**A/B Test a New Menu Launch**

Project Overview

We’re a business analyst for Round Roasters, a coffee restaurant in the United States of America. The executive team conducted a market test with a new menu and needs to figure out whether the new menu can drive enough sales to offset the cost of marketing the new menu. Our job is to analyze the A/B test and write up a recommendation to whether the Round Roasters chain should launch this new menu

The Business Problem

Round Roasters is an upscale coffee chain with locations in the western United States of America. The past few years have resulted in stagnant growth at the coffee chain, and a new management team was put in place to reignite growth at their stores.

The first major growth initiative is to introduce gourmet sandwiches to the menu, along with limited wine offerings. The new management team believes that a television advertising campaign is crucial to drive people into the stores with these new offerings.

However, the television campaign will require a significant boost in the company’s marketing budget, with an unknown return on investment (ROI). Additionally, there is concern that the current customers will not buy into the new menu offerings.

To minimize risk, the management team decides to test the changes in two cities with new television advertising. Denver and Chicago were chosen to participate in this test because the stores in these two cities (or markets) perform similarly to all stores across the entire chain of stores; performance in these two markets would be a good proxy to predict how well the updated menu performs.

The test ran for a period of 12 weeks (2016-April-29 to 2016-July-21) where five stores in each of the test markets offered the updated menu along with television advertising.

The comparative period is the test period, but for last year (2015-April-29 to 2015-July-21).

We’ve been asked to analyze the results of the experiment to determine whether the menu changes should be applied to all stores. The predicted impact to profitability should be enough to justify the increased marketing budget: at least 18% increase in profit growth compared to the comparative period while compared to the control stores; otherwise known as incremental lift/ In the data, profit is represented in the *gross\_margin* variable.

We have been able to gather three data files to use for our analysis:

* Transaction data for all stores from 2015-January-21 to 2016-August-18
* A listing of all Round Roasters stores
* A listing of the 10 stores (5 in each market) that were used as test markets

Step 1: Plan Our Analysis

To perform the correct analysis, we will need to prepare a data set. Prior to rolling up our sleeves and preparing the data, it’s a good idea to have a plan of what we need to do in order to prepare the correct data set. A good plan will help you with your analysis. Here are a few questions to get started:

* What is the performance metric we’ll use to evaluate the results of our test?
* What is the test period?
* At what level (day, week, month, etc.) should the data be aggregated?

Step 2: Clean Up Data

In this step, we should prepare the data for steps 3 and 4. We should aggregate the transaction data to the appropriate data ranges. We can assume that there is no missing, incomplete, duplicate, or dirty data. We are ready to move on to the next step when we have weekly transaction data for all stores.

Step 3: Match Treatment and Control Units

In this step, we should create the trend and seasonality variables, and use them along with our other control variable(s) to match two control units to each treatment unit. Treatment stores should be matched to control stores in the same region. *Note: Calculate the number of transactions per store per week and use 12 periods to calculate trend and seasonality*.

Apart from trend and seasonality…

* What control variables should be considered? Note: Only consider variables in the RoundRoastersStore file
* What is the correlation between each potential control variable and our performance metric?
* What control variables will we use to match treatment and control stores?

Step 4: Analysis and Writeup

Conduct our A/B analysis and create a short report outlining our results and recommendatioins.