total pages view	Total click	Click trough probability
344660	28325	0.082182441

Total numbers

Total pages view	Total click
690203	56703

For the pages view and total click metrics, we have the following figures:

Metric	Standard error	Lower CI bound	Upper CI bound	Observed value
Pages view	0.000602	0.4988	0.5012	0.5006
Click	0.0021	0.4959	0.5041	0.5005

For these 2 metrics, the observed value is within the lower and upper CI bound.

For click through probability, we have:

- pooled probability = 0.0822
- $\hat{d} = 0.082182441 - 0.082126 = 0.0001$  (rounded 4 decimal places).

Standard error is 0.000661 ( $= \sqrt{0.0822 \cdot (1 - 0.0822) / (1/345543 + 1/344660)}$ )

Confidence interval is:  $\pm 1.96 \cdot 0.000661 = \pm 0.0013$

The  $\hat{d}$  value is within the confidence interval.

All the 3 invariant metrics passed the sanity check.

## Result Analysis

### Effect Size Tests

For the two evaluation metrics, with figures computed with values up to Nov 2, we get the following results:

Metric	Standard error	Lower bound	Upper bound	D Hat	Pooled probability
Gross conversion	0.004372	-0.0291	-0.0120	-0.020554875	0.208607067
Net conversion	0.003434	-0.0116	0.0019	-0.004873723	0.115127485

The gross conversion metrics is statistically and practically significant ( $d_{min} = 0.01$ ).

The net conversion metrics is not statistically significant. But the decrease of the net conversion is practically significant (the lower bound is less than the practical lower limit).

### Sign Tests

The gross conversion metrics was greater 4 time in the experiment vs the control group (over 23 days).

The net conversion metrics was greater 10 time in the experiment vs the control group (over 23 days).

Using the online calculator <http://graphpad.com/quickcalcs/binomial1.cfm> with these values, I get a 2 tails p probability of:

Metric	two-tail P value
Gross conversion	0.0026
Net conversion	0.6776

So, decrease of the gross conversion seems not to be due by chance, but change of the net conversion is likely due to change.

### Summary

We identified a statistical and practical change in the gross conversion metric.

We identified a non-statistical but practical change in the net conversion metric.

So, we can reject our null hypothesis. The proposed modification has an impact.

From a business point of view, we stated we will go for the modification if the gross conversion decrease and the net conversion is stable or increase.

We see a decrease of the gross conversion, but also a practical decrease of the net conversion. This does not match our business criteria.

I do not see any contradiction between the effect size hypothesis tests and the sign tests.

## **Recommendation**

I saw our experiment was properly designed using sanity checks.

I saw a significant decrease of the gross conversion. This is the expected result for this metrics.

For the net conversion, we were expecting a stable or even an increasing value. We experience a decrease. This decrease is not statistically significant. Nevertheless, it does not go in the direction we wanted. Also, the lower bound of our confidence interval exceed the practical negative limit (-0.0075) and the  $\hat{d}$  value is close from this practical negative limit (-0.0075). In other words, we start experiencing a practically significant decrease of payment and it can exceed the practical threshold set by Udacity.

With the current information we retrieve from this experiment, my recommendation would be to stop the experiment and not to go for this modification.

## **Follow-Up Experiment**

The new proposed experiment aims to challenge the cancellation decision of the user and to give him the change to have one additional free trial week. The form could look like this:

## Cancellation

Udacity can provide you with an additional free trial week. ....

Yes, I want another free trial week

[No, I definitively cancel my subscription](#)

At the end of the additional free trial week, student will be automatically enrolled unless if he decides to cancel. After the additional free trial week, the student does not get the option of having another free trial week.

The null hypothesis will be that Udacity won't get any change in student cancellation rate (or even an increased rate). The alternate hypothesis is that student cancellation rate will significantly decrease at the end of the 14 days but also (=and) after the full trial period.

The proposed metrics are:

Number of user-id: That is, number of users who enroll in the free trial. This metric will act as an invariant metric to perform sanity check on our experiment. We can also set a dmin value of 50.

Cancellation form click probability: That is, number of user-id to click the "Cancellation" button after the 14 days trial period divided by number of user-id enrolled in the trial period. This metric shall also act as invariant metric to perform sanity check on our experiment. We can also set a dmin value of 0.01.

Cancellation rate after the full trial period: That is:

- For the control group: the number of unique user-id to cancel after the 14 days free trial period divided by the number of user-id enrolled in the trial period.
- For the experiment group: the number of unique user-id to cancel either after the first 14 days trial period or after the additional week of trial period, divided by the number of user-id enrolled in the trial period.

This metric will act as evaluation metric and we can set a dmin of 0.0075.

From a business perspective, I expect to have a significant decrease of student cancelling subscription after the end of their free trial period.

In other words, I expect to retain some student in the free trial after 14 days, and to keep them enrolled after the 3 weeks trial period.

As my experiment starts only after student enrolment, I propose to have the user-id as unit of diversion. As the unit of analysis is also the user-id for the various metrics, I will reduce the metrics variability.