

# Too Big to Fail: Large Samples and the $p$ -Value Problem

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The Internet has provided IS researchers with the opportunity to conduct studies with extremely large samples, frequently well over 10,000 observations. There are many advantages to large samples, but researchers using statistical inference must be aware of the  $p$ -value problem associated with them. In very large samples,  $p$ -values go quickly to zero, and solely relying on  $p$ -values can lead the researcher to claim support for results of no practical significance. In a survey of large sample IS research, we found that a significant number of papers rely on a low  $p$ -value and the sign of a regression coefficient alone to support their hypotheses. This research commentary recommends a series of actions the researcher can take to mitigate the  $p$ -value problem in large samples and illustrates them with an example of over 300,000 camera sales on eBay. We believe that addressing the  $p$ -value problem will increase the credibility of large sample IS research as well as provide more insights for readers.

**Key words:** empirical modeling; practical significance; effect size;  $p$ -value; statistical significance; inference

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## Introduction

Advances in technology have brought us the ability to collect, transfer, and store large data sets. Thanks to this, a growing number of empirical studies published in the information systems and related fields now rely on very large samples. Some samples include tens of thousands of observations, for example, Pavlou and Dimoka (2006, p. 393) use “over 10,000 publicly available feedback text comments . . . in eBay”; Overby and Jap (2009) use 108,333 used vehicles offered in the wholesale automotive market; Forman et al. (2008) collected data on . . . [175,714] reviews from Amazon; Goldfarb and Lu (2006, p. 248) report “For our analysis, we have . . . 784,882 [portal visits],” and finally, Ghose and Yao (2011, p. 270) use “3.7 million records, encompassing transactions for the Federal Supply Service (FSS) of the U.S. Federal government in fiscal year 2000.”

With such large samples, some approaching the population itself, conclusions based on small-sample statistical inferences can be ineffective at best and misleading at worst. In this paper we try to answer a few important questions that researchers and consumers of large sample studies should be aware of.

These include how do large-sample studies approach statistical modeling and inference? What are the advantages of large samples and what are the problems of using small-sample inference in this realm?

A key issue with applying small-sample statistical inference to large samples is that even minuscule effects can become statistically significant. The increased power leads to a dangerous pitfall as well as to a huge opportunity. The issue is one that statisticians have long been aware of: “the  $p$ -value problem.” Chatfield (1995, p. 70) comments, “The question is not whether differences are ‘significant’ (they nearly always are in large samples), but whether they are interesting. Forget statistical significance, what is the practical significance of the results?” The increased power of large samples means that researchers can detect smaller, subtler, and more complex effects, but relying on  $p$ -values alone can lead to claims of support for hypotheses of little or no practical significance.

This paper is organized as follows: We start by explaining how and why  $p$ -values quickly approach zero as sample sizes increase, and discuss the potential pitfalls when relying solely on  $p$ -values and coefficient signs in large-sample studies. Next, we survey

the IS literature for current practices employed in large-sample studies. We examine the extent of the *p*-value problem as well as identify practices that take advantage of large samples for improving inference. We continue by describing practices from other disciplines as well as introducing methods for mitigating the deflated *p*-value problem. Finally, we discuss ways to take advantage of large samples.

### The *p*-Value Problem in Large Samples

Statistical inference is based on the notion of the null hypothesis. Under the null hypothesis, a parameter of interest is set to a particular value,<sup>1</sup> typically zero, which represents the “no effect” relative to the effect the researcher is testing for. For example, a hypothesis of a positive regression coefficient requires defining the null hypothesis that the coefficient is 0 for “no effect” or negative for the “opposite effect.” A nondirectional hypothesis requires defining the null hypothesis that the coefficient is zero. The large sample challenge arises from representing “no effect” by a particular number (such as zero); when our estimate becomes so precise, even deviations such as 3E-052 from the null value are identified as statistically significant. More formally, *p*-values that are based on consistent estimators have the following limiting behavior under  $H_0: \beta = 0$ :<sup>2</sup>

$$\lim_{n \rightarrow \infty} p\text{-value} = \lim_{n \rightarrow \infty} P(|\hat{\beta} - \beta| < \varepsilon) = \begin{cases} 0 & \text{if } \beta \neq 0 \\ 1 & \text{if } \beta = 0 \end{cases}.$$

In other words, the limiting distribution of the estimator  $\hat{\beta}$  has all its mass on the population parameter  $\beta$ . Hence, unless the population parameter  $\beta$  is exactly equal to the null value with an infinite number of decimals (in which case the *p*-value will approach 1), the *p*-value will approach 0. Because in real studies the population parameter is typically not a round figure, a large sample will yield *p*-values that are near zero. The appendix illustrates this property for a linear regression coefficient.

A *p*-value measures the distance between the data and the null hypothesis using an estimate of the parameter of interest. The distance is typically measured in units of standard deviations of that estimate (standard errors). For example, tests for a regression coefficient  $\beta_1$  are based on the distance of  $\beta_1$  from zero in units of standard errors. Consistent estimators have standard errors that shrink as the sample size increases. With a very large sample, the standard error becomes extremely small, so that even minuscule distances between the estimate and the null hypothesis become statistically significant. As Tukey (1991)

put it, in the context of comparing groups A and B: “The effects of A and B are always different—in some decimal place—for any A and B.” Cohen (1990, p. 1308) says

A little thought reveals a fact widely understood among statisticians: The null hypothesis, taken literally (and that’s the only way you can take it in formal hypothesis testing), is always false in the real world . . . . If it is false, even to a tiny degree, it must be the case that a large enough sample will produce a significant result and lead to its rejection. So if the null hypothesis is always false, what’s the big deal about rejecting it?

We are not suggesting that IS researchers abandon hypothesis testing altogether; after all, in any given context, there is no guarantee that we always have “a large enough sample” to produce statistically significant results. The foregoing observations on the null hypothesis are intended to move our focus from relying solely on statistical significance to consideration of practical significance and effect size. In other words, with extremely large samples, we should go beyond rejecting a null hypothesis based on the sign of the coefficient (positive or negative) and the *p*-value. Rather, researchers should be cautious in assessing whether the small *p*-value is just an artifact of the large sample size, and carefully quantify the magnitude and sensitivity of the effect. In other words, conclusions based on significance and sign alone, claiming that the null hypothesis is rejected, are meaningless unless interpreted in light of the actual magnitude of the effect size.<sup>3</sup> The leap from statistical significance to managerial and policy implications is therefore not warranted.

In what follows, we conduct a brief survey of how other fields have tried or are trying to deal with this problem. We then examine the current practice in our own field, and propose actionable recommendations for IS researchers, illustrating them using a large sample of camera sales on eBay.

### The *p*-Value Problem in Other Fields

Statisticians have long been divided in their views on using *p*-values, regardless of sample size. One stream in statistics rejects the use of hypothesis testing altogether and advocates moving to estimation, where

<sup>3</sup> With a sufficiently large sample, tests of model assumptions will tend to indicate a violation even for very small deviations. Common tests for heteroscedasticity include the Breusch-Pagan and White tests. The Durbin-Watson is often used to test for serial correlation. Pairwise correlations are examined for checking multicollinearity. In these tests, the null hypothesis states that the assumption is met (no violation). A researcher relying only on statistical significance will tend to perform various model and data modifications to address the assumption violations that may be unwarranted.

<sup>1</sup> Or a range of values.

<sup>2</sup> The result holds for any value  $k$  specified in  $H_0: \beta = k$ .

one reports point estimates and confidence intervals (Hubbard and Armstrong 2006). Those who are not opposed to hypothesis testing stress the need to focus on practical significance rather than statistical significance. When more complex models are constructed, marginal analysis can be used for identifying and illustrating practical magnitude.

In empirical economics, a common practice is to report confidence intervals, or, depending on the context, to be more conservative and report only one of its bounds (Cannon and Cipriani 2006, Disdier and Head 2008, Goolsbee and Guryan 2006). Whereas the *p*-value only describes the probability that the null hypothesis can be rejected given a true effect, the confidence interval (CI) gives a range for the actual magnitude of the parameter of interest. As the sample size increases, a typical CI will become narrower. In other words, while the information that *p*-values convey does not scale up to large samples, the information contained in confidence intervals does, as the range estimate becomes more precise. This property means that even if the researcher is unsure whether the sample is too large for using *p*-values, relying on a CI is always safe.

Some econometricians have a different suggestion about ever-decreasing *p*-values: adjust the threshold *p*-value downward as the sample size grows (Greene 2003, Leamer 1978). The argument is that instead of claiming significance when  $p < 5\%$ , for instance, with very large samples the threshold should be 1%, 0.1%, or even smaller. However, to our knowledge, this approach has not been used and there have been no proposed rules of thumb in terms of how such adjustments should be made.

### Large-Sample Studies in IS: A Survey of Current Practice

At a recent seminar at one of our universities, a researcher presented a paper with nearly 10,000 observations and discussed the regression results solely on the basis of statistical significance; there was no mention of effect sizes or caveats relating to the sample size. This approach appears to be common practice. We reviewed articles in *MIS Quarterly* (MISQ), *Information Systems Research* (ISR), and *Management Science* (MNSC) between 2004–2010 along with abstracts from the Workshop on Information Systems and Economics and symposia on Statistical Challenges in Electronic Commerce Research to see to what extent IS researchers recognized the issues in analyzing large samples.<sup>4</sup> Our overall conclusion is that information systems research that is based on large samples might be overrelying on *p*-values to interpret findings.

<sup>4</sup> Only abstracts are available for the two conference series so we have more confidence in the results for the two journals.

**Table 1** Large-Sample Papers ( $n > 10,000$ ) in Leading IS Journals and Conferences 2004–2010

|                   | Conclusions rely on practical significance                                                                                                                                                                                                 | Total reviewed |
|-------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|
| MISQ              | Smith and Telang (2009)                                                                                                                                                                                                                    | 4              |
| ISR               | Ghose et al. (2006),<br>Forman et al. (2008)                                                                                                                                                                                               | 8              |
| MNSC              | Mithas and Krishnan (2008),<br>Brynjolfsson et al. (2009),<br>Dellarocas and Wood (2008),<br>Ghose and Yang (2009),<br>Yao et al. (2009),<br>Mithas and Lucas (2010)<br>Boh et al. (2007)<br>Forman et al. (2009)<br>Overby and Jap (2009) | 9              |
| WISE (abstracts)  | 21                                                                                                                                                                                                                                         | 50             |
| SCECR (abstracts) | 12                                                                                                                                                                                                                                         | 27             |

In Table 1 we find that about half of the recent papers with large samples rely almost exclusively on low *p*-values and the sign of the coefficient. More specifically, this percentage is 50% for recent papers with sample sizes over 10,000 in the two leading IS journals, *MIS Quarterly* and *Information Systems Research*; and 57% of large-sample papers in two IS conferences (Workshop on Information Systems and Economics (WISE) and Statistical Challenges in Electronic Commerce Research (SCECR)). It is interesting to note that compared to *ISR* and *MISQ*, all reviewed papers in *Management Science*—a more general publication—report practical significance.

In reviewing the literature, we found only a few mentions of the large-sample issue and its effect on *p*-values; we also saw little recognition that the authors' low *p*-values might be an artifact of their large-sample sizes. Authors who recognized the "large-sample, small *p*-values" issue addressed it by one of the following approaches: reducing the significance level threshold<sup>5</sup> (which does not really help), by recomputing the *p*-value for a small sample (Gefen and Carmel 2008), or by focusing on practical significance and commenting about the uselessness of statistical significance (Mithas and Lucas 2010).

In some cases, authors report confidence intervals (Dellarocas and Wood 2008, Overby and Jap 2009), and marginal effects charts appear in a few papers (Moon and Sproull 2008). Authors of several of the papers

<sup>5</sup> "The significance level deemed appropriate was the smallest value reported by the SPSS package for the analysis in question. For large-scale analysis this was  $p < 0.0000$ , and for analysis with hundreds of variables this was  $p < 0.000$ ." (Jones et al. 2004, p. 201); "because we have a very large number of observations, we adopt a conservative approach and report results as statistically significant only when they are significant at the 5% level or better." (Forman et al. 2008, p. 307).

conducted robustness/sensitivity analysis, modifying the independent measures (Forman et al. 2008), or the variable structure (Brynjolfsson et al. 2009, Ghose 2009). Others include new variables (Ghose and Yang 2009), or rerun the model on random subsets of the data (Yao et al. 2009). Ghose et al. (2006) further compare their model to another model with additional control variables for assessing collinearity. Similarity of the coefficient values across the two models is used to show robustness.

### What to Do with Large Samples?

We suggest guidelines for avoiding the problems that arise when testing hypotheses with very large samples, which should substantially improve the quality of IS research. Our recommendations are intended to address the *p*-value problem, provide readers with better evidence than the sign and direction of a regression coefficient, and encourage a sound presentation of the practical significance of findings.

**Presenting Effect Size.** We suggest that in addition to the traditional statistical tests, researchers should, as much as possible, be objective and clear in helping readers understand the meaning of the coefficient estimates within the study context, i.e., effect size. That is, researchers should report the sensitivity of their dependent variable to changes in the independent variable, as illustrated in Table 2, which shows how to interpret effect sizes for a few of the most popular transformations in regression analysis.

Marginal analysis further extends our discussion of effect sizes beyond the above special cases. In our ordinary least squares (OLS) example that follows, the marginal effect is the same for any *X* value. However, when dealing with models like the probit, one has to specify whether an effect size is being calculated

at the mean of *X* or some other value such as the median. For example, assume one conducted a probit analysis and wanted to interpret the coefficient for a variable  $X_1$ . The researcher would hold all of the other *X*s at a certain value such as their median, and then measure the change in *Y* as a function of increasing  $X_1$  by a unit. Marginal analysis is especially useful and flexible to assess the magnitude of the effect.

For nonlinear models, which are quite common in IS research, marginal analysis is a more robust way—and sometimes the only way—to interpret effect size, compared to looking at the *p*-value or magnitude of the coefficient. As an example, if we have  $X_1$  and  $X_1^2$  as the explanatory variables for *Y*, it is incorrect to directly interpret the marginal effect of  $X_1$  solely based on its coefficients, because we cannot hold  $X_1^2$  constant and at the same time increase  $X_1$  by one unit.

Reporting the effect size does not have to be done strictly in terms of 1 unit/percentage change in *X* leading to a certain unit/percentage change in *Y*. In fact for the general reader, it would be especially useful if the researcher can translate effects into something that is easy to understand. Suppose a researcher finds that eating an apple a day reduces the chance of falling ill from 3% to 2%. One could say “each additional apple consumed per day reduces the chances of going to the doctor on average by 33%,” and that “including an apple a day in your diet is likely to reduce your risk of becoming ill from 3% to 2%.” This interpretation is much more informative because (1) it shows the point of comparison ( $X = 0$ , no apple); (2) the traditional sense of the effect size  $((3\% - 2\%)/3\% = 33\%)$ ; and (3) the relative magnitude of the effect size (going from 3% to 2%).

This hypothetical example also illustrates that the practical significance of a research finding depends on the domain and the point of view of the reader. A change in the chance of falling ill from 3% to 2% may be very significant for policy makers when they look at the whole population, and it may be also significant for someone who is highly health conscious, but not so much for someone who is not that concerned about health. Such interpretations are not only more straightforward, but they also facilitate the transfer of research results from researchers to the general readership.

**Reporting Confidence Intervals.** We recommend that IS researchers working with large samples report effect sizes using confidence intervals, an approach often used in empirical economics research as discussed previously. There are a number of major benefits to reporting confidence intervals over *p*-values and coefficient signs. First, confidence intervals address the problem that motivated this paper: the tendency of large-sample IS research to rely on low *p*-values and the direction of a regression coefficient to

**Table 2** Interpreting Effect Sizes for Common Regression Models (Vittinghoff et al. 2005)

| Functional form          | Effect size interpretation (where $\beta$ is the coefficient)                                                                                                |
|--------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Linear <i>f</i></b>   |                                                                                                                                                              |
| $y = f(x)$               | A unit change in <i>x</i> is associated with an average change of $\beta$ units in <i>y</i> .                                                                |
| $\ln(y) = f(x)$          | For a unit increase in <i>x</i> , <i>y</i> increases on average by the percentage $100(e^\beta - 1)$ ( $\cong 100\beta$ when $ \beta  < 0.1$ ).              |
| $y = f(\ln(x))$          | For a 1% increase in <i>x</i> , <i>y</i> increases on average by $\ln(1.01) \times \beta$ ( $\cong \beta/100$ ).                                             |
| $\ln(y) = f(\ln(x))$     | For a 1% increase in <i>x</i> , <i>y</i> increases on average by the percentage $100(e^{\beta \cdot \ln(1.01)} - 1)$ ( $\cong \beta$ when $ \beta  < 0.1$ ). |
| <b>Logistic <i>f</i></b> |                                                                                                                                                              |
| Numerical <i>x</i>       | A unit change in <i>x</i> is associated with an average change in the odds of $Y = 1$ by a factor of $\beta$ .                                               |
| Binary <i>x</i>          | The odds of $Y = 1$ at $x = 1$ are higher than at $x = 0$ by a factor of $\beta$ .                                                                           |

support the researcher's propositions. Second, when researchers report the confidence intervals for a particular variable across different studies, it becomes much easier to conduct meta-analysis, synthesize prior studies, and help advance scientific knowledge of the relevant IS field. This is particularly true when the CI is for elasticities (that is, the percentage change in  $Y$  for each 1% change in  $X$ ). An example can be found in de Leeuw (1971) from the labor economics literature.

When the researcher has a particular parameter value of interest  $k$ , such as based on prior research, then a confidence interval for the coefficient will give an indication of the closeness of the coefficient not only to  $k$  but also to other values in the vicinity of  $k$ .<sup>6</sup> Because a large sample results in tighter confidence interval, the CI's thresholds are especially informative of the (unknown) parameter's magnitude and range.

Last but not least, empirical IS researchers tend to conduct multiple robustness checks for their models by comparing multiple model specifications. With CIs, one can go beyond the argument that "results are qualitatively similar," and quantitatively compare the range of estimates. Examples of the use of a CI or one of its bounds can be found in many papers in different empirical fields (Black and Strahan 2002, Goolsbee 2000, Goolsbee and Guryan 2006, Iglesias and Riboud 1988, Vissing-Jørgensen 2002).

We advocate using the most conservative bound of the confidence interval and reporting that the researchers are, for example, 95% confident that the independent variable has the calculated impact on the dependent variable. This kind of statement is easy for the reader to interpret and corresponds to the frequent use across a variety of fields of the probability of a type I error of 5% without falling into the  $p$ -value pitfall.

**Using Charts.** Given the importance of statistical inference in IS research, we present an approach that helps avoid the  $p$ -value problem that arises in large-sample studies, while maintaining the framework that researchers are familiar with. We build on a few intuitive notions. First, drawing a smaller sample will yield "familiar" significance levels. Second, drawing multiple samples gives additional information about variability in those results. Third, samples of increasing size will display the  $p$ -value deflation problem. We integrate these notions into four charts:

A *confidence interval chart* displays the confidence interval as a function of the sample size, ranging from

<sup>6</sup> Alternatively, the researcher may use a series of values for  $k = (k_1, k_2, k_3, \dots)$ , and sequentially test hypotheses  $\beta = k_1; \beta = k_2; \dots$ . This is akin to a series of sensitivity tests around  $k$ , and will yield similar results as the confidence interval approach. We thank an anonymous reviewer for this insight.

**Table 3** Algorithm for Generating CPS Chart

For a sample of size  $n$ , and a CPS chart based on  $k$  increasing sample sizes:

1. choose the minimum sample size  $n_0$  that is reasonable for fitting the model;
2. randomly draw a sample of size  $n_0$  from the large data set;
3. fit the model of interest to this sample, and retain the estimated coefficients, their standard errors, and the  $p$ -values;
4. increase the last sample size by adding  $\text{round}(n/k)$  more observations, drawn randomly from the remaining data set;
5. repeat steps (3)–(4) until the full original data set is used;
6. finally, create a line plot of the coefficients vs. the sample size (on the  $x$ -axis), and in another panel the  $p$ -value(s) vs. the sample size.

very small to the maximal large-sample size itself. This plot emphasizes the magnitude of the coefficient and its shrinking standard error.

The *coefficient/ $p$ -value/sample-size (CPS) chart* displays curves of the coefficient of interest and its associated  $p$ -value for different samples sizes, ranging from very small to the maximal large-sample size itself. This chart is based on repeatedly drawing samples of increasing sizes, rerunning the statistical model on each sample, computing the coefficient and  $p$ -values of interest, and plotting them on a chart. An algorithm for generating this chart is given in Table 3 (Stata code is available online as supplemental material at <http://dx.doi.org/10.1287/isre.2013.0480>).

A *1% significance threshold chart* that shows the sample size at which each variable's coefficient becomes significant at the 1% level. It can be used to determine subsample sizes for checking robustness.

The *Monte-Carlo CPS chart* expands the CPS chart by drawing multiple samples from each sample size. Although this chart can be more computationally intensive, it gives the added information about the distribution of the coefficients and the  $p$ -values as the sample size increases (Stata code is available online as supplemental material at <http://dx.doi.org/10.1287/isre.2013.0480>).

It should be noted, however, that producing these charts can be computationally intensive, so they are most appropriate for models that are straightforward and easy to estimate. We illustrate some of these proposals using a real data set from eBay auctions.

**Table 4** Variable Descriptions and Summary Statistics

| Variables                | Descriptions                                                       | Mean     | Standard deviation |
|--------------------------|--------------------------------------------------------------------|----------|--------------------|
| <i>MinimumBid</i>        | Minimum bid of the auction.                                        | 40.9     | 79                 |
| <i>Reserve</i>           | One if seller set a reserve price for the auction; zero otherwise. | 0.035    | 0.183              |
| <i>SellerFeedback</i>    | Sellers' feedback score at time of listing.                        | 44,074.8 | 93,126.7           |
| <i>Duration</i>          | Duration of auctions in days.                                      | 4.12     | 2.6                |
| <i>Control variables</i> | Dummies for camera type, brand, condition, and product lines.      |          |                    |

**Table 5** OLS Regression Model Estimated Using Entire Sample ( $y = \log(\text{Price})$ )

| Variable                                                                                | Coefficient | Standard error | <i>p</i> -value | 95% confidence interval <sup>a</sup> | Interpretation for the conservative bound of the confidence interval for directional hypotheses                             |
|-----------------------------------------------------------------------------------------|-------------|----------------|-----------------|--------------------------------------|-----------------------------------------------------------------------------------------------------------------------------|
| $\ln(\text{minimum bid})$                                                               | 0.1006      | 0.000825       | 0.000           | (0.0990, 0.1023)                     | 1% increase in the minimum bid is associated with an average 0.09% increase in final price, all else constant.              |
| <i>Reserve</i>                                                                          | 0.7375      | 0.00675        | 0.000           | (0.7240, 0.7510)                     | Items with a reserve price sell for a price that is on average 106% ( $= 100(e^{0.724} - 1)\%$ ) higher, all else constant. |
| $\ln(\text{seller feedback})$                                                           | 0.0438      | 0.00065        | 0.000           | (0.0425, 0.0451)                     | 1% increase in the seller's feedback score is associated with an average of 0.04% higher price, all else constant.          |
| <i>Duration</i>                                                                         | −0.0405     | 0.0007         | 0.000           | (−0.0419, −0.0391)                   | Each extra day for auction listing is associated with an average 4% decrease in price, all else constant.                   |
| <i>Control variables:</i> Dummies for camera type, brand, condition, and product lines. |             |                |                 |                                      |                                                                                                                             |

<sup>a</sup>It should be noted that although we use 95% for the confidence intervals, this is as subjective as the 5% cutoff for *p*-values. Also, for our directional hypotheses it would be more adequate to use one-sided confidence intervals (with a single lower or upper value); we present two-sided intervals because of their easier interpretation and popularity in IS.

### Example: Camera Sales on eBay

To illustrate the *p*-value issue that arises in large samples, and the different proposed solutions (including our CPS and Monte Carlo CPS charts), we use a large sample ( $n = 341,136$ ) of eBay auctions for digital cameras between August 2007 and January 2008. Summary statistics for the main variables of interest are in Table 4.

For illustration purposes, we draw on a simple model from earlier studies of auction data such as the one by Lucking-Reiley et al. (2007):<sup>7</sup>

$$\begin{aligned}\ln(\text{price}) = & \beta_0 + \beta_1 \ln(\text{minimumBid}) \\ & + \beta_2 \text{reserve} + \beta_3 \ln(\text{sellerFeedback}) \\ & + \beta_4 \text{duration} + \gamma' \text{controls} + \varepsilon.\end{aligned}$$

Suppose we have the following four hypotheses regarding price determinants:

**HYPOTHESIS 1 (H1).** Higher minimum bids lead to higher final prices ( $\beta_1 > 0$ ).

**HYPOTHESIS 2 (H2).** Auctions with reserve price will sell for higher prices ( $\beta_2 > 0$ ).

**HYPOTHESIS 3 (H3).** Duration affects price ( $\beta_4 \neq 0$ ).

**HYPOTHESIS 4 (H4).** The higher the seller feedback, the higher the price ( $\beta_3 > 0$ ).

We start by estimating the regression equation using the full sample ( $n = 341,136$ ). Results are shown in Table 5. The approach of considering only the coefficient sign and the significance level would lead to the rejection of all four hypotheses, which is not necessarily warranted given the magnitude of the coefficients. Of course, whether a coefficient magnitude is practically significant depends on the context and on

the stakeholder (e.g., for a seller interested in a single auction, or the auction house interested in large volumes of auctions).

**Effect Sizes.** In addition to the frequently reported coefficient, *p*-value, and standard errors, we also report the 95% confidence intervals, as well as a statement translating the magnitude of the conservative confident interval bound into statements about practical significance. In this example, the dependent variable (price) is log transformed, and so are minimum bid and seller feedback. Hence, the interpretation for some of the variables is in terms of percentages (see Table 2 for interpreting coefficient magnitudes in linear and logistic regression with various transformations).

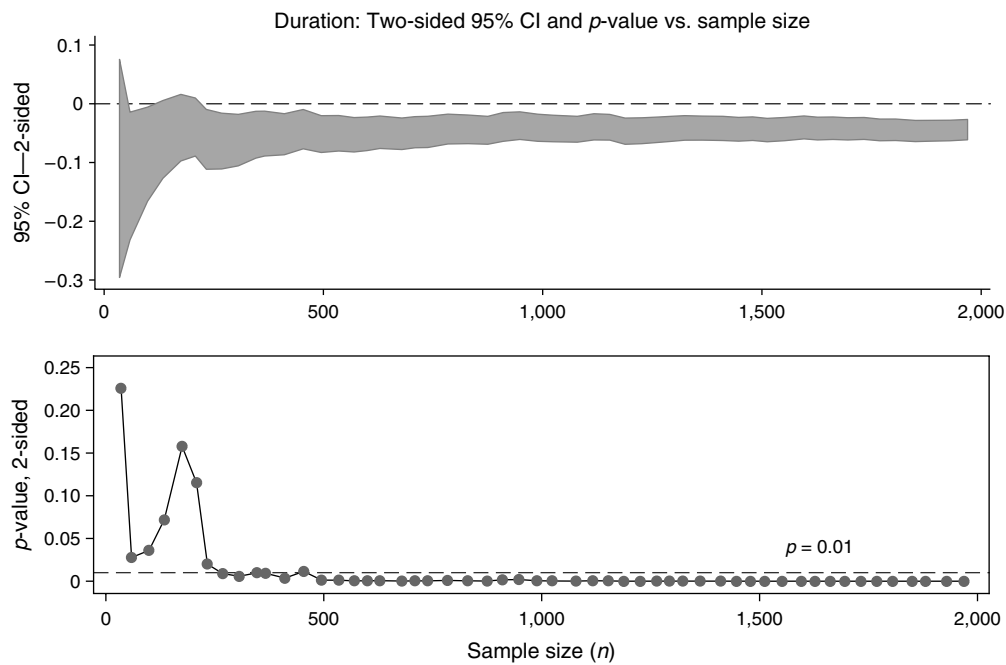
**Confidence Interval Charts (CI-Chart).** Charts can help researchers develop a better understanding of their data, both visually and intuitively. Figure 1 presents the confidence interval chart for the duration parameter for increasing sample sizes. For each sample size the confidence interval was computed as the coefficient  $\pm 1.96$  times the standard error. The chart is coupled with the *p*-value chart to show how the sample size affects the *p*-value much more drastically than it affects the CI.

**CPS Chart.** Figures 2 and 3 illustrate the use of CPS charts for the duration variable and for (log) seller feedback score. For reference, we plotted a horizontal line at the significance threshold of 1%. To generate these charts, we used the algorithm described in Table 3, running 5,000 iterations.

The CI chart and the CPS chart highlight the *p*-value problem. They show that once the sample size increases beyond some point, the *p*-value drops to near zero values and remains there. In this particular example, the *p*-value for (log) seller feedback falls below 1% once the sample size is greater than 200; when the sample is larger than 500, the *p*-value is

<sup>7</sup> This model is for illustration purpose only. All hypotheses and tests are conditional on the fact that the auction is actually successful—i.e., the product is actually sold.

**Figure 1** Two-Sided 95% Confidence Interval (Top) and  $p$ -Value (Bottom) for Duration vs. Sample Size



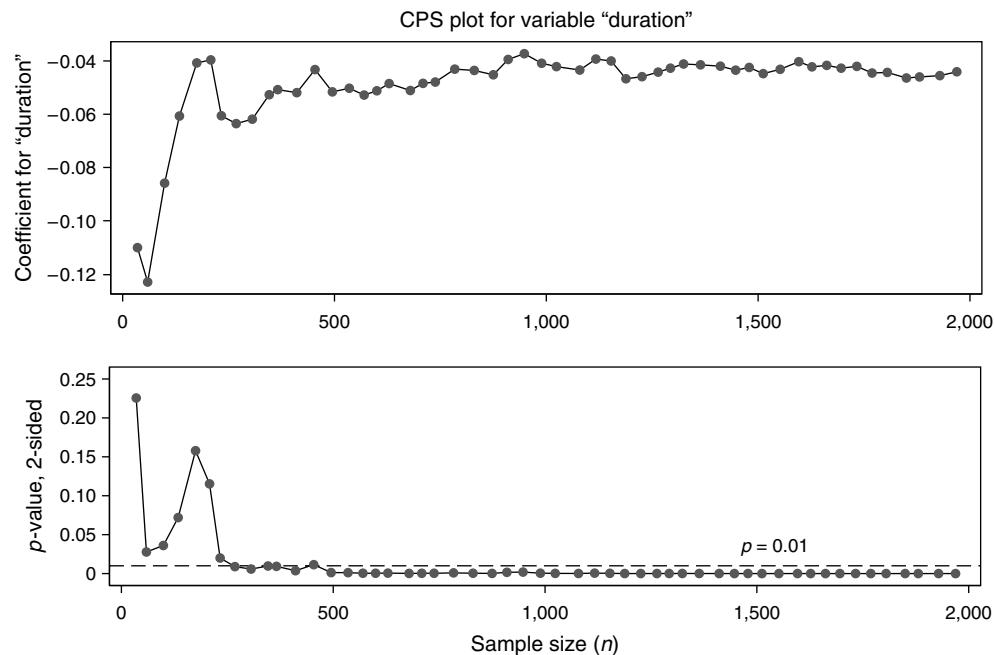
Notes. Zoomed in to  $n < 2,000$  for illustration. Horizontal dashed line in lower panel:  $p = 0.01$ .

almost always less than 0.000001. The CPS chart highlights the results from the large-sample regression model in the context of effect magnitude, and helps avoid attributing importance to the  $p$ -value beyond a certain sample size.

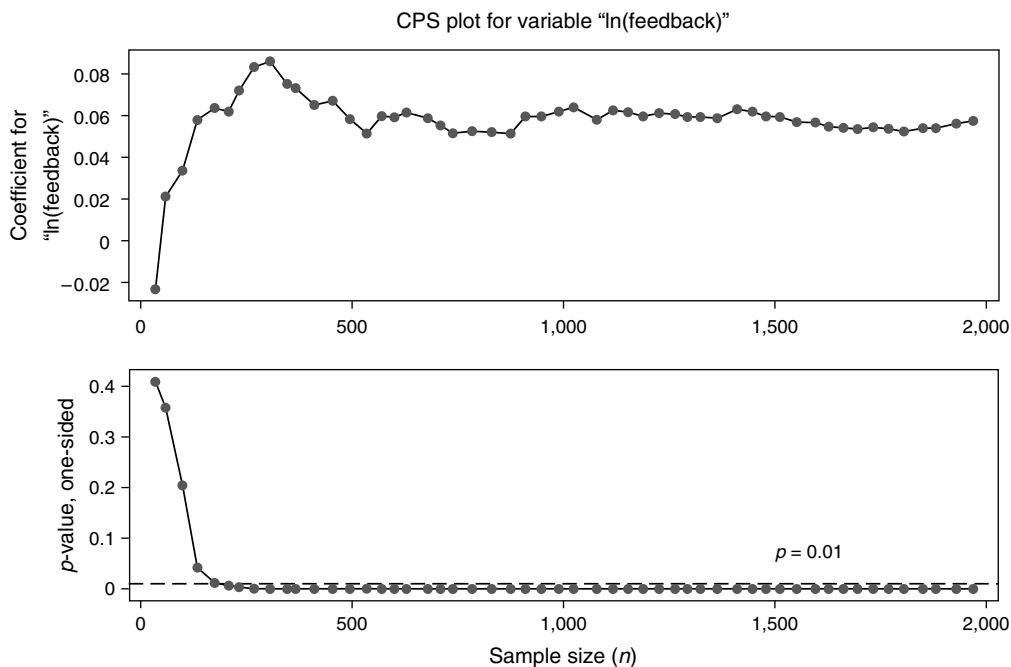
What is the sample size threshold for which the  $p$ -value problem becomes an issue? There is no gen-

eral answer to this question, but the researcher may want to determine the sample size at which variables become significant, for example, for the purpose of drawing subsamples to check robustness. Figure 4 is a plot of the sample size at which each variable in Equation (4) becomes significant at the 1% level, which we call a 1% *significance threshold plot*. Note that

**Figure 2** CPS Chart for Duration: Coefficient and  $p$ -Value vs. Sample Size



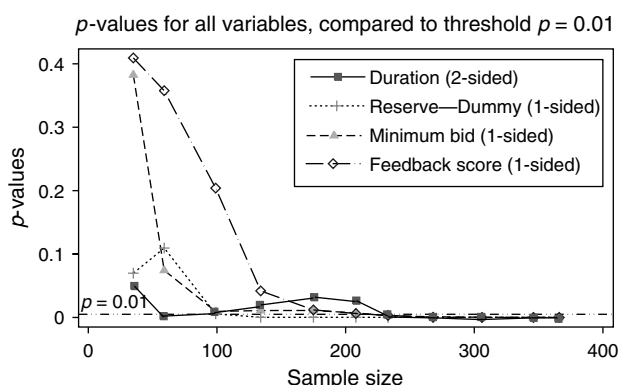
Notes. Zoomed in to  $n < 2,000$  for illustration. Horizontal dashed line corresponds to  $p = 0.01$ .

**Figure 3** CPS Chart for  $\ln(\text{Feedback})$ : Coefficient and  $p$ -Value vs. Sample Size

Notes. Zoomed in to  $n < 2,000$  for illustration. Horizontal dashed line corresponds to  $p = 0.01$ .

by an  $n$  of 300, all of the  $T$  values for testing the hypothesis that the coefficients are positive or different from 0 are in the rejection region. Beyond a sample size of 300, additional data drive down  $p$ -values and increase power. Given the size of our sample, there is little doubt that the results are statistically significant.

**Monte-Carlo CPS Chart.** The two CPS charts are based on just one random draw at each sample size. To further study the  $p$ -value distribution as a function of sample size, we use a Monte Carlo simulation to generate 400 samples for each sample size, for a set of increasing sample sizes. We then fit the same regression model, and compute the  $p$ -value for

**Figure 4** Significance Threshold Chart Showing  $p$ -Values for Four Variables as Compared with  $p^* = 0.01$  (Horizontal Line)

Note. Zoomed in to  $n < 500$  for illustration.

seller feedback. For example, we randomly sampled 100 data points from the full sample of camera auctions 400 times, ran the regression model on each of these subsamples, and plotted the resulting coefficients and  $p$ -values. Figure 5 shows the estimated distribution of coefficients and  $p$ -values as a function of sample size. The top and middle panels are a more general view of the CPS chart (compare this to the bottom panel in Figure 5). The median coefficient value is stable across the different sample sizes, and its variability decreases in a meaningful way; for samples below  $n = 500$  the distribution covers the value zero, yielding statistical insignificance at traditional significance levels. The plots show decreasing noise in the coefficient estimation reflecting the power of an increasing sample size. We see that not only do levels of  $p$ -values decrease rapidly with sample size, but so does the variability in the  $p$ -value distribution. In other words, with a large sample we expect to consistently see very small  $p$ -values. The bottom panel of Figure 5 displays the same  $p$ -value information on a logarithmic scale, better showing the minuscule magnitude of  $p$ -values at  $n > 700$ .

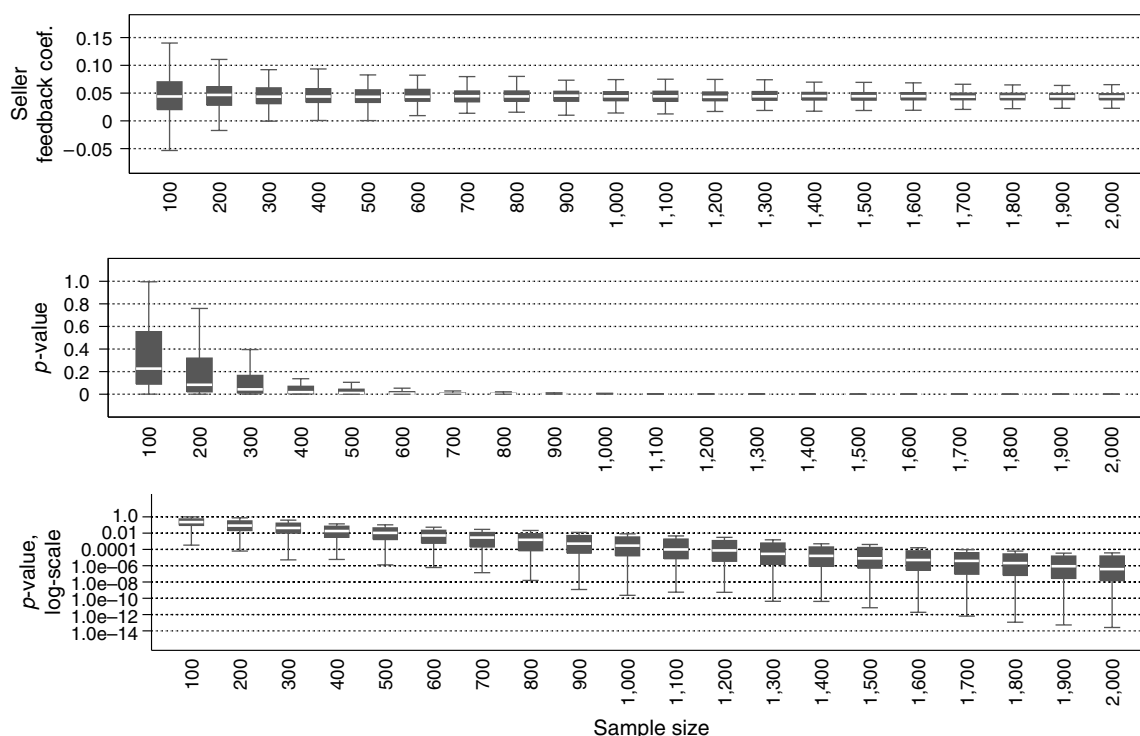
### Taking Advantage of Large Samples

Large samples provide opportunities to conduct more powerful data analysis and inference compared to small samples. In this section, we highlight some ways of exploiting large samples, with reference to some published papers that already do so.

One major opportunity with large samples is the detection and quantification of small or complex



Figure 5 Monte Carlo CPS Chart: Coefficient and  $p$ -Value as a Function of Sample Size



Notes. The bottom panel displays the same  $p$ -value data on a logarithmic scale; the apparently increasing variability is in fact decreasing because of the log scale. The white line within each box denotes the median.

effects. Examples include nonlinear relationships, such as higher-order polynomials and interaction terms (Asvanund et al. 2004, Forman et al. 2008, Ghose and Yang 2009). In such cases the interpretation of effects must take into account the additional coefficients (e.g.,  $X^2$  or  $X_1 \times X_2$ ). Moreover, with a large sample, interactions that involve a categorical variable can be studied by splitting the data into the separate categories and fitting separate models (Asvanund et al. 2004, Forman et al. 2008, Gefen and Carmel 2008, Ghose 2009, Gordon et al. 2010, Li and Hitt 2008, Mithas and Lucas 2010, Overby and Jap 2009, Yao et al. 2009). In general, a large sample often provides sufficient data for conducting analyses on subsamples of interest while maintaining sufficient power in each subsample. For example, a researcher might analyze subsamples by geographic area or by product type, with special interest in particular categories.

A large sample also enables the researcher to incorporate many control variables into the model without worrying about power loss (Forman et al. 2008, Ghose 2009, Mithas and Lucas 2010), thereby reducing concerns for alternative explanations and strengthen the main arguments if results remain consistent.

If a researcher would like to validate the predictive power of her causal model, it is easier to do so with a large sample (Shmueli 2010, Shmueli and Koppius 2011). The researcher would remove a random portion of the sample before analysis begins, estimate the

causal model (on the reduced sample), and then generate predictions of the dependent variable for the excluded "holdout set" of observations. The closeness of the predictions to the actual dependent variable values gives an indication of the predictive power of her model.

Some effects are so rare that they are encountered only with a very large sample. This is one of the main uses of large samples in industry in applications such as fraud detection. Although research tends to focus on the "average behavior," with large samples we can expand scientific endeavors into the "rare events" realm, which are often important. One example is Dellarocas and Wood (2008). In addition to their main analysis, the authors look more carefully at negative and neutral ratings on eBay, which account for a small percentage of ratings on the site.

## Conclusions

The purpose of this commentary is to highlight a significant challenge in IS research that may reduce the credibility of our findings. Larger samples provide great opportunities for empirical researchers, but also create potential problems in interpreting statistical significance. The challenge is to take advantage of these large samples without falling victim to deflating  $p$ -values. In particular we recommend that IS researchers modeling large samples should not simply rely on the direction of a regression coefficient

and a low  $p$ -value to support their hypotheses. Instead, we suggest several approaches to the  $p$ -value problem: reporting effect sizes and confidence intervals, reporting conservatively using, for example, the minimum point of the confidence interval, and using various plots for interpreting the data along with Monte Carlo simulations. As IS researchers increasingly gain access to large data sets, we hope that this commentary will stimulate an ongoing discussion on the advantages and challenges of conducting large sample research in information systems.

### Supplemental Material

Supplemental material to this paper is available at <http://dx.doi.org/10.1287/isre.2013.0480>.

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### Appendix. Why the $p$ -Value Approaches 0 for Large Samples

Traditionally, empirical research papers in IS explicitly discuss and elaborate on what a statistician would call the alternative hypothesis, for example, that females use smart phones for texting more than males or that a higher starting bid in an online auction is associated with a higher final price for the goods being auctioned, implicitly implying that the null hypothesis is the “opposite” scenario. Underlying all statistical testing is the null hypothesis, which always includes the case of “no effect,” for example, that there are no differences between groups or that there is no association among variables.

The null hypothesis either contains only the non-directional no effect scenario or it contains both the no effect scenario and the opposite directional scenario. The researcher hypothesizing that a coefficient in a regression equation is positive is trying to reject the null hypothesis that the coefficient is 0 or negative, i.e., rejecting the no effect and negative coefficient scenarios. When a researcher reports that the coefficient of the regression equation is positive and statistically significant at the 0.05 level, there is only a 5% chance that she would have observed this result or one more extreme (i.e., a larger positive coefficient) if in fact the coefficient is 0 or negative.

Consider a researcher who conducts an online survey of college students to test the alternative hypothesis that female students use their smart phones for texting more than male students. The implied null hypothesis is that either there is no gender effect or that male students use their smart phones for texting more than female students. The researcher’s survey displays a line on the respondent’s computer anchored by 0% and 100% on either end, and asks the respondent to click at the percentage of their smart phone use that is for texting. If male and females actually text the same amount, the first problem is accurately measuring the responses from the continuous line where the respondents click on their responses. As Tukey (1991, p. 100)

put it “The effects of A and B are always different—in some decimal place—for any A and B.” Cohen (1990, p. 1308) says “A little thought reveals a fact widely understood among statisticians: The null hypothesis, taken literally (and that’s the only way you can take it in formal hypothesis testing), is always false in the real world. . . . If it is false, even to a tiny degree, it must be the case that a large enough sample will produce a significant result and lead to its rejection. So if the null hypothesis is always false, what’s the big deal about rejecting it?” We are not suggesting that IS researchers abandon hypothesis testing; these observations on the null hypothesis are intended to move our focus from relying solely on statistical significance to consideration of practical significance and effect size.

Large samples are advantageous because of the statistical power that they provide. Yet researchers should also realize that a by-product of increasing the sample size is that the  $p$ -value itself will easily go to zero. The  $p$ -value for testing a nondirectional hypothesis regarding a linear regression coefficient is calculated by

$$p\text{-value} = 2 \times (1 - \Phi(df, |T|)), \quad (1)$$

where  $\Phi$  is the cumulative student’s  $t$ -distribution,  $df$  is the residual degrees of freedom, and  $|T|$  is the absolute value of the observed  $t$ -statistic (Buis 2007), given by  $|T| = (\hat{\beta} - 0) / \hat{\sigma}_{\hat{\beta}}$ .

This  $T$  statistic is an increasing function of the sample size  $n$ , because the standard error in the denominator decreases in  $n$ . In the case of a single independent variable, it is straightforward to see the effect of the sample size on the standard error:

$$\hat{\sigma}_{\hat{\beta}} = \frac{\sqrt{MSE}}{S_x \sqrt{n-1}},$$

where MSE (mean squared error) is the estimate of the error variance and  $s_x$  is the standard deviation of the independent variable ( $S_x^2 = (1/(n-1)) \sum_{i=1}^n (x_i - \bar{x})^2$ ). Hence, in the single independent variable case we can write

$$|T| = \left| \frac{\hat{\beta} - 0}{\frac{\sqrt{MSE}}{S_x \sqrt{n-1}}} \right| = \sqrt{n-1} \frac{|\hat{\beta}| \times S_x}{\sqrt{MSE}}.$$

What happens to  $p$ -value as  $n$ , the sample size, increases? Consider the null hypothesis  $H_0: \beta = 0$ . Unless the null hypothesis is *exactly* true (to an infinite number of decimals), the  $p$ -value will go to 0 as  $n$  becomes infinitely large, because the value of  $|T|$  will approach infinity, and therefore the cumulative  $t$  distribution until  $|T|$  (which becomes effectively a standard normal distribution) approaches 1. Equation (2) shows the limit of the  $p$ -value for the cumulative  $t$  distribution used to determine the statistical significance of a regression coefficient in the case of a single independent variable:

$$\begin{aligned} \lim_{n \rightarrow \infty} p\text{-value} &= \lim_{n \rightarrow \infty} 2 \times (1 - \Phi(df, |T|)) \\ &= 2 \times \left( 1 - \lim_{n \rightarrow \infty} \Phi(df, |T|) \right) \\ &= 2 \times \left( 1 - \Phi \left( df, \lim_{n \rightarrow \infty} \sqrt{n-1} \frac{|\hat{\beta}| \times S_x}{\sqrt{MSE}} \right) \right) \quad (2) \\ &= \begin{cases} 2 \times (1 - \Phi(df, 0)) = 1, & \text{if } \beta = 0 \\ 2 \times (1 - \Phi(df, \infty)) = 0 & \text{if } \beta \neq 0 \end{cases} \end{aligned}$$

Note that unless  $\beta$  is exactly equal to 0 with an infinite number of decimals (in which case the  $p$ -value will approach 1), the  $p$ -value will approach 0. A similar mathematical relationship exists between the test statistic and the sample size in *all statistical tests*, including regression models with multiple independent variables,  $t$ -tests, ANOVA, etc. It is easy to understand this if we think of the sample size approaching the entire population. If we know the exact value of  $\beta$  (or another parameter of interest) in the population, we also know whether it is exactly equal to 0 (or a different value of interest) or not with no uncertainty.

Many IS papers utilizing regression models, test that a coefficient is either positive or negative (directional hypothesis) and evaluate statistical significance with a one-sided test. The illustration above is for two-sided tests and can be modified for a one-sided test by eliminating the 2's in Equations (1) and (2), replacing  $|T|$  with  $T$ , and for a negative coefficient hypothesis ( $H_1: \beta < 0$ ), replacing  $1 - \phi$  with  $\phi$ . At the limit, these changes have no effect on the  $p$ -value approaching 0 or 1 in large samples.

This artificial deflation of the  $p$ -value as sample size increases is well known in statistics (e.g., Chatfield 1995). When one has 500,000 observations, the  $p$ -values associated with the coefficients from modeling this data set are almost always going to be 0, so that a statistical test is close to useless at best, and misleading at worst. Econometricians have also long realized this issue and suggest that the threshold  $p$ -value should be adjusted downward as the sample size grows (Leamer 1978, Greene 2003), however to our knowledge there have been no proposed rules of thumb in terms of how such adjustments should be made.

This fascination with  $p$ -values comes because researchers too often confuse  $p$ -value with effect size. In a conventional test of a hypothesis, a researcher establishes the criterion for accepting or rejecting the null hypothesis before collecting a sample. If she chooses the 5% level, it means that if her test statistic is in the rejection region, there is only a 5% chance she would obtain this test statistic if the null hypothesis is true. If, instead, she chose the 1% level and the test statistic is in the rejection region, then there is only a 1% chance she would get this result if the null hypothesis is true. The  $p$ -value indicates the probability that one would observe the test statistic (or a more extreme value) given the null hypothesis is true. The  $p$ -value says nothing about the strength of the effect under investigation. A  $p$ -value  $< 0.001$  does not imply a stronger relationship between variables than a  $p$ -value  $< 0.01$ .

As an example, Thompson (1989) presents a table of results with fixed effect sizes showing increasing levels of statistical significance as the sample size increases. The level of statistical significance increases, but the strength of the relationship in the table remains constant. The result becomes statistically significant somewhere between 13 and 23 observations in the sample, but the effect size is fixed.

Researchers in many fields seem to regard a test statistic that allows them to reject the null hypothesis at the 5% level as magical proof of the relationship they believe exists between independent and dependent variables. A focus on a particular level of significance has led to suggestions that we have become so obsessed with 5% that we

have forgotten to look at the practical significance of our findings (Carver 1978, Sawyer and Peter 1983, Ziliak and McCloskey 2008).

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