

# Online Experimentation and A/B Testing

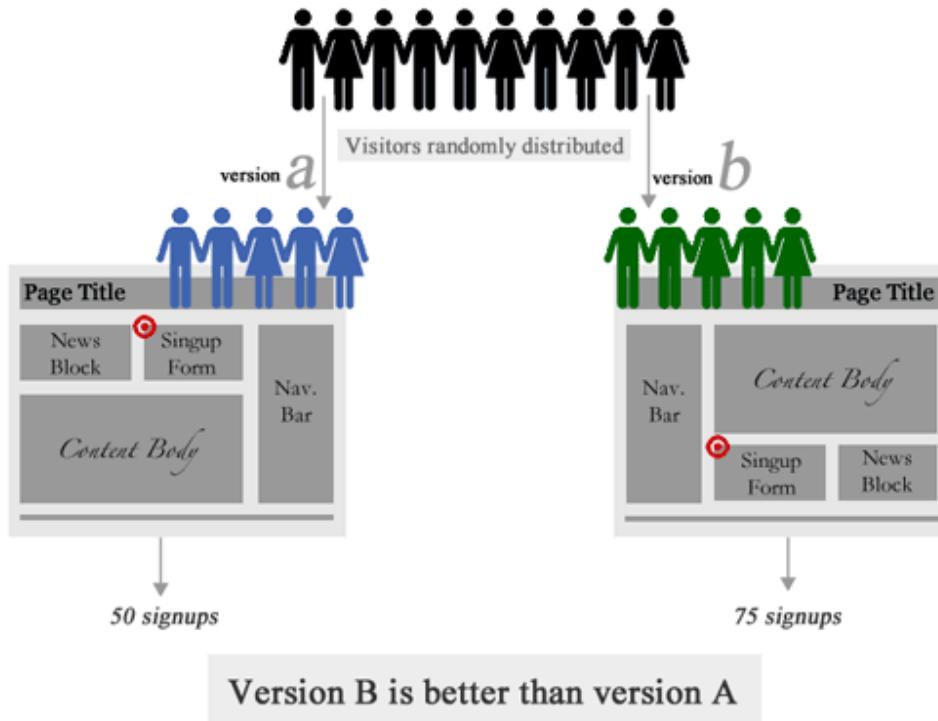
Data Science Dojo

# Agenda

- **Introduction**
  - What is A/B testing?
  - Some interesting A/B tests
- **Fundamentals**
  - Terminology and Steps in Experimentation
  - Hypothesis testing
  - Metrics for A/B testing
  - Focus on intuitive understanding rather than specific distributions, formulas and tests
- **Common pitfalls**
  - Depth of discussion will depend upon audience engagement and time

# INTRODUCTION

# What is A/B Testing?

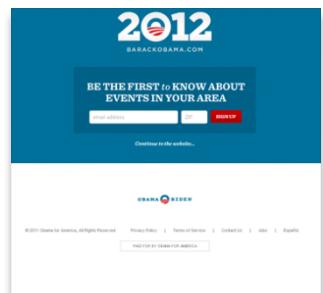
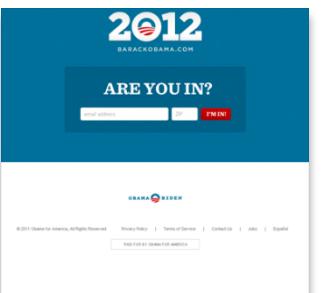
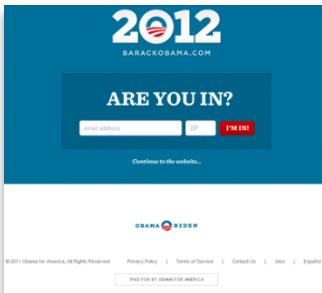


# Obama 2012 Campaign



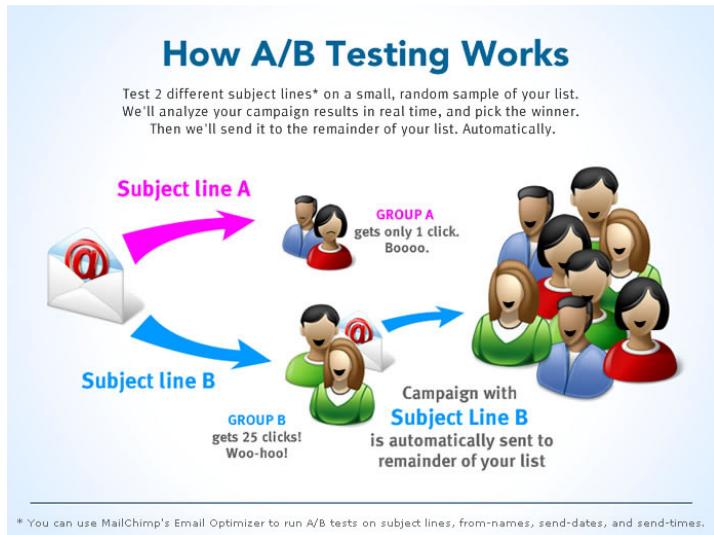
# Obama 2012 Campaign

Maximize Sign-Ups And Donations



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

# A/B Testing On Newsletters And Email



Run tests on many things

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

# Testing Call-to-Action Button

The image shows two side-by-side versions of a landing page for the company Performable. Both pages have identical top sections, including the Performable logo, a phone number (888-258-6021), a 'Beta Customers' link, a 'Sign Up' button, and a 'Log In' button.

**Left Version (Green CTA):**

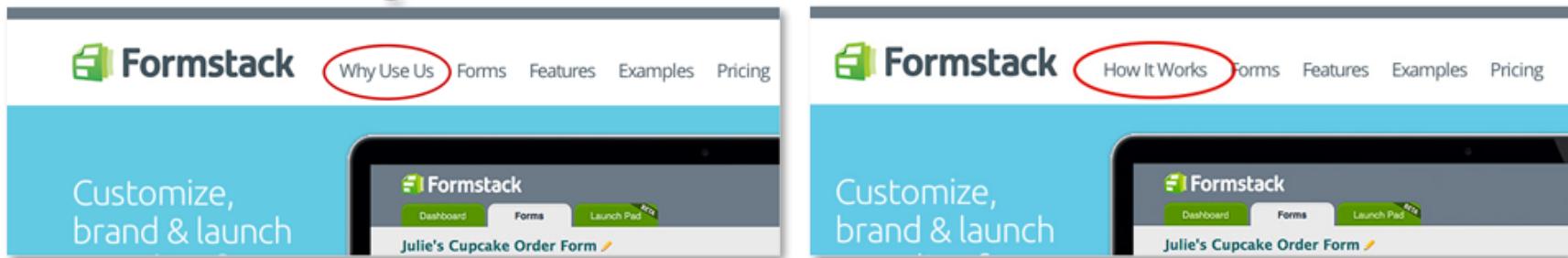
- Headline:** Stop closing the door on potential customers. Get your message right with Performable.
- Text below headline:** Create beautiful landing pages, measure your conversions, and continuously improve your message over time.
- CTA:** Get Started Now!
- Section below CTA:** What can you do with Performable?
  - Make more money from your ad traffic
  - Sell more products using targeted video pages
  - Acquire more business leads
  - Get more subscribers to your newsletter
- Large green 'Get Started Now!' button at the bottom.**

**Right Version (Red CTA):**

- Headline:** Stop closing the door on potential customers. Get your message right with Performable.
- Text below headline:** Create beautiful landing pages, measure your conversions, and continuously improve your message over time.
- CTA:** Get Started Now!
- Section below CTA:** What can you do with Performable?
  - Make more money from your ad traffic
  - Sell more products using targeted video pages
  - Acquire more business leads
  - Get more subscribers to your newsletter
- Large red 'Get Started Now!' button at the bottom.**

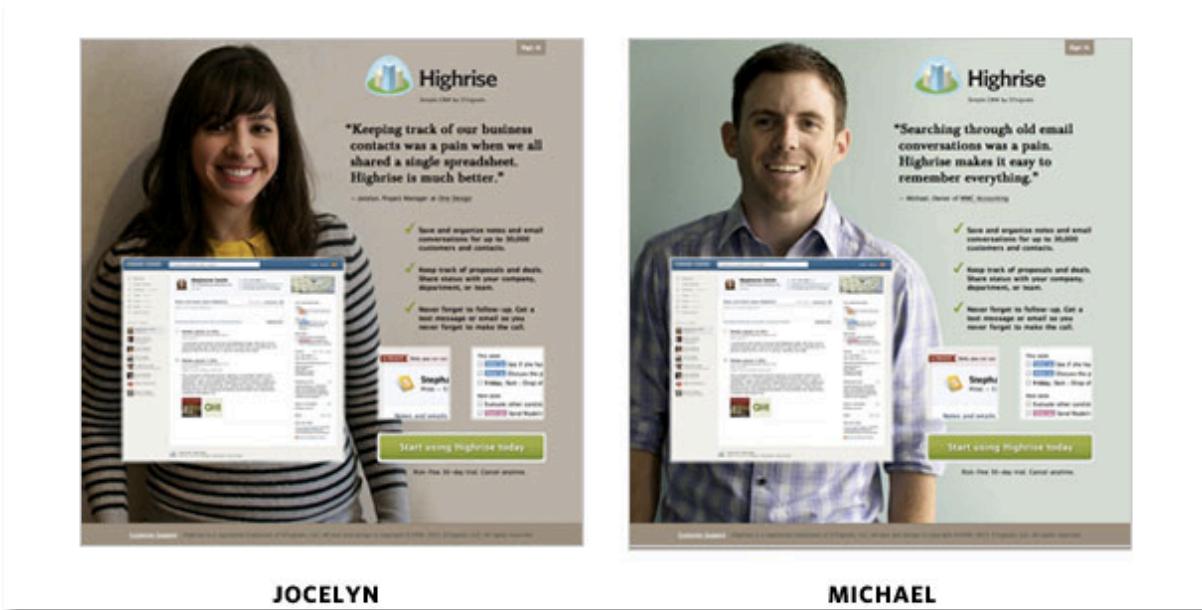
Red button increased clicks by **21%**

# Testing Navigation Bar



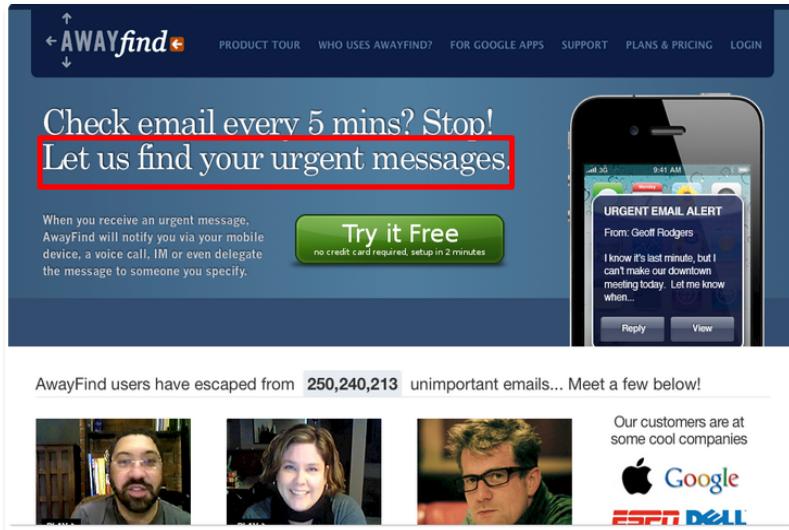
'How It Works' increased clicks by **47.7%**

# Jocelyn or Michael?



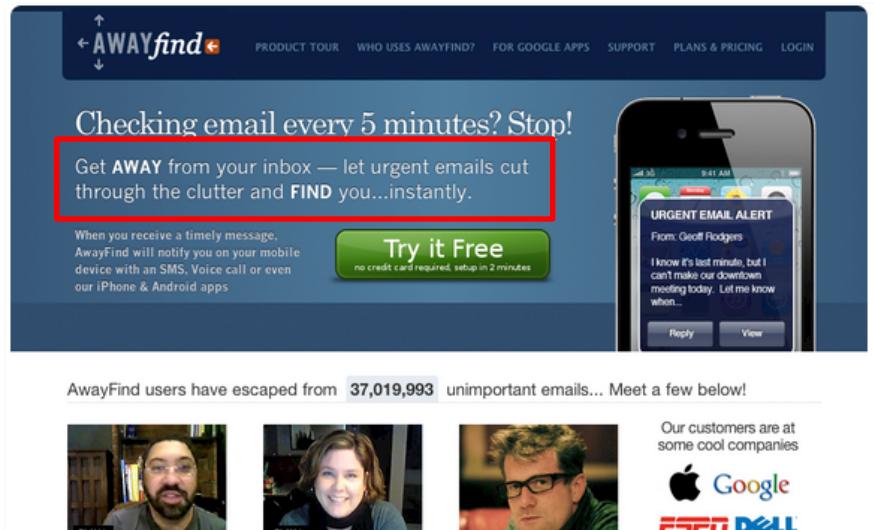
Michael increased conversions by **21%**

# AwayFind - Mobile notifications for priority messages



The screenshot shows the homepage of AwayFind. At the top, there's a navigation bar with links for PRODUCT TOUR, WHO USES AWAYFIND?, FOR GOOGLE APPS, SUPPORT, PLANS & PRICING, and LOGIN. Below the navigation, a main headline reads "Check email every 5 mins? Stop! Let us find your urgent messages." This headline is highlighted with a red rectangular box. Below it is a sub-headline: "When you receive an urgent message, AwayFind will notify you via your mobile device, a voice call, IM or even delegate the message to someone you specify." To the right of this text is a green button labeled "Try it Free" with the note "no credit card required, setup in 2 minutes". To the right of the text is a smartphone displaying a sample notification titled "URGENT EMAIL ALERT" from "Geoff Rodgers" with a message about a last-minute meeting. Below the headline, a statistic says "AwayFind users have escaped from 250,240,213 unimportant emails... Meet a few below!" followed by three customer portraits. To the right, there's a section titled "Our customers are at some cool companies" with logos for Apple, Google, ESPN, and DELL.

Version A

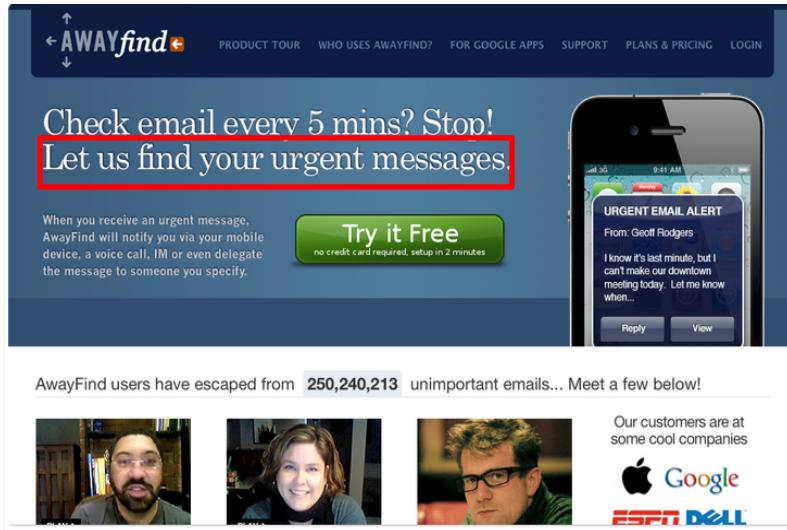


The screenshot shows the homepage of AwayFind, similar to Version A but with different copy. The main headline "Check email every 5 mins? Stop! Let us find your urgent messages." is present but lacks the red box. Instead, a new sub-headline "Get AWAY from your inbox — let urgent emails cut through the clutter and FIND you...instantly." is highlighted with a red box. Below this, the original sub-headline and "Try it Free" button remain. The smartphone screenshot and customer portraits are identical to Version A. The "Our customers are at some cool companies" section also includes the same logos.

Version B

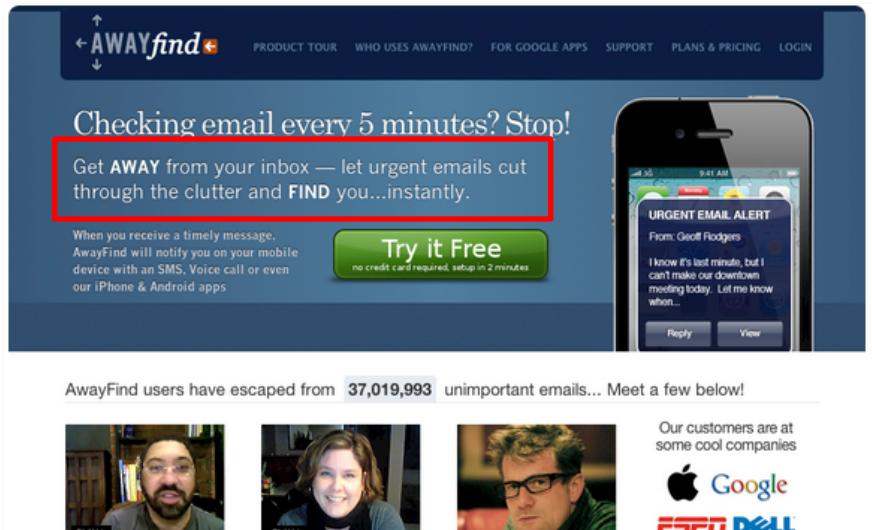
Which version increased sign-ups by 38%?

# AwayFind - Mobile notifications for priority messages



The screenshot shows the homepage of the AwayFind website. At the top, there's a navigation bar with links for PRODUCT TOUR, WHO USES AWAYFIND?, FOR GOOGLE APPS, SUPPORT, PLANS & PRICING, and LOGIN. Below the navigation, a large call-to-action message reads: "Check email every 5 mins? Stop! Let us find your urgent messages." This message is highlighted with a red rectangular box. Below this, a sub-copy explains: "When you receive an urgent message, AwayFind will notify you via your mobile device, a voice call, IM or even delegate the message to someone you specify." To the right of this text is a green button labeled "Try it Free". Further down, there's a section showing three user portraits and logos for Apple, Google, ESPN, and Dell. At the bottom, a statistic states: "AwayFind users have escaped from 250,240,213 unimportant emails... Meet a few below!" followed by three more user portraits.

Version A



The screenshot shows the homepage of the AwayFind website, Version B. The layout is very similar to Version A, with the same navigation bar and overall design. The main call-to-action message "Checking email every 5 minutes? Stop! Get AWAY from your inbox — let urgent emails cut through the clutter and FIND you...instantly." is highlighted with a red rectangular box. Below this, the sub-copy and "Try it Free" button are present. At the bottom, the statistic "AwayFind users have escaped from 37,019,993 unimportant emails... Meet a few below!" is shown, along with three user portraits and company logos.

Version B

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

# Online Form

## Get Data Center Pricing

With eight data centers, Expedient provides superior colocation, network and managed services to enterprises, commercial, education and government entities. We are committed to providing our clients with reliable, secure and redundant managed data center services. As a managed data services provider, we can offer your company high quality, cost effective solutions to meet your needs.

Fill out the form below and get data center pricing today.

Company Name :

Name :

Phone :  -  -  Ext

Contact Email :

**Services :**  Colocation (i)  
 Cloud Computing (i)  
 Virtual Colocation (i)  
 Virtual On Demand (i)  
 Virtual Instance (i)  
 Managed Backup (i)  
 Managed SAN (i)  
 Managed Server (i)  
 Managed Exchange (i)  
 Internet Connectivity (i)  
 Other

Desired Data Center : Select

Comments :

Security Question :   
Answer :

**Get a Quote**

Expedient respects your right to privacy and we will never sell or share your data.  
If you have immediate questions, please call 877-570-7827, Monday through Friday 8am - 5pm EST.



Version A

## Cloud Computing Quote Request

Request service pricing on cloud computing through any of Expedient's 8 nationwide data centers.

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 :

Priority :  — Select One —

Security Question : How many months are there in a year?

Answer :

**SUBMIT**

Version B

Which Radically Redesigned Form Increased B2B Leads By **368.5%**?

# Online Form

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Company Name :

Name :

Phone :  -  -  Ext

Contact Email :



- Services :
- Colocation (i)
  - Cloud Computing (i)
  - Virtual Colocation (i)
  - Virtual On Demand (i)
  - Virtual Instance (i)
  - Managed Backup (i)
  - Managed SAN (i)
  - Managed Server (i)
  - Managed Exchange (i)
  - Internet Connectivity (i)
  - Other

Desired Data Center : Select

Comments :

Security Question : How many months are there in a year?

Answer :

**Get a Quote**

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**Version A**

**Version A!**

**Better be to the point**

## Cloud Computing Quote Request

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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 :

Priority : \*

Security Question : How many months are there in a year?

Answer : \*

**SUBMIT**

**Version B**

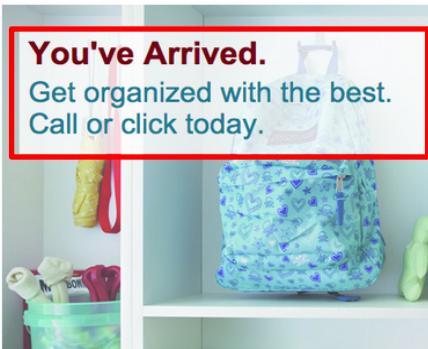
# CALIFORNIA CLOSET

CALIFORNIA CLOSETS®  
*Need. Want. Love.*

Call 866.488.2751

**You've Arrived.**

Get organized with the best.  
Call or click today.



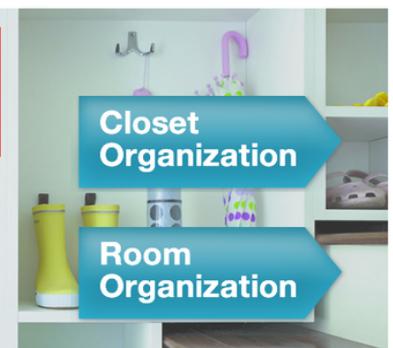
“ It's not just clothes and it's not just shoes. It's space to live in and enjoy.  
—Tracy Lee, Mill Valley, CA ”

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**Version A**

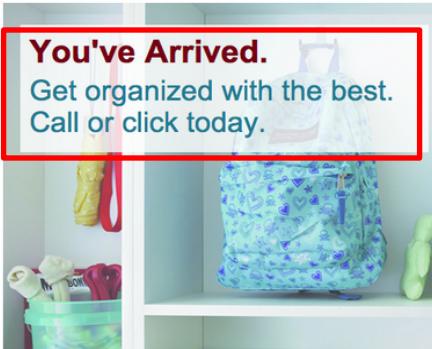
**Version B**

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Version A

Version A increased leads by **115%**.  
**This is why you should test...!**

16

Version B

# FUNDAMENTALS

# Why We Use A/B Testing

## Problem

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

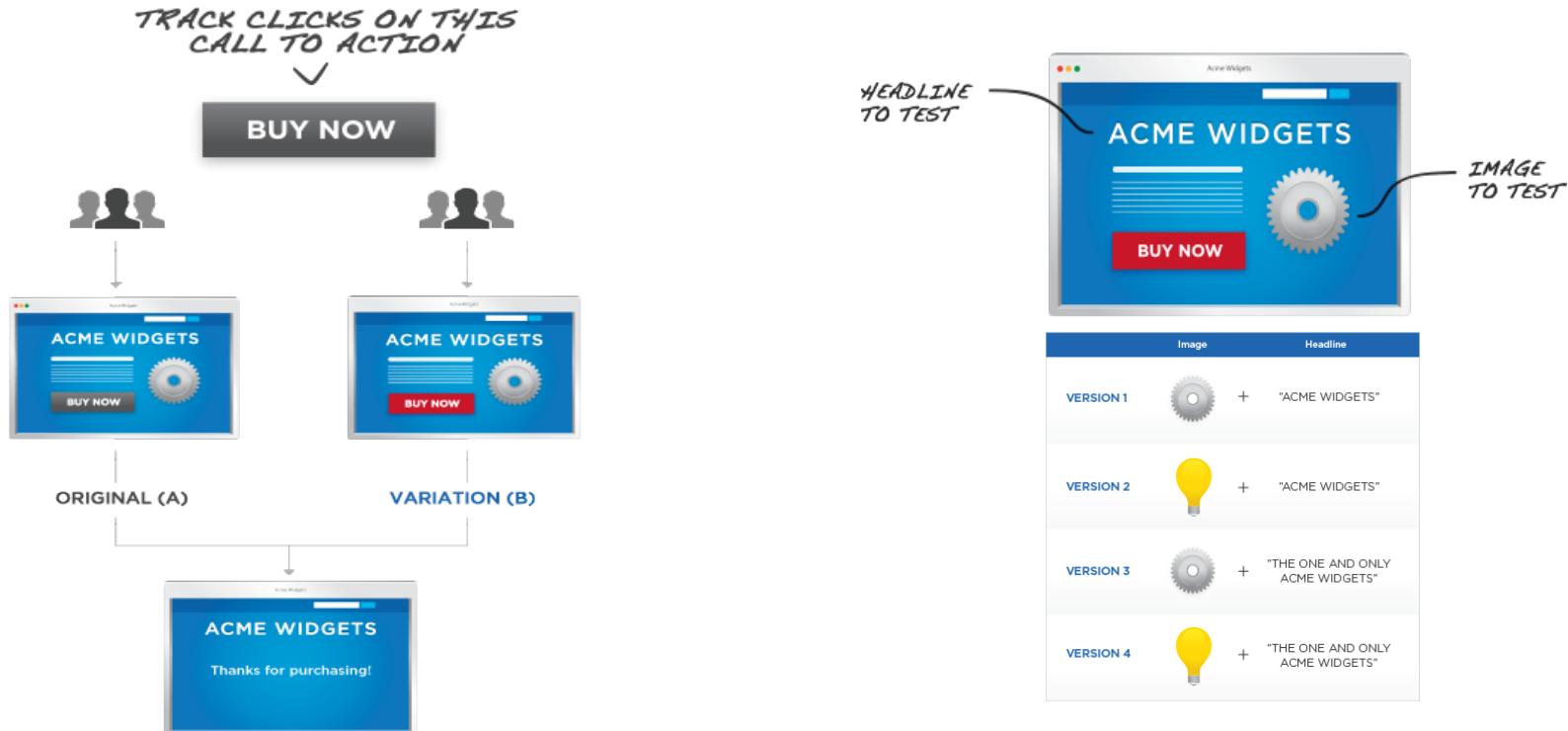
## A/B testing purpose

- 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

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

# 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



# METRICS FOR A/B TESTING

# 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**

# Null vs Alternate Hypothesis

- Null Hypothesis ( $H_0$ )
  - Control and treatment are similar (in terms of the parameter we are estimating)
- Alternate Hypothesis ( $H_a$ )
  - Treatment is different from control

# Null vs Alternate Hypothesis



- Null Hypothesis ( $H_0$ )
  - Green and blue buttons have the same CTR
- Alternate Hypothesis ( $H_a$ )
  - Each button has a different CTR

# 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

## Ground Truth

		Ho is true.	Ho is false.
		Type I error	Correct decision.
Experiment Outcome	Reject Ho.		
	Do not reject Ho.	Correct decision.	Type II error

# **INTUITIVE UNDERSTANDING – CAN YOU TELL ME IN SIMPLE WORDS**

# The Cook and Smoke Detector

- Null Hypothesis ( $H_0$ ): There is no fire
- Alternate Hypothesis ( $H_a$ ): 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 errors.
- This increases the chance of **Type II Error** (i.e., a fire without an alarm)



# The Boy Who Cried Wolf

- Null Hypothesis ( $H_0$ ): There is no wolf
- Alternate Hypothesis ( $H_a$ ): There is a wolf



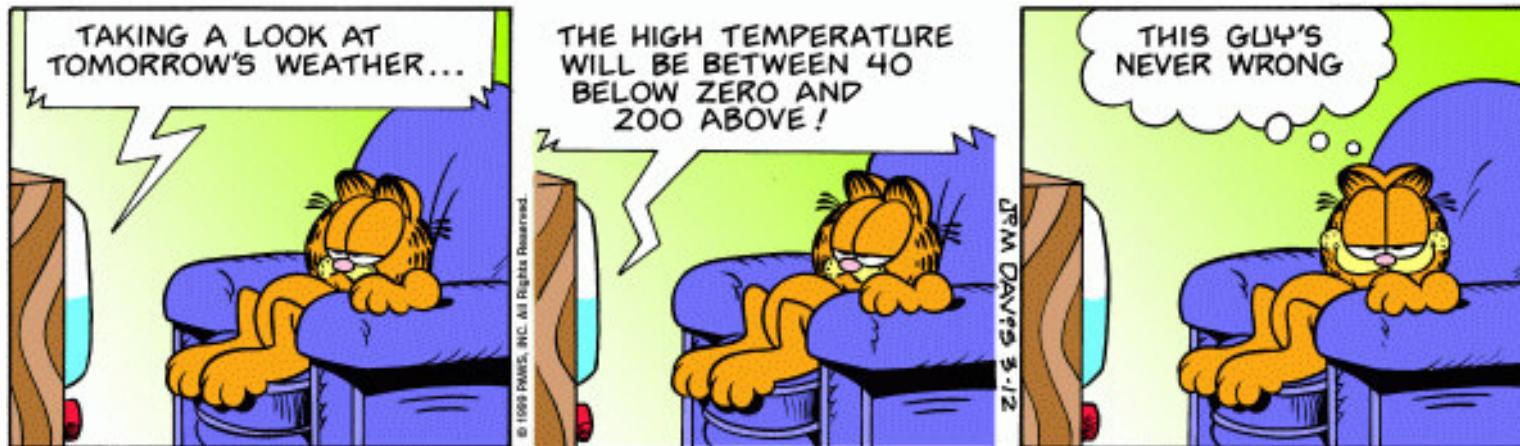
# The Boy Who Cried Wolf

- **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 Interval

- Range of plausible values of parameter being estimated (e.g., the mean), given the sample data



# Confidence Interval

**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?

$$95\% \text{ Confidence Interval} = \bar{X} \pm 2.0 \frac{\sigma}{\sqrt{n}}$$

Mean →  $\bar{X}$

Standard deviation →  $\sigma$

Critical value → 2.0

Sample size →  $n$

# Confidence Interval

Mean  $\bar{X} = 4.32$

Standard deviation  $\sigma = 0.845$

$$\text{Standard error SE} = \frac{\sigma}{\sqrt{n}} = \frac{0.845}{\sqrt{n}} = \frac{0.845}{\sqrt{62}} = 0.11$$

Margin of error is  $2.0 \times 0.11 = 0.22$

The confidence interval is:

$$4.32 - 0.22 = 4.12$$

$$4.32 + 0.22 = 4.54$$

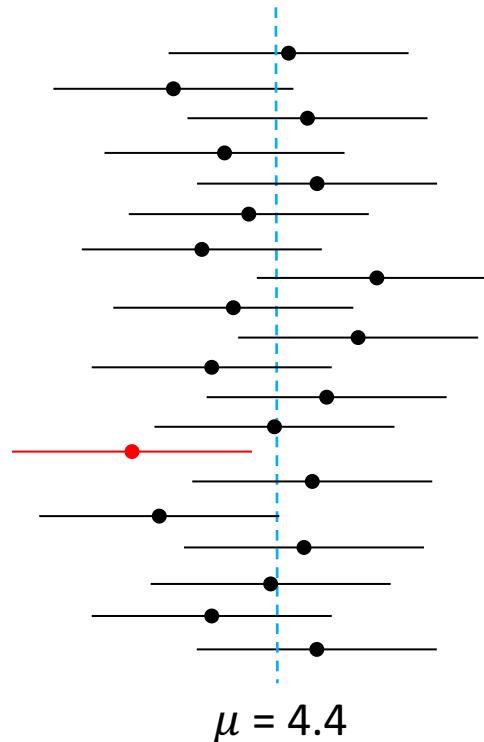
Intuition – We are 95% confident that the average review for all customers is between 4.12 and 4.54.

# Confidence Interval Intuition

Let's say we know for sure that the average product review for all customers is 4.4.

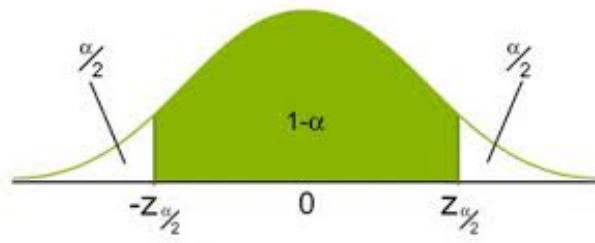
This is known as the *population mean* and is denoted by  $\mu$ .

Additionally, we decide to take 20 random samples of customer reviews from the population (i.e., all reviews).



If we calculate the 95% confidence interval for all 20 samples we know that 19 of them will contain  $\mu$ .

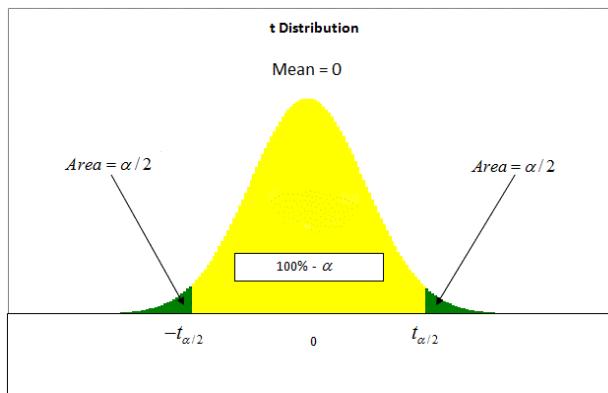
# Calculating Confidence Interval



At the level of significance  $\alpha$ ,  
the critical values are  
 $-Z_{\alpha/2}$  and  $Z_{\alpha/2}$

Normal  
Distribution

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



Student's t  
Distribution

n - 1	Confidence Level		
	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

Our example!

# A/A Test

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



Buy Now

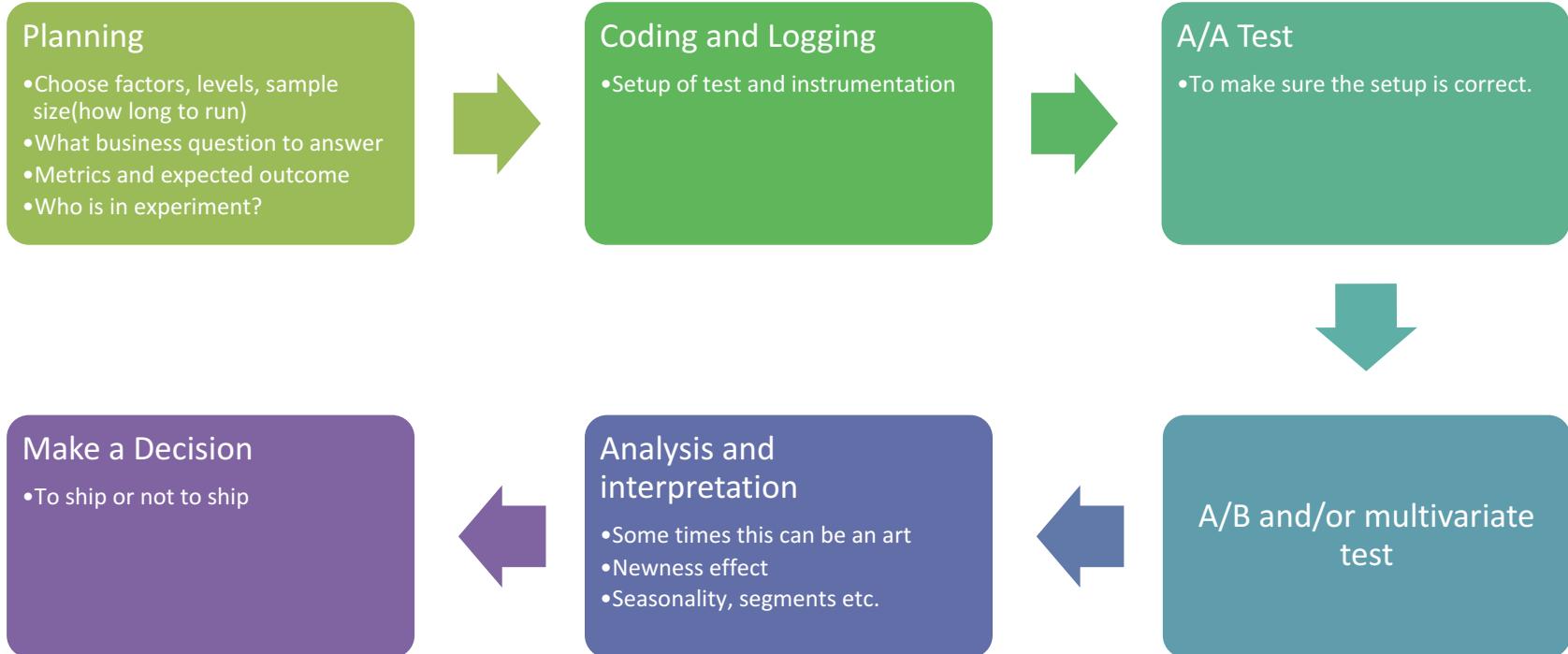
Control



Buy Now

Treatment

# Steps in Experimentation



# Categories of Metrics

	Short-term	Medium-term	Long-term
Examples	<ul style="list-style-type: none"><li>➤ CTR</li><li>➤ PVs</li><li>➤ Bounce Rate</li></ul>	<ul style="list-style-type: none"><li>➤ PVs/user/day</li><li>➤ CTR/user /day</li><li>➤ Avg. session length</li></ul>	<b>Days with at least one visit:</b> <ul style="list-style-type: none"><li>➤ Total time on site</li><li>➤ Repeat visits/user</li></ul>
What is measured?	Immediate or almost immediate impact	Engagement over hours up to a day	Loyalty

# A/B Testing Tools



Google Analytics



Visual Website  
Optimizer



Adobe® Target



TASTY

# APPENDIX & COMMON PITFALLS

# Pitfalls in Online Experimentation

1. Picking an overall evaluation criteria (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:
  - For example, click-through rate (CTR) vs. long term revenue)
- Loyal/repeat users get more weight?
- Sometimes getting the true metric is hard:
  - For example, high CTR does not necessarily mean high conversion rate

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

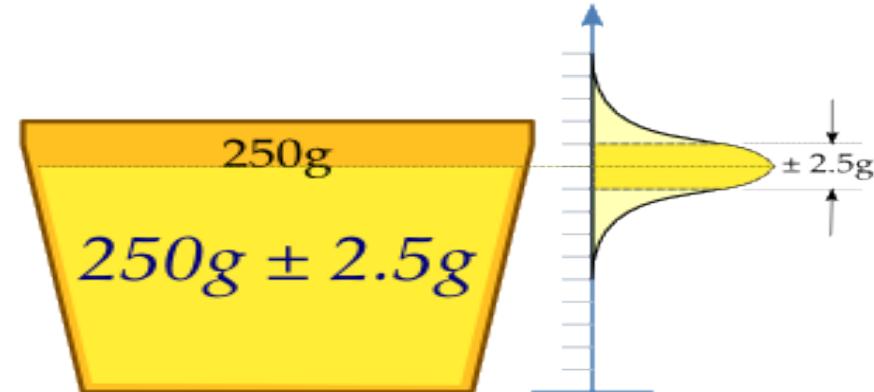
- Measuring click through on a small area of the page, ignoring the impact on other areas:
  - What if the small area on the page was bold/flashing/high contrast?
  - What happens to the whole page CTR?
- Is ‘time on site’ a good OEC?
  - What if the treatment has a reduced user’s effectiveness?

# 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 (i.e., difference between the means of the control and treatment means)

# Pitfall 2: Incorrect Computation of Confidence Intervals

$$\begin{aligned}0.95 &= 1 - \alpha = P(-z \leq Z \leq z) = P\left(-1.96 \leq \frac{\bar{X} - \mu}{\sigma/\sqrt{n}} \leq 1.96\right) \\&= P\left(\bar{X} - 1.96 \frac{\sigma}{\sqrt{n}} \leq \mu \leq \bar{X} + 1.96 \frac{\sigma}{\sqrt{n}}\right) \\&= P\left(\bar{X} - 1.96 \times 0.5 \leq \mu \leq \bar{X} + 1.96 \times 0.5\right)\end{aligned}$$



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

**Confidence interval implies:** We are 95% confident that average for all cups of coffee from the machine is between 249.22 and 251.18 grams.

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

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

# 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.

# HUMOR

In God we trust. All others bring data.

W. E. Deming

Have you heard the latest statistics joke?

Probably....

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

1 – 3.  $\alpha=0.05$  (.95 confidence)

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."

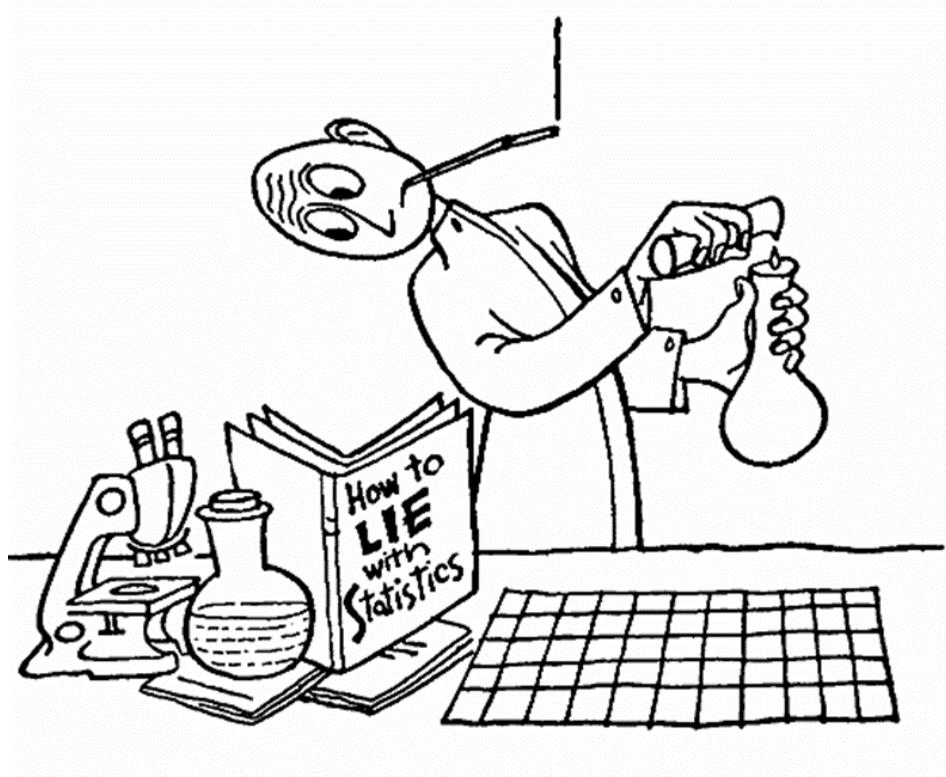
"No," replied the statistician. "Let's just baptize one. We'll keep the other as control."

*Three statisticians go out hunting together. After a while they spot a solitary rabbit.*

*The first statistician takes aim and overshoots. The second aims and undershoots.*

*The third shouts out "We got him!"*

# Questions?



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