

Counterfactual-based Incrementality Measurement in a Digital Ad-Buying Platform

Prasad Chalasani
MediaMath

`pchalasani@mediamath.com`

Jaynth Thiagarajan
MediaMath

`jthiagarajan@mediamath.com`

Ari Buchalter
MediaMath

`abuchalter@mediamath.com`

Ezra Winston
Carnegie Mellon University

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Abstract

The problem of measuring the true incremental effectiveness of a digital advertising campaign is of increasing importance to marketers. With a large and increasing percentage of digital advertising delivered via Demand-Side-Platforms (DSPs) executing campaigns via Real-Time-Bidding (RTB) auctions and programmatic approaches, a measurement solution that satisfies both advertiser concerns and the constraints of a DSP is of particular interest.

MediaMath (a DSP) has developed the first practical and statistically sound randomization-based methodology for true causal ad effectiveness measurement (or Ad Lift) by a DSP or similar buy-side digital advertising execution system. This methodology has been successfully deployed in production with several advertisers. In this paper we describe our solution and establish its soundness within the causal framework of counterfactuals and potential outcomes. The paper also presents a Gibbs-sampling procedure for estimating confidence intervals around the estimated Ad Lift. In addition, the paper presents solutions to several practical complications that are unique to the digital advertising setting, and which do not arise, for example, in a clinical trials context. These complications arise in part from the fact that buy-side systems performing the necessary measurements do not have full control of the mechanisms through which digital advertising transacts (e.g., RTB auctions), and in part from the fact that digital advertising is delivered to consumers using devices and browsers that are tracked by identifiers (e.g., cookies, mobile advertising IDs, etc.) which may or may not be stable over time. One complication arising from the latter

point is the repeated occurrence of identifiers, leading to interference among observations. Another is the fact that several identifiers can be associated with the same human user, leading to "contamination" with some of their identifiers being in the Test group and others being in the Control group. Complications such as these have severely impaired previous efforts to derive accurate measurements of lift in practice, and we present in detail proven methods to account for these issues.

In contrast to a few other papers discussing ad effectiveness methods for advertising, this paper has an expository aim as well, and provides a careful, self-contained, highly-readable, readily-implementable treatment of all relevant concepts, such as causal analysis with potential outcomes, and Gibbs Sampling.

1 Introduction

As global digital advertising budgets continue to grow, overtaking TV as the dominant form of advertising [?], the problem of measuring the *effectiveness* of ad campaigns is ever-important: advertisers want to ensure the budgets they spend on ad campaigns across search, display, mobile, video, social, email, and other digital channels are truly responsible for driving desired consumer behaviors. In particular, they want to understand not just what consumer behaviors and business outcomes occurred *after* exposure to advertising, but rather what occurred *because* of exposure to advertising, i.e., the true causal impact.

At first glance it might seem that the ad-impact measurement problem is straightforward, at least in theory, given the availability of vast amounts of data generated around digital advertising. In fact, one of the defining characteristics of digital advertising is precisely that it is "addressable," meaning that individual events such as the delivery of an ad to a consumer (e.g., within a website, mobile app, or other environment) and the subsequent online actions of that consumer (e.g., product purchases) can be tracked and measured. However as we describe in detail in this paper, even defining what we mean by "the effectiveness of an ad campaign" can be tricky. Once we have an acceptable *definition*, the practical *measurement* of ad effectiveness is far from straightforward, especially when the ad impact measurement must be done within the constraints and practical considerations of a Demand-Side-Platform (DSP) such as MediaMath, or a similar buy-side digital advertising execution system, on behalf of clients (advertisers) running campaigns on its platform.

This paper presents a detailed account of MediaMath's methodology for causal measurement of ad effectiveness using the framework of *counterfactuals*

and *potential outcomes*, which has emerged as a solid foundation on which to develop measures of causality. As we describe in the related work (Sec. 11), we are certainly not the first to consider digital ad effectiveness from this viewpoint, so we mention here a few aspects that are unique to our paper. Unlike other papers in the advertising field, this work provides what we hope is a highly readable and *self-contained* presentation of the causal framework as applied to digital advertising. Most other work in this area present mathematical notation with little build-up of background and expect the reader to either already be familiar with the causal analysis framework, or leave the reader to their own devices to consult the literature to understand it.

This paper is also the first to present a detailed, comprehensive, and self-consistent ad-measurement solution that can be implemented by a DSP (henceforth, we shall use term “DSP” to generically refer not only to Demand-Side Platforms, but to any digital ad-buying system). A number of practical constraints and considerations required us to develop an innovative methodology for ad-impact measurement at MediaMath. One constraint arises from the fact that many digital ads are transacted through a real-time auction, where DSPs compete for opportunities (“bid opportunities”) to deliver ads to consumers in real time. In general, a DSP does not have full visibility into the ad auction after submitting a bid to an ad exchange or Supply-Side Platform (SSP) on behalf of an advertiser, nor full control over the auction mechanism and outcome. This precludes certain solutions that exist in the literature, such as Ghost ads [?], which may be more relevant for so-called “walled garden” platforms such as Google, Facebook, and Amazon, who can see and control both the “buy” and “sell” sides of the auction process. Another constraint is that the simplest possible way of measuring ad-impact, namely, randomizing the ad opportunity to test/control *after winning* the ad auction, is unacceptable to most advertisers because they have already paid for the winning bid, and hence would be wasting significant ad spend if the opportunity were assigned to the control group. To address this concern, our methodology instead randomizes *before bid submission*, and this introduces the complication that not every consumer in the test group is exposed to the ad (since some bids would lose in the auction). This phenomenon is known as *non-compliance* in the clinical trials literature (where certain people in the test group do not take the drug being studied). Non-compliance complicates causal ad-impact measurement because consumers in the test group who are not exposed to ads may have systematically different response profiles than those who were exposed. This again owes to auction dynamics: unexposed consumers are those for the whom the DSP was outbid in the auction, presumably because another buyer thought that consumer was more valuable (i.e., responsive). We refer to the systematic difference in response between exposed and unexposed consumers in the test group as “win bias”

and develop a methodology that builds upon some ideas from the clinical trials literature, adapting them to the advertising context in a manner that solves for win bias.

In addition to merely producing a *point estimate* of causal impact, it is also important to compute a suitable *confidence interval* around that estimate. We adopt and simplify a Gibbs-sampling-based scheme from the causal analysis literature (specifically [?]) to compute this confidence interval. This paper presents a self-contained introduction to Gibbs-Sampling and is the first to describe a readily-implementable algorithm applying this technique to the problem of estimating confidence intervals on the causal effect.

We also consider some critical real-world complications that arise in ad-effectiveness measurement that, to our knowledge, have not been adequately discussed elsewhere, and present modifications of our basic methodology to handle these complications. These have to do with the fact that digital advertising is delivered to consumers using devices and browsers that are tracked by identifiers such as cookies (within web browsers) and mobile advertising IDs (such as Apple IDFA or Google Android IDs within mobile apps) which may or may not be stable over time. These identifiers constitute the data foundation for determining whether an ad was delivered to a particular device/consumer and whether a corresponding action (such as a purchase) was taken by that device/consumer. One complication we consider is the occurrence of the same identifier in different bid opportunities over time. This means that the responsiveness associated with the identifier in one bid opportunity may be affected by whether that identifier was exposed to an ad in a recent bid opportunity, violating a fundamental assumption behind the causal framework. Another complication is the presence of multiple identifiers for the same human user, causing two widespread forms of “ID contamination” - “cookie contamination” and “cross-device contamination.” Cookie contamination refers to the fact that the primary identifiers used to track browser-based usage *on a single device* are typically not persistent over time, either because the browsers do not allow cookies to track them in the first place or because users periodically clear out the cookies. Either way, this means the same consumer will appear to have multiple cookie identifiers, some of which will inevitably and unknowingly be placed in Test and some in Control, causing contamination whereby a Control cookie may exhibit the responsiveness of an exposed Test cookie. Cross-device contamination refers to the fact that even if all identifiers associated with a given device were stable, consumers don’t just encounter ads and make purchases on one device. The average US consumer owns nearly 4 connected devices (such as laptop and desktop computers, smartphones, connected TVs, and gaming consoles; see [?]), and that is likely to grow over time with trends such as the Internet of Things, digital homes, wearable devices, etc. Absent certain knowledge

of which devices are owned by which consumers, it is inevitable that some of the identifiers for a given consumer will correspond to device placed in Test, and some in Control, again leading to contamination. Moreover, these two forms of ID contamination are not mutually exclusive, which further compounds the problem.

We believe that the various issues and complications noted above have critically undermined most previous attempts to measure causal ad impact. Notably, MediaMath has observed many instances among its clients and their measurement partners, where measurement efforts in practice have yielded either no lift, or even negative lift! In fact, such results are the norm, and in the few cases where strong, positive lift is observed, it has tended to be short-lived, fluctuating strongly in time. These results fly in the face of not only human intuition, but billions of dollars in ad spending. In developing the first practical and self-consistent methodology for DSP measurement of true causal ad effectiveness, we present solutions to all of the aforementioned issues and complications, and have in fact observed significant, positive, and stable lift when applying our methodology in practice, as will be demonstrated here.

It is worth noting here that while MediaMath currently engages predominantly in the execution of various forms of so-called “display” advertising (banners, videos, native ads, and other formats delivered on content websites, in mobile apps, on social platforms, and other digital media environments, across smartphones, computers, and other connected devices), the methodology and techniques described in this paper can in principle be applied to all forms of digital advertising, including display, search, email, etc.

The following is an outline of the Paper. Section 2 starts with a detailed treatment of the definition of ad impact, and presents the causal framework of *potential outcomes* and *counterfactuals*. In Section 3 we describe the setting to which this paper applies, i.e. a DSP executing digital advertising, and also the types of data that need to be logged in order to measure ad impact. Section 4 starts with the simplest possible method to measure ad-impact, which is *post-bid randomization*, and points out why this is a wasteful approach. Then Section 5 describes MediaMath’s *pre-bid randomization* approach and Subsection 5.1 presents the problem of causal effect measurement in this scenario. Measuring ad impact under pre-bid randomization leads to the phenomenon of *non-compliance* (which manifests here as win bias), and Section 6 introduces the mathematical machinery needed to conduct causal analysis under non-compliance. This section contains the core of our methodology for computing a point-estimate of Ad Lift. The Gibbs Sampling scheme for computing confidence-intervals is presented in detail in Section 7. Sections 8 and 9 describe how our methodology needs to

be modified to handle the complications of recurring identifiers and ID contamination, respectively. In Section 10 we present experimental results of actual Ad Impact measurements (and confidence intervals) for several campaigns, and show a detailed numerical example of our methodology applied to one campaign. Section 11 discusses related work, and Section 12 concludes with an outline of future work.

2 Defining Ad Impact

Advertisers typically run “ad campaigns” to generate awareness and interest in their products, and influence consumers to buy them. One of the fundamental questions an advertiser wants to answer is:

How effective is my advertising campaign?

It is worth noting that we are interested in measuring the impact of a *specific ad campaign*. In general consumers are exposed to a variety of advertisements, both offline and online (which we can think of collectively as “background noise”) and we are interested here in measuring the effectiveness of a specific campaign. However, we note that the methodology presented here can be adapted to measure the effectiveness of multiple campaigns, of a particular digital channel (e.g., search or display), or across all of an advertiser’s campaigns across all digital channels. These generalizations will be explored in later work.

We will present a sequence of increasingly precise formulations of the above question, setting the stage for a rigorous statistical framework. Any quantification of ad effectiveness must specify a *desired outcome* that the advertiser wishes to elicit when exposing consumers to ads. In other words, advertisers want to quantify:

Question 2.1. What is the impact of *exposure to my ad campaign* in driving my *desired outcome*?

The desired outcome is a specific consumer behavior defined by the advertiser, such as a site visit, registration, subscription, addition of items to a shopping cart, purchase, etc. We use the general terms *response* or *conversion* to refer to such a desired behavior, and we use the term *response rate* to generically denote the probability of a response, either at the individual (ad) level or aggregate (campaign) level (these will be defined more rigorously later).

It is important to emphasize causation here: for instance if the advertiser finds that consumers exposed to their ads, on average, have a response rate of 3%, then it does not necessarily follow that this 3% response rate (sometimes referred to as the “aggregate” or “overall” or “top-line” response rate) was entirely *caused* by exposure to their ad. Some of those conversions might have occurred anyway in the absence of exposure to the ad campaign being measured; consumers might have visited the website, purchased the product, etc. without having seen any ad at all, or after seeing an ad from a different campaign than the one being analyzed. So a more relevant question from the advertiser’s perspective is,

Question 2.2. How much of the response rate of exposed consumers is *caused* by my ad campaign?

For instance it’s possible that even without seeing the ad, these *exposed* consumers *would have had* a response rate of 2%. Thus the **incremental** effect of this campaign is only 1%, and it would be reasonable to say that out of the 3% total response rate of consumers exposed to the campaign, only 1% is caused by this campaign.¹

It is precisely this incremental (or causal) effect that advertisers seek to measure; they want to direct ad spending towards campaigns shown to have larger incremental effects, or target consumers whose incremental response is likely to be higher.

Thus a more precise formulation of the ad effectiveness question is:

Question 2.3. How much higher is the response rate R_e of exposed consumers, compared to R'_e , the response rate *they would have had* if they had *not* been exposed to the ad campaign? In other words, what is the **incremental** effect attributable to the ad exposure?

Clearly it is not possible to observe R'_e , the response rate exposed consumers would have had if they had not seen the ad (in exactly the same context, i.e. time, location, website, etc.), and so this is called a *counterfactual* response rate. Nevertheless, it is possible to measure the causal effect under some conditions, which we highlight here, and make more precise later:

¹This point is especially germane in the context of display advertising, also sometimes referred to as “banner advertising”. For display ads, a consumer might click on an ad, thereby leading them to perform some downstream conversion behavior. In this case, the presence of a click usually implies some casual relationship between the ad and the conversion. However, the link between the display ad and the ultimate conversion may be less direct; consumers seeing these ads may instead perform a search related to the ad, directly navigate to a website or mobile app, or simply be more inclined to make an online or offline purchase in the future as a result of greater awareness and/or affinity.

Idea 2.1. If the exposed and unexposed populations are *statistically equivalent* then we can validly compare their response rates to measure the causal effect of the campaign.

Note that if we simply take the difference in response rates of the exposed and unexposed populations during the normal course of running an ad campaign, this would in general *not* yield a valid measure of incrementality since the two populations would not be statistically equivalent (e.g., most commonly due to the presence of campaign targeting settings that apply to the entire exposed population, but not to the entire unexposed population). There are, however, approaches to infer causality or incrementality from such *observational data* (see, e.g. [?] and other references in the Related Work Section 11), but we do not consider these approaches in the current work, as they tend to be assumption-driven, prone to biases, and difficult to validate in practice. Instead we seek to derive unbiased estimates of causality using an experimental approach that builds on established frameworks, accounts for real-world factors, and can be easily reproduced and verified.

2.1 Potential Outcomes and Counterfactuals

Estimating causal effects is a fundamental problem in many fields, and the framework of counterfactuals and potential outcomes has emerged as the most widely used one for causal analysis; e.g., see [?] for a thorough introduction. We adopt notation from this literature in what follows.

For any individual consumer i , let W_i be a binary random variable indicating whether the consumer sees the ad ($W_i = 1$) or not ($W_i = 0$). Borrowing from the clinical trials literature, when $W_i = 1$ we say the consumer is *treated* (i.e., in this case, exposed), otherwise the consumer is *not treated* (unexposed).² We also define a binary random variable Y_i to denote the consumer’s *response* to the treatment W_i : If the consumer *responds* to the treatment (i.e. performs the desired behavior, such as a conversion, etc.), $Y_i(W_i) = 1$, and otherwise, $Y_i(W_i) = 0$. Note that $Y_i(1)$ represents the response of consumer i under treatment, and $Y_i(0)$ is the response under no-treatment. These two possible values are called **potential outcomes**. Figure 1 illustrates these concepts, and others introduced in this section.

Note that a specific consumer i is either treated or not, so precisely one of the two values $Y_i(0)$ or $Y_i(1)$ is observed. This is frequently formalized as:

²Although in the clinical trials literature the terms treated/untreated are common, we will instead use the terms exposed/unexposed in most contexts.

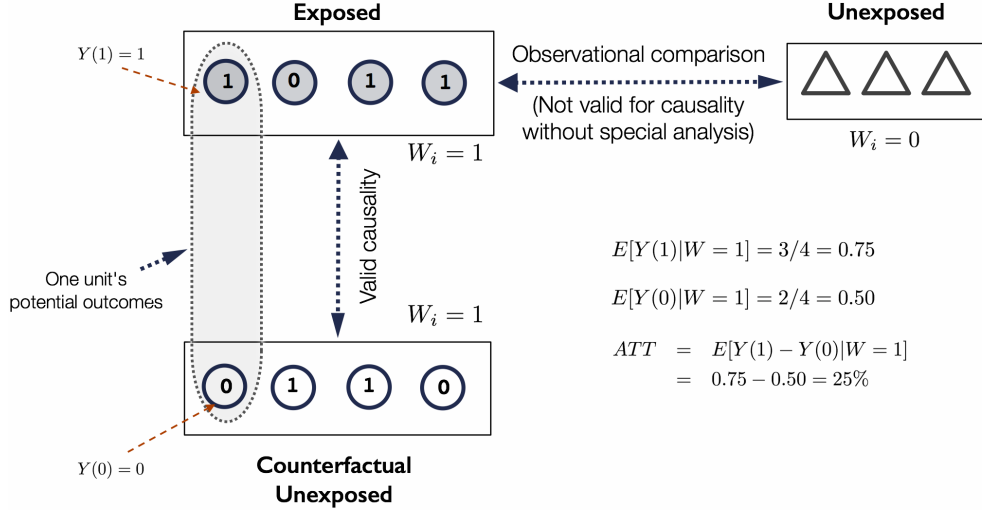


Figure 1: The definition of causal ad impact in terms of counterfactuals and potential outcomes. Each circle or triangle represents a "unit" in the analysis (taken to be a consumer represented by an identifier or "userID"). Circles denote the units i in the population that happen to have been exposed during the normal course of running an ad campaign – these have $W_i = 1$. Triangles denote the units i in the unexposed population, for which $W_i = 0$. The different shapes emphasize that these populations are not necessarily statistically equivalent. The numbers (0 or 1) inside a shape shows the value of the potential outcome of a unit. The rectangle denoted "exposed" contains the if-exposed potential outcomes of the exposed population, i.e. the $Y_i(1)$ values, which are observable. The rectangle denoted "counterfactual unexposed" contains the potential outcomes of the exposed population *had they not been exposed* to the ad campaign, i.e., the $Y_i(0)$ values, which are unobservable counterfactuals. The difference in response rates of the exposed population ($E[Y(1)|W = 1]$) and that of the Counterfactual Unexposed population ($E[Y(0)|W = 1]$) is the Average Treatment Effect on the Treated (ATT), which is a valid definition of causal effect. A simple numerical example of this calculation is shown.

Fundamental Problem of Causal Inference: For any individual i , we can never directly observe both potential outcomes $Y_i(0)$ and $Y_i(1)$.

In particular the outcome $Y_i(W_i)$ is observable, whereas the outcome $Y_i(1 - W_i)$ is a **counterfactual**, unobservable outcome. Although we consider more nuanced situations later, for the purpose of this initial mathematical formulation we ignore issues around the timing of the treatment and response of different consumers. For now we can imagine an idealized scenario where for all consumers $i = 1, 2, \dots, n$, the W_i, Y_i are observed simultaneously at a specific instant in time.

2.2 Causal Effects

We can now define various quantities:

Definition 2.1. Individual Causal Effect (ICE) for a consumer i :

$$ICE_i = Y_i(1) - Y_i(0).$$

From the Fundamental Problem, it follows that it is impossible to directly compute the ICE (although as mentioned in the Related Work Section 11, there are recent machine learning based approaches to estimate the ICE as a function of features, or "covariates", of an individual unit). A more modest goal would be to estimate the *average* causal effect over a group of consumers. In order to properly define an average, we need to assume some distribution over userIDs i , and we will assume the simplest one:

Assumption 2.1. Uniform Distribution ³ over UserIDs In all probability and expectation computations, we assume a uniform distribution over userIDs i , i.e. all of them occur with equal probability.

Now we can define what we mean by the average causal effect:

Definition 2.2. Average Causal Effect (ACE):

$$ACE = E_i[ICE_i] = E_i[Y_i(1) - Y_i(0)],$$

³The assumption of a uniform distribution is not restrictive at all: when there is a group of individuals being studied, and we want to express averages over this group as expectations, the uniform distribution is a straightforward device that provides the simplest way of doing this. The intention is not to specify that individuals occur "in reality" with this distribution.

where the expectation $E_i[\cdot]$ is taken over the distribution of consumers i . In other words, the ACE is the population-level average response rate if all consumers had been exposed to the ad, minus the response rate if none were exposed. We sometimes suppress the consumer subscript i and simply write

$$ACE = E[Y(1) - Y(0)] = E[Y(1)] - E[Y(0)]$$

From the previous discussion it will be evident that the ACE is not exactly what we are after: it represents the incrementality across *all* consumers, exposed and unexposed. However in Question 2.3 we are interested in the incrementality of *exposed* consumers only. We can define this by simply conditioning the ACE on $W = 1$, and this leads to:

Definition 2.3. Average Treatment Effect on the Treated (ATT):

$$ATT = E_i[ICE_i|W_i = 1] \tag{1}$$

$$= E_i[Y_i(1) - Y_i(0)|W_i = 1] \tag{2}$$

$$= E[Y(1) - Y(0)|W = 1] \tag{3}$$

$$= E[Y(1)|W = 1] - E[Y(0)|W = 1] \tag{4}$$

Under what conditions can we estimate the ATT ? In the last expression in the definition above, the first term $E[Y(1)|W = 1]$ is the observable average response rate of exposed consumers, while the second one $E[Y(0)|W = 1]$ is a counterfactual: we cannot directly observe the unexposed potential response rate of exposed consumers. What if we try to use the observed response rate of *unexposed* consumers $E[Y(0)|W = 0]$ in place of the counterfactual second term? In other words we can try to estimate the ATT by using the so-called *standard estimator*:

$$S = E[Y(1)|W = 1] - E[Y(0)|W = 0],$$

which is the difference between the average response rates of treated and untreated consumers, both of which are observable. In general, however, S would not be equal to the ATT : The ATT measures *causation* whereas S merely measures *association* [?]. To see why S may not always estimate ATT correctly, consider the following decomposition of S :

$$\begin{aligned} S &= E[Y(1)|W = 1] - E[Y(0)|W = 0] \\ &= \underbrace{E[Y(1)|W = 1] - E[Y(0)|W = 1]}_{ATT} + \\ &\quad \underbrace{E[Y(0)|W = 1] - E[Y(0)|W = 0]}_{\text{selection bias}} \end{aligned}$$

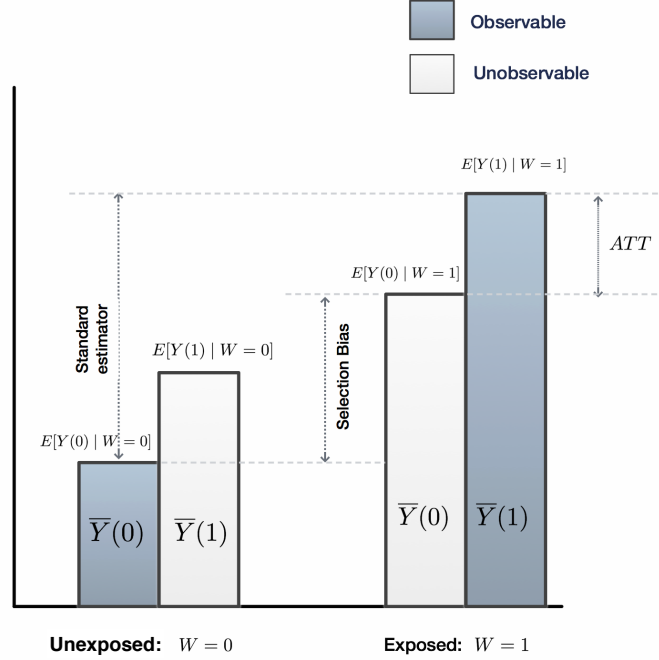


Figure 2: Selection bias and ATT . The height of each bar represents the expected value of a potential outcome $Y(0)$ or $Y(1)$ for a population. The left pair of bars correspond to the unexposed population, $W = 0$, and the right pair of bars correspond to the exposed population, $W = 1$. The Standard Estimator is a measure one would naively use to attempt to measure causal effect, i.e. the difference between the two observable average outcomes. This figure shows pictorially how this naive measure can be decomposed into a combination of Selection Bias and the true causal effect, or ATT . A non-zero Selection Bias indicates that the baseline ("if unexposed") response rates of the unexposed population and exposed population are different, as shown by the difference in height of the left bars in each pair.

In other words, the difference in observed response rates between exposed and unexposed consumers is the sum of the ATT and the selection bias. When there is a large selection bias, S is not a good estimate of ATT because the average observed response rate of unexposed consumers is a poor substitute for the counterfactual $E[Y(0)|W = 1]$. An example is shown in Fig. 2.

We saw above that when the selection bias is zero, then the standard estimator S equals the ATT . Absence of selection bias is a special case of a more general condition under which we can estimate ATT (which involves a counterfactual) from observable expectations:

Definition 2.4 (Ignorability of Exposure). When $(Y(0), Y(1)) \perp\!\!\!\perp W$, i.e. when the potential outcomes $Y(0), Y(1)$ are jointly independent of exposure W , we say that exposure is **ignorable** with respect to potential outcomes. For brevity we will simply say "exposure is ignorable" but it should be understood that we mean ignorability with respect to potential outcomes.

It is important to realize that ignorability of exposure does not imply that the *actual* outcome Y_i of an individual i is independent of exposure W_i ; in general the actual outcome *will* depend on exposure-status. Ignorability of exposure is a statement about *potential* outcomes: the *distribution* of potential outcomes is independent of exposure, i.e. the overall distribution of potential outcomes $(Y(0), Y(1))$ across the population is identical to their distribution in the exposed sub-population (where $W = 1$) and in the unexposed sub-population (where $W = 0$). The following property directly follows from this:

Proposition 2.1 (Ignorability and Expectations). When ignorability holds, the expectations of $Y(0)$ and $Y(1)$ are not affected by conditioning on exposure:

$$E[Y(1)|W = 1] = E[Y(1)|W = 0] = E[Y(1)], \quad (5)$$

$$E[Y(0)|W = 1] = E[Y(0)|W = 0] = E[Y(0)]. \quad (6)$$

The ignorability property is sometimes referred to as *exchangeability* to highlight the fact that the treatment status $W = 1$ and $W = 0$ can be interchanged when taking conditional expectations with respect to values of W . Thus ignorability makes precise our informal notion of *statistically equivalent populations* that we alluded to in Idea 2.1 earlier. Ignorability has an important consequence for our purposes:

Lemma 2.2. When ignorability of exposure holds, the *ATT* can be estimated from observable averages as

$$E[Y(1)|W = 1] - E[Y(0)|W = 0]$$

Proof. Recall that the $ATT = E[Y(1)|W = 1] - E[Y(0)|W = 1]$, where the second term is a non-observable (counterfactual) expectation, and Eq. 6 implies it can be replaced by $E[Y(0)|W = 0]$, and the result follows. \square

2.3 Ensuring Ignorability by Randomization

We saw in the previous section that ignorability of exposure ensures that the *ATT* can be measured from the observable average response rates of Test and Control groups. The easiest way to ensure ignorability is by randomization: when the treatment variable W_i is assigned 0 or 1 randomly (not necessarily with equal probability), then clearly the potential outcomes $Y_i(0), Y_i(1)$ are independent of W_i . This fact motivates the first simple setup for measuring the *ATT* for an ad campaign, which we will describe in Section 4, but first we will pause briefly and outline a basic picture of how a digital ad-buying platform (i.e., a DSP) operates.

3 Demand Side Platforms

We provide here a simplified view of the mechanisms involved in the operation of a DSP, as pertains to buying and delivering digital advertising. We will specifically describe the buying mechanism of Real Time Bidding (RTB), but the general principles laid out here apply to any ad-delivery contexts where similar event-level logging (as described below) and data flows exist, and the resulting methodology can be readily applied to those contexts as well. Most free (and some paid) websites and mobile apps depend on advertising for revenue. When a consumer visits a publisher’s website or mobile app, this becomes an *opportunity* to display an ad to the consumer. The publisher sends this opportunity to one or more ad exchanges or SSPs (which we will simply refer to collectively as “exchanges”). The ad exchange then sends these opportunities, also known as bid opportunities or “bid requests,” along with associated data about the request, to various DSPs, whose clients are advertisers (or their agencies) that compete to win the opportunity. The bid request can be viewed as a tuple containing several fields, and in our present context the only ones that matter are (u, r, e) where:

- u is the **userID**. For example, this could be a cookie ID from a web browser, or a mobile advertising ID (or “deviceID” in brief) from a mobile app.
- r is the **bid request ID**, which uniquely identifies the bid request, and we can imagine that all information needed to serve the ad will be attached to the bid request ID.
- e is the **exchange ID** from which the bid request originated.

A DSP typically has hundreds or thousands of clients (advertisers) on whose behalf it submits bids throughout the day. However in response to a given bid request, only a subset of advertisers may be eligible to bid due to several factors such as: (a) advertisers’ targeting requirements, i.e., the types of consumers they want to reach, the contexts in which they want to reach them, etc. (b) governing campaign criteria such as the available budget and desired frequency of exposure, or (c) publisher restrictions on which types of advertisers they will accept. The DSP therefore needs to conduct what we will refer to generically as a *matching/targeting* process to arrive at a short list of advertiser campaigns eligible to submit a bid.

If the DSP determines there are one or more eligible advertiser campaigns, it must then determine the appropriate price to bid for the impression in question on behalf of the eligible campaign(s). Determination of the optimal

bid price to submit is an interesting problem in its own right, but we ignore the details of the bid determination process here. For our present purpose the only relevant aspect of the result of the optimal bid price determination process is that it is either empty (for example if no ad campaigns are eligible) or it is a **bid submission** tuple (u, r, e, c, b) which contains the entries u, r, e from the bid request, plus two additional entries c, b where:

- c is the **campaign ID** on behalf of which the bid is submitted. Note that the campaign ID implies a unique advertiser ID; each advertiser typically runs a collection of campaigns, each with its own unique ID.
- b is the **bid amount**, denominated in some monetary currency.

We will treat the combination of matching/targeting and bid-determination as a black box called the *Bidder*, whose input is the bid request tuple (u, r, e) and the output is either empty or a bid-submission tuple (u, r, e, c, b) that is sent to the exchange e from which the bid request was received.

There would in general of course be several other entities (e.g., multiple DSPs) bidding for the same bid request r from the exchange e , and the exchange conducts an auction to determine the winner. The auction process is a black box for our purposes, and the end result is that the DSP receives an **auction-result** tuple (u, r, e, c, a, x) whose entries u, r, e, c are from the bid-submission tuple, and

- x is the **auction outcome**, a binary variable indicating whether the bid submission won the auction ($x = \text{Win}$) or not ($x = \text{Lose}$).
- a is the **clearing price**, i.e. actual amount the DSP must pay the exchange (this is typically lower than the bid amount b as most RTB auctions are some form of modified second-price auction). The specifics of the relation between a and b (i.e., the auction clearing mechanism) are not relevant to the measurement of causal ad-effectiveness which concerns us here.

Finally, if the DSP won the auction, it will serve an ad from campaign c to the consumer represented by identifier u using the session information associated with the bid request r , and log a record of the win. If it lost the auction, there is no action taken, other than possibly logging a record of the loss.

3.1 Logging

In order to be able to optimize the operation of all aspects of a DSP (including determination of optimal bid prices, implementing targeting, etc.), it is essential that the system conducts *logging* of not only of bidding events but also of consumer behaviors, via suitably placed tracking mechanisms (also known as "beacons" or "pixels") on advertiser websites, mobile apps, and other digital properties. Machine learning algorithms can make use of such logs to improve the efficacy of the DSP algorithms over time. It turns out that logging is also crucial for measuring the causal effect of ads.

We assume the existence of 3 logs:

- **Bid Opportunity Logs:** When the DSP receives a bid opportunity, a log is created containing the tuple $BidOpp(u, t, r, e)$, where u is the userID, t is the time-stamp, r is the bid request ID, and e is the exchange ID. In general of course the number of bid opportunities seen daily can easily run into the hundreds of billions, and could be prohibitively large to store fully, so we assume here only the ability to ingest the stream of bid opportunities and store what we need.
- **Impression logs:** When the DSP serves an ad for a campaign c at time t in response to a bid request (if it won the auction) for userID u , a log is created containing the tuple $Imp(u, t, c)$. Typically impression logs can contain a variety of other variables (especially relevant to ML algorithms) but those are ignored in the present discussion.
- **Event logs:** When a userID u performs a conversion action (e.g., a purchase on a suitably instrumented mobile app or web-page) relevant to a specific campaign c at time t , a log is created containing the tuple $Ev(u, t, c)$. Essentially, we are logging the fact that userID u had a "response" relevant to campaign c , and crucially, u may not actually have been exposed to an ad from campaign c . Here we only consider actions relevant to defined campaign goals, and ignore other events.

These logs can be augmented to help with causal effect estimation, as we will see later.

3.2 Campaign Post-View Windows

One aspect of consumer "responses" we have glossed over, is the timing of response. Returning to the potential outcomes framework presented

earlier, suppose we start observing a userID u_i at time $t = t_0$. At this time the consumer is either exposed to an ad (from the campaign c under consideration) or not, i.e. $W_i = 1$ or $W_i = 0$. How do we define the response variable $Y_i(W_i)$? To properly define the response variable we introduce the notion of a "window of influence" V_c of a campaign c . In theory, such a window isn't strictly necessary, as the response of consumers can simply be expected to diminish in some rapid but smooth (e.g., perhaps exponential) function of time. In practice however, most advertisers impose a hard cutoff such that they are willing to ascribe impact to an ad exposure for times $t < V_c$ but unwilling to do so for times $t > V_c$. The specific cutoff value of V_c varies by advertiser, but is assumed to be sufficiently long as to capture substantially all of the impact. Thus, the advertiser is interested in measuring the causal effect of their ad up to V_c time units post-exposure. We call V_c the **post-view window** (PV-window for short) of campaign c . Roughly speaking, if we log an impression $I = Imp(u, t, c)$, and subsequently log an event $E = Ev(u, t', c)$, then we can validly attribute the event E to impression I if $t' - t \leq V_c$. We will discuss more carefully later how to use the PV-window in various scenarios, in the context of measuring response rates of exposed and unexposed consumers.

4 The Simplest Randomization: Post-Bid

With the above description of how a DSP operates, we are ready to specify the simplest possible design of a randomized test system to determine the causal effect of an ad campaign c , i.e., the *ATT*. The basic idea is simple (see Figure 3):

Definition 4.1. Post-Bid Randomization: Fix a *holdout fraction* $p < 1$. A "random" (in the sense below) fraction p of userIDs who are *about to see an ad* for campaign c (i.e., where the DSP has won the auction), are instead shown a PSA (Public Service Announcement) ad⁴ that is unrelated to campaign c (and assumed to have no impact on the campaign's desired outcome). The $(1 - p)$ fraction who are exposed to the campaign are called the Test group, and the fraction p who receive PSA ads are called the Control group.

It is important to realize that the Test/Control assignment is assumed for now to be a function of the userID only, i.e., a userID is either a Test or a

⁴Alternatively, these consumers could be shown no ad at all, which would leave the methodology and results here unchanged, but in practice once a buyer wins an auction they are compelled by publisher to produce some ad, lest the page render a blank box which would constitute a poor user experience.

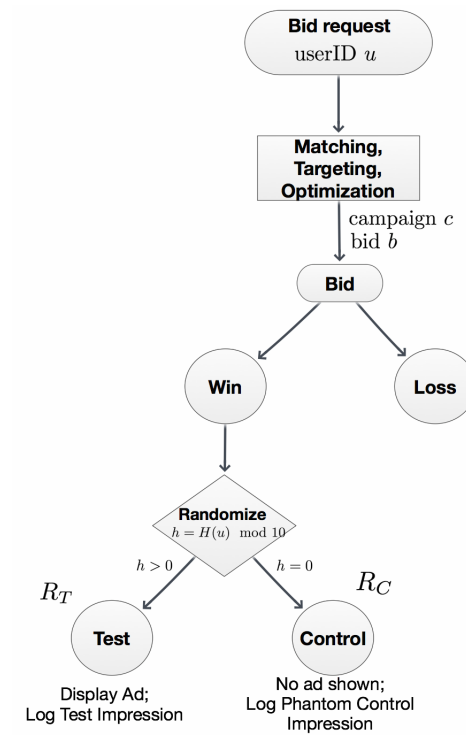


Figure 3: Populations and response rates involved in the post-bid randomization scheme.

Control userID. So if the same userID appears multiple times in different bid requests, it will either always be in the Test group or always be in the Control group.

The Test/Control assignment can be accomplished by picking a suitable *deterministic* uniform hash function $h_k(u)$ that maps a userID u to a k -digit decimal number, and determine Test/Control assignment based on the last few digits. The hash function is uniform in the sense that if we pick a random userID u , then $h_k(u)$ is uniformly distributed over the range 0 to $10^k - 1$. For example, if the holdout fraction $p = 10\%$, then we can map any userID u that has $h_k(u)$ ending in 0 to Control, and otherwise to Test. Since the hash function values are uniformly distributed, and the last digit of $h_k(u)$ is equally likely to be any of the 10 decimal digits, we will have mapped roughly 10% of userIDs to Control. Note that we are not actually doing any explicit randomization. Instead, we are only assuming that the userIDs are independent of their potential outcomes (and hence the Individual Causal Effect, ICE), which is a very reasonable assumption. Since Test/Control assignment depends only on the userID via the hash function, it then follows that the Test/Control assignment is ignorable when estimating causal effects. In this sense, we can think of Test/Control assignment as being essentially random over userIDs.

For future reference, we summarize this as pseudo-code in Procedure 1 below. Here c_0 denotes the specific campaign for which we intend to estimate the causal effect ATT . To simplify the presentation we will assume existence of a Test/Control assignment function $H(u, p) \in \{C, T\}$ (where C represents Control, T represents Test) such that if the userID u is chosen at random, then $P_u[H(u, p) = C] = p$. Such a function can easily be implemented by means of a uniform hash function $h_k(\cdot)$ as described above.

Note that when a "phantom control impression" $Imp(t, u, c_0, C)$ is logged (line 12) we are recording the fact that at instant t , the userID u was *about to see an ad* from campaign c_0 , but in the "last millisecond" we decided instead to show the userID a PSA ad instead, because $H(u, p) = C$. Since the Test/Control assignment depends only on the userID u , and the potential outcomes of u do not depend on u , it follows that Test/Control assignment is ignorable when computing the conditional expectations $E[Y(1)|W = 1]$ and $E[Y(0)|W = 1]$. Lemma 2.2 then implies that we can estimate the ATT , and we describe this next.

4.1 Causal Effect Measurement

For simplicity we assume the following for now:

Procedure 1 Post-Bid Randomization to estimate causal effect

Input: c_0 : CampaignID being measured, p : Holdout (control) Fraction,
 $H(u, p)$ = test/control assignment function

- 1: **while** True **do** \triangleright endless loop of bidder
- 2: $(u, r, e) \leftarrow$ Bid Request from exchange e ;
- 3: $(u, r, e, c, b) \leftarrow$ (Bidder match/targeting/bid-Optimization);
- 4: submit bid (u, r, e, c, b) to exchange e ;
- 5: $(u, r, e, c, a, x) \leftarrow$ AuctionResult from exchange e ;
- 6: $t \leftarrow$ current time;
- 7: $g \leftarrow H(u, p)$; $\triangleright g \in (T, C)$
- 8: **if** $x == \text{Lose}$ **then**
- 9: do nothing
- 10: **else if** $c == c_0$ and $g == C$ **then**
- 11: serve PSA ad to bid request r ;
- 12: log a "phantom control impression" $\text{Imp}(t, u, c_0, C)$
- 13: **else**
- 14: serve campaign c ad to bid request r ;
- 15: **if** group == T **then**
- 16: log a test impression $\text{Imp}(t, u, c_0, T)$
- 17: **end if**
- 18: **end if**
- 19: **end while**

Assumption 4.1. No userID appears more than once in any of the impression logs during this period. In Sec. 8 we will describe a methodology to handle recurring userIDs.

In addition, we continue to assume a uniform distribution over userIDs (Assumption 2.1).

To estimate the causal effect (ATT) we need to estimate the response rates of the Test group ($W = 1$) and Control group ($W = 0$), i.e., $R_T = E[Y(1)|W = 1]$ and $R_C = E[Y(0)|W = 0]$. See Figure 3 which schematically shows the main populations and response rates involved in the ATT computation. Suppose we wish to estimate these after having run a post-bid randomized test over some period. From the impression logs we know the exact time when each Test userID was exposed to an ad from campaign c , and when each Control userID was exposed to a PSA ad. Now from the event logs, we can tell which of these exposures lead to a response (i.e. $Y = 1$), where we consider an event $Ev(u, c, t')$ to be a response to a Test impression $Imp(u, c, t, T)$ if $t' - t \leq V_c$, where V_c is the PV-window of the campaign c . An analogous criterion applies to Control impressions. Since we have assumed that each userID appears exactly once, we do not need to be concerned with a userID having multiple ad exposures, with possible overlap of PV windows (which would complicate assignment of "credit" for responses). This results in 4 numbers:

- n_t, n_c the number of Test and Control impressions respectively
- k_t, k_c the number of Test and Control responses respectively,

which gives estimates of the Test and Control group response rates as $R_T = E[Y(1) | W = 1] = k_t/n_t$ and $R_C = E[Y(0) | W = 0] = k_c/n_c$ respectively, and so we estimate $ATT = R_T - R_C = k_t/n_t - k_c/n_c$. (see Figure 3).

4.2 Wasted Spend in Post-Bid Randomization

While the post-bid randomization idea is simple to implement and leads to a statistically sound estimation of the causal effect, it has one big drawback: since the Test/Control assignment is done *after* placing a bid, the advertiser must pay for the won impression, regardless of whether the consumer is served an actual campaign ad, or a PSA ad. Thus if the holdout fraction is 10%, the advertiser essentially wastes 10% of their ad budget on PSA ads, which in turn hurts campaign ROI by a corresponding amount. Moreover, given the low absolute value of typical response rates, larger holdout fractions may

sometimes be required to improve measurement significance. Considering that annual digital advertising budgets for large advertisers can easily run into the 10s or even 100s of millions of dollars, this is a significant problem. Motivated by this consideration, we have designed a *pre-bid randomization* scheme, and a methodology to estimate *ATT* under that scheme, which does away with the need to spend money on bids won against the control group. We describe this in detail in the following sections.

5 Pre-Bid Randomization

The idea here is to assign a userID to Test or Control *before* submitting a bid to the exchange, and only submit bids for userIDs assigned to Test. We make this precise in Procedure 2, also shown schematically in Fig. 4

Procedure 2 Pre-Bid Randomization to Estimate Causal Effect

Input: c_0 : CampaignID being measured, p : Holdout (control) Fraction,
 $H(u, p)$ = Test/Control assignment function

- 1: **while** True **do** \triangleright endless loop of bidder
- 2: $(u, r, e) \leftarrow$ bid request from exchange e ;
- 3: $(u, r, e, c, b) \leftarrow$ (Bidder match/targeting/bid-optimization);
- 4: $t \leftarrow$ current time;
- 5: $g \leftarrow H(u, p)$; $\triangleright g \in (T, C)$
- 6: **if** $c == c_0$ and $g == C$ **then**
- 7: do not submit bid;
- 8: log a "phantom control impression" $Imp(t, u, c_0, C)$
- 9: **else** \triangleright non-tested campaign, or Test userID for c_0
- 10: submit bid (u, r, e, c, b) to exchange e
- 11: $(u, r, e, c, a, x) \leftarrow$ AuctionResult from exchange e
- 12: $t \leftarrow$ current time;
- 13: **if** $x == \text{Win}$ **then**
- 14: serve campaign c ad to bid request r ;
- 15: **if** $c == c_0$ **then**
- 16: log a Test WIN impression $Imp(t, u, c_0, TW)$;
- 17: **end if**
- 18: **else if** $c == c_0$ **then**
- 19: log a "phantom" Test LOSS impression $Imp(t, u, c_0, TL)$
- 20: **end if**
- 21: **end if**
- 22: **end while**

It is worth making a few remarks about the Pre-Bid Randomization procedure. In Post-Bid randomization, logging a Test or Control impression occurs only

after winning the auction, so every userID logged as Test actually sees an ad. By contrast, in Pre-Bid Randomization, a fraction p of userIDs are logged as having "phantom" Control impressions (C) before submitting a bid to the exchange, and a bid is submitted only if the userID is among the $1 - p$ userIDs in the Test group. For those in the Test group, if the DSP wins the auction, this results in logging a Test-Win (TW) impression, and otherwise a (phantom) Test-Loss (TL) impression.

The meanings of the various types of impressions logged are:

- Phantom control impression $Imp(t, u, c_0, C)$ indicates that at time t , a bid was about to be submitted for userID u (on behalf of campaign c_0), but was not submitted because u is a Control userID, i.e. $H(u, p) = C$.
- Test-Win impression $Imp(t, u, c_0, TW)$ indicates that at time t the DSP *won* a bid submitted to the exchange on behalf of campaign c_0 , and the Test userID u is *exposed* to a campaign c_0 ad.
- Phantom Test-Loss impression $Imp(t, u, c_0, TL)$ indicates that at time t the DSP *lost* a bid submitted to the exchange on behalf of campaign c_0 , and the Test userID u is *not exposed* to a campaign c_0 ad.

5.1 Causal Effect Computation

Let us now consider how we might estimate the causal effect (ATT) from the impression and event logs over a certain period. To keep the description simple, we will for now continue to make the assumption that each userID appears exactly once in the bid requests (Assumption 4.1), and that there is a uniform distribution over userIDs (Assumption 2.1). The methodology and analysis for the (very realistic) recurring-userID case will be presented in Section 8.

It will be useful to define a shorthand to denote various **populations** of userIDs: C, TW, TL denote the set of userIDs that appear in the 3 respective types of impression logs. We also write T to denote the union $TW \cup TL$. The sets T and C are clearly disjoint, and since we assumed each userID appears at most once in the logs, TL and TW are disjoint as well.

Recall that the ATT is $E[Y(1)|W = 1] - E[Y(0)|W = 1]$, i.e., the average observed response rate of exposed consumers minus the average (counterfactual) unobservable non-exposure potential response rate of exposed consumers. Under Post-Bid Randomization, our reasoning in estimating the ATT was the following:

1. Assignment to Test/Control is exactly the same as exposure/non-exposure: a userID is exposed to an ad *if and only if* it is a Test userID,
2. $E[Y(1) | W = 1]$ is observable, as the response rate of Test (i.e., exposed) userIDs.
3. Assignment to Test/Control is purely based on the userID u (via the hash function $h_k(u)$), and the userID has nothing to do with its potential outcomes,
4. Therefore exposure is *ignorable* with respect to potential outcomes (Definition 2.4), or informally, the exposed (i.e. Test) and unexposed (i.e. Control) populations are "statistically equivalent" (with regard to potential response outcomes), and
5. This in turn implies (using Proposition 2.1) that the counterfactual expectation $E[Y(0)|W = 1]$ equals the observable response rate of Control userIDs, $E[Y(0)|W = 0]$.

Can we do the same with Pre-Bid Randomization? The exposed population is precisely the set TW , so their average response rate R_{TW} would be an estimate for the first term in the *ATT*, i.e., $E[Y(1)|W = 1]$. How do we estimate the counterfactual $E[Y(0)|W = 1]$, i.e., the average response rate exposed consumers *would have had*, if they had *not* been exposed to the ad?

If we examine the statements in the reasoning outlined above for the Post-Bid randomization setup, we see that:

- Statement 1 does *not* hold for Pre-Bid randomization: when a userID is assigned to Test, that userID is exposed to an ad *only* if the submitted bid is won by the DSP, so assigning a userID to Test is *not* equivalent to exposing that userID to an ad.
- Statement 2 is partially true in the Pre-Bid randomization scenario: $E[Y(1) | W = 1]$ is observable, though it is not the response rate of Test userIDs; it is the response rate of the *Test-Winner* userIDs TW .
- Statement 3 *does* hold, since Test/Control assignment is still done via the deterministic hash function as in Post-Bid randomization, and *this implies that Test/Control assignment is ignorable with respect to potential outcomes*, or informally, the Test and Control populations are "statistically equivalent".
- However since Test/Control assignment is not equivalent to exposure/non-exposure, the ignorability of Test/Control assignment does not translate

to ignorability of exposure, so statement 4 cannot be made, i.e., *exposure is not ignorable*.

- Thus, we cannot make Statement 5, i.e., we cannot say that the counterfactual expectation $E[Y(0) | W = 1]$ equals the observable $E[Y(0) | W = 0]$.

Thus the fundamental difficulty in the Pre-Bid randomization approach is that the exposure W is not ignorable, or informally, the populations of exposed userIDs (TW) and unexposed userIDs ($C \cup TL$) are not "statistically equivalent". Indeed, even though the overall Test population $T = TW \cup TL$ is statistically equivalent to C (i.e., Test/Control assignment is ignorable), the set TW is the subset of T consisting of userIDs in bids won in the auction, which could well be selecting for consumers who have a significantly higher or lower response rate (or Individual Causal Effect, ICE) than that of the overall Test population. In other words, there could be a significant *win bias* in the auction.

In fact, consumers that a DSP bids on and wins are expected to be systematically different from those it bids on and loses. This is at least in part due to the fact that bids lost are typically lost because some other buyer bid higher in the auction, presumably on the basis of some information unknown to the DSP in question. This might suggest, for example, that consumers bid on and lost might be systematically "more attractive" in some sense (i.e., with higher response rates). Thus, if not properly accounted for, win bias could actually produce a *negative* lift measurement, as the most responsive userIDs within the Test population are suppressed. Other systematic differences may also exist; the key point is that in general it cannot be assumed that responsiveness of consumers involved in won vs. lost bids is statistically equivalent.

In the following sections we present a rigorous framework to analyze the Pre-Bid Randomization scheme, and this will lead to a statistically sound methodology to estimate the *ATT*.

6 Non-compliance and Auction Win Bias

Since in the Pre-Bid randomization setup, Test/Control assignment is no longer equivalent to exposure/non-exposure, we need to introduce a new random variable Z_i that indicates whether userID u_i has been **assigned** to Test ($Z_i = 1$) or Control ($Z_i = 0$). As before, $W_i = 1$ and $W_i = 0$ denote whether the userID has been **exposed** or not, respectively. Equivalently,

$W_i = 1$ when the userID u_i is in a **won bid**, and we informally refer to this userID as a **winner**. Similarly $W_i = 0$ when u_i is in a **lost bid**, and the userID is referred to as a **loser**. In the Post-Bid Randomization setup, Z_i and W_i are identical, but in the Pre-Bid Randomization scheme, there are three possibilities:

- $Z_i = 0, W_i = 0$: userID u_i assigned to Control and not exposed – the set of all u_i satisfying this are exactly the Control userIDs C ,
- $Z_i = 1, W_i = 0$: userID u_i assigned to Test but not exposed – the set of all u_i satisfying this are exactly the Test-Loss userIDs TL ,
- $Z_i = 1, W_i = 1$: userID u_i assigned to Test and exposed – the set of all u_i satisfying this are exactly the Test-Win userIDs TW ,

The existence of userIDs u_i for which $Z_i \neq W_i$ in general is called **non-compliance** in the causality literature (see, e.g., [?]). This terminology originates in randomized clinical tests of drug effectiveness, where certain patients assigned to a take a drug do not comply with their assignment. In our case there is only one type of non-compliance, exhibited by the TL population, namely $Z_i = 1, W_i = 0$.

6.1 User Types

For a given Test userID u_i we have $Z_i = 1$, and whether or not they are exposed to an ad depends on whether the bid submitted involving u_i wins the auction. This will in general depend on a number of factors, and since each userID is assumed to appear exactly once in the logs (Assumption 4.1), we can think of each userID as encapsulating all of the factors that could possibly influence the winning of the auction. Then we can say that there are only two *types* of userIDs: those whose bids would win if they were assigned to Test, and those whose bids would lose if they were assigned to Test. Thus, for a given type of userID, the exposure variable W_i depends only on the test-assignment variable Z_i : $W_i = W_i(Z_i)$. For the analysis it will be useful to introduce a random variable U_i that represents the *user type* of userID u_i , with 2 possible values:

- $U_i = 1$ represents a "winner-type": $W_i(0) = 0$, and $W_i(1) = 1$, i.e., bids involving this userID would be won if the UserID were assigned to Test,
- $U_i = 0$ represents a "loser-type": $W_i(0) = 0$ and $W_i(1) = 0$, i.e., bids involving this userID would be lost if the userID were assigned to Test.

A more general treatment of user types can be found in [?] or [?] but the above suffices for our context.

6.2 Potential Outcomes and Response Rates

We define the potential outcome random variable $Y_i(Z_i)$ as the response (0 or 1) of a userID u_i whose Test/Control assignment is Z_i . This is different from the earlier definition $Y_i(W_i)$ where Y_i was written as a function of the *exposure* status W_i (of course in Post-Bid Randomization, there is no difference between $Y_i(W_i)$ and $Y_i(Z_i)$). From the above definition of user types it follows that once we fix the user type U_i , the exposure-status W_i is determined only by the treatment-assignment variable Z_i . In subsequent analysis, it will be helpful to use the following intuitive shorthand notation to denote various populations, probabilities, and expectations (recall that all expectations and probabilities are calculated with respect to the uniform distribution over userIDs i). We use the superscript $'$ to indicate counterfactual averages that are not directly observable.

- $R_T = E[Y(1)]$, the overall observable average response rate of userIDs assigned to Test, regardless of their exposure status.
- $R_C = E[Y(0)]$, the overall observable average response rate of userIDs assigned to Control (none of these are exposed to ads).
- $R_{TW} = E[Y(1)|U = 1]$, the observable average response rate of winner-type userIDs assigned to Test.
- $R_{TL} = E[Y(1)|U = 0]$, the observable average response rate of loser-type userIDs assigned to Test.
- $R'_{CW} = E[Y(0)|U = 1]$, the counterfactual average response rate of winner-type userIDs assigned to Control.
- $R'_{CL} = E[Y(0)|U = 0]$, the counterfactual average response rate of loser-type userIDs assigned to Control.
- $w = P(U = 1)$, the **win rate**, or the probability of a userID being a winner type. We show later how this can be computed from observable data.

Figure 4 shows the various populations involved in the pre-bid randomization scheme.

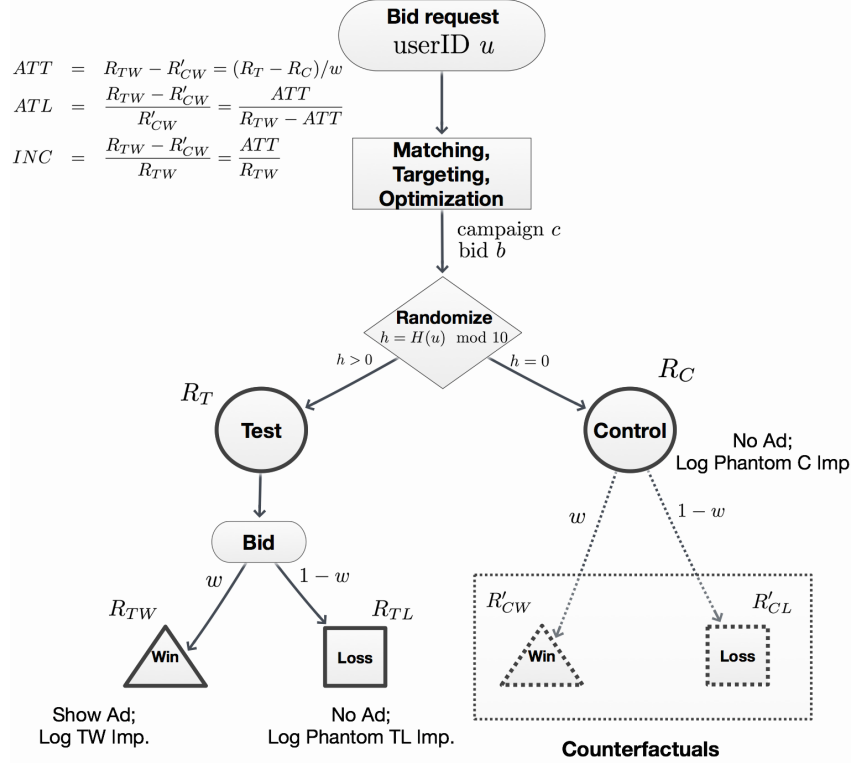


Figure 4: Pre-bid randomization to estimate Causal Effect of ads. Test/Control assignment of a userID u is based on the last digit of (the decimal representation of) $H(u)$ where H is a uniform random hash function. The shapes (circles, squares, or triangles) labeled Test, Control, Win, Loss indicate different populations of userIDs, and are annotated with their corresponding response rates. Two populations are represented by the same shape when they are statistically equivalent, i.e., their response rates would be the same if their exposure status is the same. In particular, triangles correspond to "winner types" while squares correspond to "loser types." For example, the response rates R_{TL} and R'_{CL} are the same because they correspond to statistically equivalent (loser-type) populations, and neither is exposed to ads. The solid shapes denote observable populations (and their response rates), while the two dotted shapes denote unobservable counterfactuals, whose response rates are R'_{CW} and R'_{CL} . The win rate (i.e., the fraction of the Test population for which the submitted bid wins) is denoted w , and since the Test and Control populations are statistically equivalent, w is also the expected fraction that *would result in a win* if bids were submitted for the Control population. At the top left we summarize the main equations for lift computation under pre-bid randomization.

6.3 Causal Effect Definitions and Estimation

In this context, the earlier definitions of the *ICE* (Individual Causal Effect), *ACE* (Average Causal Effect) and *ATT* are similar, except that we use the treatment-assignment variable Z_i in place of W_i as the argument of the $Y_i(\cdot)$ and we use U_i in place of W_i as the conditioning variable in the conditional expectations.

Definition 6.1. Individual Causal Effect (*ICE*) Under Non-Compliance:

The potential outcome of a userID u_i if it were assigned to Test, minus the potential outcome if it were assigned to Control:

$$ICE_i = Y_i(1) - Y_i(0) \quad (7)$$

Note that for a loser-type userID i (i.e., $U_i = 0$), there is no exposure to the ad in either Test or Control, so $ICE_i = 0$.

Definition 6.2. Average Causal Effect (*ACE*) Under Non-Compliance:

$$ACE = E_i[ICE_i] = E[Y(1) - Y(0)] = R_T - R_C \quad (8)$$

Note that $R_T = E[Y(1)]$ is the overall average response rate of the Test group, including winner types ("compliers") and loser types ("non-compliers"), and $R_C = E[Y(0)]$ is the overall average response rate of the Control group. For this reason the *ACE* under non-compliance is also called the **Intent-To-Treat** (*ITT*) effect: it represents the average response-rate differential due to the *intention* to expose the Test group to ads, regardless of who in the Test group is actually exposed. Since both response rates are observable, it is straightforward to obtain an unbiased point estimate of the *ACE*.

Definition 6.3. Average Treatment Effect on Treated (*ATT*) Under Non-Compliance:

$$\begin{aligned} ATT &= E_i[ICE_i | U_i = 1] \\ &= E_i[Y_i(1) - Y_i(0) | U_i = 1] \\ &= R_{TW} - R'_{CW} \end{aligned} \quad (9)$$

This definition of *ATT* conditions on exactly the right population: the winner types, with $U = 1$. This is precisely the population that *would* be exposed to ads *if* they were assigned to Test, and the average response rate would be $R_{TW} = E[Y(1) | U = 1]$. Similarly this population would *not* be exposed if assigned to Control, and the average response rate would be $R'_{CW} = E[Y(0) | U = 1]$. There is, however, a problem: the user type U

is *not observable* for Control userIDs, so R'_{CW} is not directly observable! Nevertheless, we can compute the *ATT*, thanks to a series of known properties and results (see, e.g., [?]):

We begin with a straightforward property:

Proposition 6.1. Under Pre-Bid Randomization, the average response rate of loser-type userIDs assigned to Test and Control are the same, i.e. $E[Y(1)|U = 0] = E[Y(0)|U = 0]$, or $R_{TL} = R'_{CL}$.

Proof. This follows from the fact that (a) loser-type userIDs are not exposed to ads, whether they are assigned to Test or Control, and (b) Test/Control assignment is purely random and hence ignorable, i.e., it has no influence on potential outcomes under non-exposure. \square

Lemma 6.2. In the Pre-Bid Randomization setting, an unbiased estimate of the probability that a userID is a winner type, or the win rate $w = P(U = 1)$, is given by the fraction of Test userIDs that are exposed.

Proof. Note that $P(U = 1) = E(U)$, the average value of the user type U across the population. Since Test/Control assignment is purely random, and hence ignorable, we can write $E(U) = E(U|Z = 1)$. But in the Test population, the userIDs with $U = 1$ are precisely those with $W = 1$, so $E(U|Z = 1) = E(W|Z = 1)$, and an unbiased estimator of $E(W|Z = 1)$ is the fraction of Test userIDs that are exposed. \square

Lemma 6.3. In the Pre-Bid Randomization setting, the *ATT* is the ratio of two observable averages:

$$ATT = ACE/P(U = 1) = ACE/w = (R_T - R_C)/w, \quad (10)$$

where w is the win rate, or equivalently,

$$E[Y(1) - Y(0)|U = 1] = E[Y(1) - Y(0)]/P(U = 1), \quad (11)$$

Proof. We can decompose the *ACE* (Def. 6.2) as a sum of two terms:

$$ACE = E[Y(1) - Y(0)] = R_T - R_C \quad (12)$$

$$= P(U = 1) \cdot (R_{TW} - R'_{CW}) + \quad (13)$$

$$P(U = 0) \cdot (R_{TL} - R'_{CL}) \quad (14)$$

$$= w \cdot ATT + (1 - w) \cdot (R_{TL} - R'_{CL}), \quad (15)$$

where the second term in the last expression vanishes due to Prop. 6.1, implying the result. \square

Advertisers are often interested in a variant of the *ATT* that measures the change in response rate relative to the baseline unexposed response rate:

Definition 6.4. Average Treatment Lift (ATL):

$$ATL = (R_{TW} - R'_{CW})/R'_{CW} \quad (16)$$

$$= ATT/R'_{CW} \quad (17)$$

The ATL will be informally referred to as the *Causal Lift*, or *Ad Lift*. An alternative way of expressing the relative (causal) impact of an ad campaign is the **Incrementality**, which is similar to the ATL except that it is expressed relative to R_{TW} , or the response rate of the exposed Test population:

Definition 6.5. Incrementality (INC):

$$INC = (R_{TW} - R'_{CW})/R_{TW} \quad (18)$$

$$= ATT/R_{TW} \quad (19)$$

In other words, INC answers the question, *what fraction of the exposed Test response rate is caused by the ad campaign*, and is therefore necessarily bounded by 1.0 (unlike the ATL , which has no upper bound). Both the ATL and INC are straightforward functions of R_{TW} and ATT :

Lemma 6.4. Under Pre-Bid Randomization, the ATL is given by:

$$ATL = ATT/(R_{TW} - ATT). \quad (20)$$

$$INC = ATT/R_{TW}. \quad (21)$$

Proof. Recall from the definition of ATT (Eq. 9) that $ATT = R_{TW} - R'_{CW}$, so $R'_{CW} = R_{TW} - ATT$, and the result follows from the definition of ATL (Eq. 19). \square

6.4 Measuring Response Rates from Impression and Event Logs

We use the simple method described in Section 4.1 to estimate the response rates R_T, R_C, R_{TW}, R_{TL} , which are the response rates of the populations T, C, TW, TL , respectively. We note that for our methodology it is crucial that the DSP is able to log bid opportunities, and the effectiveness of this technique is proportional to a DSP's ability to view and log a large fraction of all available bid opportunities.

6.5 Assumptions about the Test and Control Groups

For this discussion, suppose advertiser A is measuring the effectiveness of campaign c_0 on the DSP D . For brevity, we will say a campaign c_1 is *related*

to campaign c_0 , if exposure to c_1 has an influence on a consumer’s likelihood of performing campaign c_0 ’s desired outcome. In particular, campaign c_0 is of course related to itself.

In general, it is possible that consumers in both the Test and Control groups of campaign c_0 are exposed to ads from related campaigns by Advertiser A , either from the DSP D in question, from another DSP executing ads for A in digital channels, or from advertising by A in non-digital channels (e.g., traditional TV, print, radio, etc.). Since Test/Control assignment is specifically with respect to campaign c_0 , exposure from such related campaigns is effectively random, in the sense that userIDs in Test and Control groups (and in particular the winner-types in these groups) for campaign c_0 are equally likely to be exposed to those related campaigns. Thus the methodology presented here for measuring *ATL* and *INC* remains intact, but with two qualifications:

- The interpretation of Control as a baseline corresponding to ”no ad exposure” and Ad Lift relative to that ”zero” baseline is no longer accurate. Instead, both the Control and Test groups are affected, in identical fashion, by related campaigns that effectively introduce a non-zero baseline of response against which Ad Lift is measured, i.e., they are simply boosting the baseline.
- The interpretation of Ad Lift and Incrementality is then understood to be not ”the causal impact of campaign c_0 in the absence of all other advertising” but rather ”the causal impact of campaign c_0 against the background of all related advertising.” Presumably, the latter is smaller in magnitude than the former⁵, but the latter is all that matters as it represents the real-world impact of campaign c_0 . The methodology described here correctly quantifies the corresponding Ad Lift, and is the correct quantity against which the advertiser should measure the impact if campaign c_0 .

In fact, the effective baseline for c_0 isn’t only affected by related digital and non-digital ad campaigns by Advertiser A . The likelihood of consumers to exhibit the desired outcome for campaign c_0 is also impacted by related advertising from A ’s competitors, by so-called earned media (i.e., what consumers are saying about A ’s products or services in social media), by seasonality, macro-economic conditions, and myriad other factors. Again, as long as these factors do not systematically affect Test and Control groups for

⁵The causal impact of campaign c_0 in the absence of all other advertising isn’t knowable in practice, as it would require an experiment that involved shutting of all related advertising in all channels, waiting for it’s lagged effect to subside, and running only a single campaign.

c_0 in different ways, they merely serve to determine the (non-zero) Control baseline, and the methodology here pertains.

Given that the assignment of userIDs to Test and Control is effectively random (as discussed in Section 4, based on the hash function $h_k(u)$ as applied to userIDs within DSP D), it is reasonable to assume that such factors pose no issue, as they would impact Test and Control in statistically equivalent fashion. It is difficult (though perhaps not impossible) to imagine how external factors, including related campaigns, could result in different *systematic* variation of response between Test and Control (though they can certainly introduce *statistical* variation, i.e., noise). However, given that the Test/Control assignment happens within the DSP, it is possible that some issue internal to the DSP D in question could be causing related campaigns executed by D to introduce some systematic effect, contaminating the results⁶.

To mitigate the impact of these issues, we recommend the following practices be followed when measuring the effectiveness of campaign c_0 of advertiser A on DSP D :

1. Advertiser A should run *all* campaigns related to c_0 on the *same* DSP D , and
2. If advertiser A is running campaigns related to c_0 on DSP D , then either:
 - these are also set up to measure effectiveness, with the same Test and Control assignment function $H(u, p)$, such that a userID is in the Control group for all campaigns related to c_0 , or
 - the other campaigns related to c_0 target a set of userIDs that is disjoint from the set of userIDs targeted by c_0 .

These practices, which should be easy to implement for a DSP already capable of executing Ad Lift measurement via Pre-Bid Randomization, will avoid systematic contamination of the baseline.

⁶Even more problematic would be if the advertiser were to duplicate the *exact same* campaign, either on DSP D or another DSP. This could pose additional complications, but we do not address those here. In practice, we do not observe advertisers engaging in this behavior; they may run different campaigns with different DSPs, or run disjoint parts of the same campaign on different DSPs (e.g., running display ads with one DSP and mobile ads with another), but we have not observed many instances of the same advertiser running the exact same campaign on multiple DSPs.

7 Gibbs Sampling for Confidence Bounds

Until now we have been only concerned with *point estimates* of various types of causal effects. However a point estimate x by itself has little value in the absence of a confidence-interval (x_0, x_1) that indicates, for example, that given the observed data, we are 90% confident that the true effect is between x_0 and x_1 .

The difficulty in obtaining confidence bounds depends on which type of causal effect we are considering. We are mainly interested in the *ATT* (Def. 6.3) and the *ATL* (the Average Treatment Lift, Def. 6.4). The equations for the point estimates of these effects (Eqs. 9 and 19 respectively) involve various uncertain response rates and the win rate w . For example [?] presents an estimate of the standard deviation of the posterior distribution of the *ATT* under a large-sample normal approximation. However this approach cannot be extended to the *ATL*.

We have developed a methodology to compute confidence bounds for both metrics (or any other similarly-defined metric) based on a simple Gibbs sampling scheme. Such schemes were proposed for example by [?] and [?], but we believe our methodology, as well as its presentation, is simpler and more intuitive to understand. Moreover, unlike the confidence-interval estimation of [?], our methodology is relatively assumption-free, works for non-large samples, and does not rely on a normal approximation.

7.1 Basic Ideas

For an introduction to Gibbs Sampling we refer the interested reader to [?] and the references therein, but here we will give a very informal overview tailored to our purposes. Gibbs Sampling is a special case of a general method called Markov-Chain Monte-Carlo (MCMC) sampling. MCMC techniques are applicable when we have a Bayesian *generative model* of our data D , parameterized by some unknown parameter vector π , and we want to generate random draws π_0, π_1, \dots from the joint posterior distribution of the parameters π given the observed data. There are a couple of reasons why one might want to do this: (a) compute an expectation (or average) of some scalar function $f(\pi)$ with respect to the distribution of π : $E_\pi(f(\pi))$, and (b) for some scalar function $f(\pi)$, compute a range $[f_1, f_2]$ such that 90% of the probability mass of $f(\pi)$ lies between f_1 and f_2 .

The reason the technique is called a Markov-Chain Monte Carlo method is two-fold: (a) the random draws π_0, π_1, \dots , are generated iteratively in such

a way that the next draw depends only on the outcome of the preceding draw, such that one can imagine these draws as states in a Markov Chain and the iterative process is performing a "walk" on the Markov Chain, and (b) the applications involve computing quantities (expectations, confidence intervals, etc.) based on simulating (i.e., drawing from) a joint distribution of some stochastic variables (hence the "Monte-Carlo" in the name).

The crucial property for an MCMC process to be useful is that after some initial number of "burn-in" iterations, the distribution of the draws $\{\pi_i\}$ converges to the true posterior distribution of the parameters π given the observed data D . It is this property that enables accurate computation of averages, confidence-bounds, etc. Gibbs Sampling is a specific way of performing an MCMC simulation where the parameter vector π can be partitioned into $k \geq 2$ parts, and at each iteration, rather than generating the entire new vector π , each part is generated separately conditional on the latest values of all the other parts.

7.2 Observed Counts, Hidden Counts, and Parameters

For our present purpose of computing confidence intervals for ATT and ATL , we have the following components in order to construct a Gibbs sampling scheme (it will be helpful to consult Figure 5 for the rest of this section):

- The observed data D consists of counts of responders and non-responders among the 3 populations TW, TL, C . In general we will write X_1, X_0 to denote the number of responders and non-responders respectively in population X . Thus we have 6 observed counts: $TW_0, TW_1, TL_0, TL_1, C_0$, and C_1
- The four *unobserved* counts are the number of responders and non-responders in the counterfactual subsets CW, CL , where CW is the set of winner types in Control, i.e., the set of Control userIDs who *would have won* if they were assigned assigned to Test, and CL is the set of loser types in the Control group. More precisely, $CW = \{u_i | U_i = 1, Z_i = 0\}$, and $CL = \{u_i | U_i = 0, Z_i = 0\}$. The four unobserved counts are CW_0, CW_1, CL_0, CL_1 . Note the constraints

$$CW_0 + CL_0 = C_0; \quad CW_1 + CL_1 = C_1 \quad (22)$$

- The response rates $R_{TW}, R_{CW}, R_{TL} = R_{CL} = R_L$ and the win rate w are treated as *unknown parameters* for which we want to simulate the posterior joint distribution conditional on the data. Recall the equality of R_{TL} and R_{CL} from Prop. 6.1. We drop the ' superscript on R_{CW} here since we are treating all the response rates as unknowns

7.3 Data Generating Model

Given the parameters w, R_{TW}, R_{TL}, R_L , let us specify the process by which the observed and un-observable counts above are generated: this will constitute the *generative model* for the data, and we will use this model when simulating the draws from the posterior distribution of the parameters given the data. The total number of winner-type userIDs is $N_W = CW_0 + CW_1 + TW_1 + TW_0$, and the total number of loser-type userIDs is $N_L = CL_0 + CL_1 + TL_0 + TL_1$, so N_W is a draw from the Binomial distribution with total trials $N_W + N_L$ and probability of success $= w$, or written more succinctly:

$$N_W \sim \text{Binom}(N_W + N_L, w) \quad (23)$$

Similarly we can write:

$$CW_1 \sim \text{Binom}(CW_0 + CW_1, R_{CW}) \quad (24)$$

$$TW_1 \sim \text{Binom}(TW_0 + TW_1, R_{TW}) \quad (25)$$

$$CL_1 + TL_1 \sim \text{Binom}(CL_0 + TL_0 + CL_1 + TL_1, R_L) \quad (26)$$

The generative model for the the unobserved counts CW_x, CL_x ($x \in \{0, 1\}$) requires a bit more thought. For example, to arrive at the generative model for CW_1 we use the fact that CW_1 and CL_1 add up to the observable count C_1 (Eq. 22). This means that CW_1 is obtained by a binomial draw from C_1 trials, with success probability

$$P(\text{winner-type} \mid \text{control responder}) \quad (27)$$

$$= P(U = 1 \mid Y(0) = 1) \quad (28)$$

$$= P(U = 1, Y(0) = 1) / P(Y(0) = 1) \quad (29)$$

$$= \frac{P(U = 1)P(Y(0) = 1 \mid U = 1)}{P(U = 1)P(Y(0) = 1 \mid U = 1) + P(U = 0)P(Y(0) = 1 \mid U = 0)} \quad (30)$$

$$= \frac{wR_{CW}}{wR_{CW} + (1 - w)R_L}. \quad (31)$$

Thus we can write:

$$\begin{aligned} CW_1 &\sim \text{Binom}(C_1, wR_{CW} / [wR_{CW} + (1 - w)R_L]) \\ CL_1 &= C_1 - CW_1 \\ CW_0 &\sim \text{Binom}(C_0, (1 - w)R_L / [(1 - w)R_L + wR_{CW}]) \\ CL_0 &= C_0 - CW_0 \end{aligned} \quad (32)$$

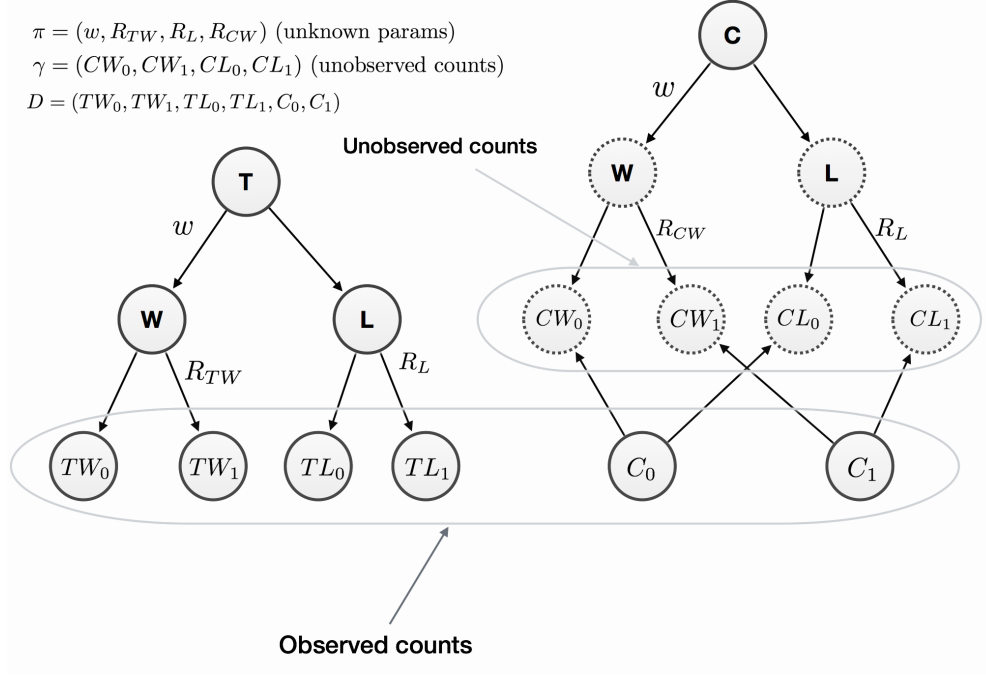


Figure 5: Random variables and observed counts in the Gibbs Sampling procedure. The nodes labeled T, C denote the Test and Control populations respectively, and the W, L nodes under T, C denote the winner-type and loser-type sub-populations. The other nodes contain variables denoting counts using a mnemonic notation for the population, and the subscript 1 indicates converters, and 0 indicates non-converters. For example TW_0 is the number of non-converters among the Test-Win population. Solid circles denote observable counts, while dotted circles denote unobservable counts. Note that although the counts CW_i, CL_i are not observable, the sum $CW_i + CL_i = C_i$ is observable, since it is the total number of converters (for $i = 1$) or non-converters (for $i = 0$) in the Control group. The arrows are labeled by the probability that an individual userID in the parent-node population falls in the sub-population represented by the child node. For example the arrow from T to W is labeled w to show that the probability that a Test-group individual is a winner type is w (the win rate), and the arrow from W to TW_0 is labeled R_{TW} to indicate that the probability of an individual in the TW (Test-Winner) group converts is R_{TW} , the Test-Winner response rate. The complementary probabilities $1 - w$, etc. are not shown.

7.4 Posterior Parameter Distributions

The final piece needed to set up a Gibbs sampling process is the specification of the posterior distributions of the parameters w, R_{TW}, R_{CW}, R_L . Following a Bayesian approach, we first specify prior distributions of each of these parameters. To model minimal prior knowledge about these parameters we use a Beta(1, 1) prior, which is equivalent to a uniform distribution over [0,1].

We note that each of the Binomial distributions in Eqs. 23 - 26 corresponds to a *likelihood* of the data given the respective parameter, e.g., from Eq. 23 the likelihood is the probability of selecting N_W winner types from a total of $N_W + N_L$ trials where each has a probability w of being a winner type:

$$P(N_W | N_W + N_L, w) = \binom{N_W + N_L}{N_W} w^{N_W} (1 - w)^{N_L} \quad (33)$$

To avoid repeating these expressions, we use the notation $\mathcal{L}_{bin}(k; n, p)$ to denote the Binomial likelihood of k successes out of n trials, with success probability p , or $\binom{n}{k} p^k (1 - p)^{n-k}$. We also use the following property:

Proposition 7.1. The Beta distribution is a *conjugate prior* to the Binomial likelihood, i.e., if the prior distribution on a probability p is a Beta(α, β) distribution, and the likelihood is a binomial likelihood $\mathcal{L}_{bin}(k; n, p)$, then the posterior of p is also a Beta distribution, specifically with parameters $(\alpha + k, \beta + n - k)$:

$$P(p|n, k) \propto \mathcal{L}_{bin}(k; n, p) \text{Beta}(\alpha, \beta) \quad (34)$$

$$\propto \text{Beta}(\alpha + k, \beta + n - k) \quad (35)$$

Thus from Eqs. 23 - 26 we can write the following posterior distributions (note in our case $\alpha = \beta = 1$):

$$\begin{aligned} w &\sim \text{Beta}(1 + CW_1 + CW_0 + TW_1 + TW_0, 1 + CL_1 + CL_0 + TL_1 + TL_0) \\ R_{TW} &\sim \text{Beta}(1 + TW_1, 1 + TW_0) \\ R_{CW} &\sim \text{Beta}(1 + CW_1, 1 + CW_0) \\ R_L &\sim \text{Beta}(1 + CL_1 + TL_1, 1 + CL_0 + TL_0) \end{aligned} \quad (36)$$

7.5 Gibbs Sampling Procedure

We are now ready to specify the actual Gibbs sampling procedure. For brevity we will let π denote the vector of the four unknown probability parameters

w, R_{TW}, R_{CW}, R_L , and let γ denote the vector of the four unobservable counts (see Eq. 22) CW_1, CW_0, CL_1, CL_0 . Our goal is to iteratively generate a sequence of realizations of $[\pi, \gamma]$ such that after some initial "burn-in" period (typically around 1000 iterations), these realizations represent draws from the true joint distribution of $[\pi, \gamma]$. The sequence of realizations of $[\pi, \gamma]$ will be denoted $[\pi^0, \gamma^0], [\pi^1, \gamma^1], \dots$, and we use the same superscript notation to refer to iterative realizations of the components of π and γ .

We first initialize π to π^0 using reasonable estimates from the observed counts:

$$\begin{aligned} w^0 &= (TW_0 + TW_1)/(TW_0 + TW_1 + TL_0 + TL_1) \\ R_{TW}^0 &= TW_1/(TW_0 + TW_1) \\ R_{CW}^0 &= TW_1/(TW_0 + TW_1) \\ R_L^0 &= TL_1/(TL_0 + TL_1), \end{aligned} \tag{37}$$

where we note that we initialized R_{CW} using the observed *Test-Winners* response rate.

Next we update $[\pi, \gamma]$ iteratively, where the i 'th iteration ($i = 0, 1, 2, \dots$) consists of two steps:

1. Generate γ^{i+1} given π^i , using equations 32. For example to generate the count CW_1^{i+1} , we make a random draw from $\text{Binom}(C_1, p)$ where the success probability p is

$$w^i R_{CW}^i / [w^i R_{CW}^i + (1 - w^i) R_L^i]$$

2. Generate π^{i+1} given γ^{i+1} , using equations 36. For example to generate R_{TW}^{i+1} we make a random draw from $\text{Beta}(1 + TW_1^{i+1}, 1 + TW_0^{i+1})$.

Once we pass a suitable "burn-in" number of iterations N , at each of the k subsequent iterations $i = N + 1, N + 2, \dots, N + k$, we calculate the metrics ATT^i, ATL^i , which are simple functions of the probability-parametres π^i at iteration i (see Eqs. 9, 20). We typically use $N = 1000$, and $k = 2000$. The 90% confidence bounds on ATT are then given by the 5th and 95th percentiles of the collected values $\{ATT^i\}$, and similarly for the confidence bounds of ATL . Note that we can use the averages of $\{ATT^i\}$ and $\{ATL^i\}$ as an alternative to the point-estimates in Eqs. 9 and 20, and also as a sanity check on the Gibbs sampling.

8 Complication: Recurring UserIDs

Thus far in this paper we have assumed that a userID never occurs more than once in the logs data used to measure Causal Lift. In reality, a given userID may (and typically does) appear multiple times in the bid-request stream, as the consumer engages with different websites or mobile apps. In this section we will extend our methodology to handle this situation.

To see the difficulty caused by recurring userIDs, consider a naive approach where we treat each bid opportunity for a given userID as a distinct unit, pretending they are all different userIDs and carrying out the analysis presented earlier. Recall that our methodology described in Sec. 6.3 hinges on identifying the *winner* and *loser* subsets of the Test group, i.e., the *TW* and *TL* populations. For a given Test userID, we might say that a bid opportunity is in *TW* if the bid opportunity results in a win, and is in *TL* otherwise. This would be problematic because if an individual consumer appeared with a certain userID u in a won bid opportunity at time t (and hence was exposed to the ad campaign), and then re-appeared in a lost bid opportunity (with the same userID u at time $t + \delta$, this consumer could still very well be "under the influence" of the ad exposure from time t . This means the potential outcomes $Y(0), Y(1)$ subsequent to the second bid opportunity would not be those that one would expect from an unexposed consumer. In the extreme case, if the gap δ between the first and second bid opportunities is close to zero, it is quite likely that the "if-unexposed potential outcome" $Y(0)$ is identical to $Y(1)$, i.e., *regardless of whether the second bid opportunity results in a win or not*, the two potential outcomes are *identical*. This extreme case is actually quite likely in practice, corresponding for example to consecutive bid opportunities that might occur as a consumer clicks through from one page of a website to another.

Thus, if we treat each bid opportunity as a unit, there will be interference among units in the sense that the potential outcomes of a unit would depend on whether or not other units were exposed. This violates a fundamental requirement that underlies the potential outcomes framework, called the Stable Unit Treatment Value Assumption (SUTVA), [?]. This assumption states, roughly speaking, that the potential outcomes of a unit do not depend on the exposure-status of another unit (and so the SUTVA is informally referred to as the "no-interference" assumption). This assumption was not explicitly called out in our analysis thus far because we have been assuming that each userID occurs exactly once, and hence it is very reasonable to assume no interference between units (i.e. userIDs) in that scenario. To avoid violating the SUTVA, instead of treating each individual bid opportunity of a userID as a unit, we make the following modification to our methodology:

Modification 8.1 (Treat UserID as a Unit). Treat the userID itself as a unit, which effectively means that each "unit" now represents the set of *all* bid opportunities that have a given userID.

With this modification, units now correspond to individual consumers, who may each be the subject of multiple bid opportunities. Clearly now there will be no interference between units, *assuming each distinct userID corresponds to a distinct consumer* (the next section will consider the case where this assumption is not valid): ignoring social-network effects (which are generally not predicated on advertising), one consumer's ad exposure will not affect another's potential outcomes. In fact, defining units in this way is quite natural from an advertiser's perspective: they are primarily interested in measuring the causal impact of their campaigns at the level of *unique userIDs* (i.e., their customers and potential customers) rather than individual bid opportunities.

In order to apply our methodology, we now need to specify how to define whether a unit is a Test-Winner (*TW*) or Test-Loser (*TL*) (the definition of *C*, or control, is clear because Test/Control assignment is based on the userID):

Modification 8.2 (Definition of Test-Winner and Test-Loser UserIDs). A Test userID u is considered to be a Test-Winner if *at least one* of the bid opportunities involving u is a *win*, otherwise it is considered a Test-Loser.

In the case of non-recurring userIDs, determining whether not a bid opportunity is associated with a conversion is a simple matter: we simply check whether there is a conversion by the userID within the campaign-designated post-view (PV) window after the bid opportunity. When userIDs occur more than once, we define the response as follows:

Modification 8.3 (Attribution of Conversions to UserIDs). For a given userID u , a conversion by u is *attributable* to u if there is a bid opportunity for u within the campaign-designated post-view (PV) window prior to the conversion event. The *response* Y_u of the userID is then defined as the total number of conversions attributable to u .

This definition of the response random variable Y_u allows us to extend the definitions of potential outcomes ($Y_u(0)$ and $Y_u(1)$) and the various response rates introduced in Section 6.2, to the case of recurring userIDs. For example, the response rate $R_{TW} = E[Y(1)|U = 1]$ is simply the total number of conversions attributed to Test-Winner userIDs (as in Modification 8.3), divided by the number of unique Test-Winner userIDs. With these

definitions, it is easy to apply the methodology to compute ATT and ATL in Section 6.3.

Note that the introduction of these modifications means that different consumers in the Test group may be subject to different degrees of ad exposure (i.e., because the DSP may win only one bid opportunity against some Test-Winner userIDs, and multiple bid opportunities against other Test-Winner userIDs.). In theory, consumer response to advertising should be some function of the degree (i.e., frequency) of exposure. For the current purposes, the shape of this function is irrelevant, in the sense that the response rates in question (i.e., R_T , R_{TW} , etc.) are simply aggregates over the corresponding populations. The degree of exposure that drove the response rates does not affect the calculation of Causal Lift. What would be affected is the measured return on investment (ROI) of the campaign, which looks at how much spend was required to generate the observed lift, as higher frequency of exposure would entail higher cost and vice-versa. ROI considerations will be visited in later work; the current approach seeks to quantify the Causal Lift independent of the spend that was required to produce it.

9 Complication: ID Contamination

The methodology thus far has been based on the *userID* as the unit of study, and essentially calculates the *userID-level* Causal Lift (even when a *userID* occurs multiple times). However, as mentioned in the Introduction, *userIDs* are identifiers that in general are not unique to a given consumer and may change over time. In reality, though we have been using the term “*userID*,” these identifiers actually correspond to devices, not the actual users of those devices. The most well-known type of *userID* is a browser *cookie*, which identifies the individual instance of the web browser being used on a particular device, over a certain time-period. Increasingly, these cookies are either deleted periodically by users or not accepted/supported by browsers to begin with, such that they do not necessarily persist across different observations of the same consumer. Therefore, a given consumer could appear with a distinct (cookie-based) *userID*, or in fact no *userID*, on every bid opportunity, thus resulting in some of the consumer’s cookies being assigned to Test and others to Control. We refer to this as *cookie contamination*. Note that while cookies are unique to a particular browser (as long as cookies are not deleted), they are not unique to a consumer nor to a device (as a given consumer might use multiple browsers on the same device – in fact, this behavior is common).

Another common type of *userID* is a mobile advertising ID (such as an Apple

IDFA or Google Android ID), which is used to identify the mobile device used by a consumer. Consumers are increasingly using multiple connected devices (smartphones, tablets, etc.) with that trend only expected to continue. Thus, while mobile advertising IDs are generally persistent (i.e., stable over time) and are unique to a device, they are not unique to a consumer. That means bid opportunities to a given consumer that are delivered on different devices owned by that consumer, will correspond to different userIDs, and once again this leads to a situation where some userIDs (devices) are assigned to Test and others to Control. We refer to this as *cross-device contamination*.

The reverse scenario is also possible, where a given userID (either cookie or mobile advertising ID) may correspond to multiple consumers (as might be the case with shared household or family usage of a single device), though the single-identifier-to-many-consumers scenario is in practice relatively minor compared to the many-identifiers-to-single-consumer scenario.

Both cookie contamination and cross-device contamination are highly prevalent, and are not mutually exclusive with respect to a given consumer. The fact that the commonly-used userIDs are not unique to a consumer, and may not remain persistent over time, means there is a many-to-many relationship between userIDs and consumers. This means that, in general, some of the userIDs for a given consumer will end up in the Test group and some in the Control group, leading to contamination of the results. In particular, if a Test-group userID of the consumer in question is exposed to the ad campaign, *all* of the userIDs associated with that consumer would subsequently exhibit the response rates of an exposed userID, including the ones in Control. In fact, this is another form of SUTVA violation (as described in Section 8): there is interference among units, and specifically, the exposure status of a userID influences the potential outcomes of another userID associated with the same actual consumer. Intuitively, one expects that ID contamination will lead to a *dilution* in the measured lift, i.e., the measured userID-level lift would *understate* the true consumer-level lift. The following subsection uses a simple model to quantitatively illustrate this effect, in the case of cross-device contamination.

9.1 Impact of Cross-device Contamination

Other authors have explored the quantitative impact of ID contamination in detail. For example, [?] present an analysis of the impact of cookie contamination on Ad Lift measurement, using both simulations and analytical methods. For illustration purposes here, we consider the following simple "toy model" scenario (illustrated in Figure 6) describing cross-device contamination and its directional effects on Ad Lift measurement:


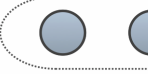


1. Each consumer has exactly k device-based userIDs (or just "devices" for short). We assume that on a given device, the ID remains fixed during the period of analysis (i.e. we do not allow cookie-deletion or refreshes in this scenario). We can think of devices as partitioned into clusters of k devices each, and each cluster corresponds to an actual consumer.
2. Each device is randomly assigned to Control (C) with probability p , and to Test (T) with probability $1 - p$.
3. Win rate is 100%, i.e., *all* Test devices are exposed to the ad campaign under study.
4. There are two types of consumers: type- C , i.e., those with all k devices in Control (this happens with probability p^k), and type- T , i.e., those with at least one device in Test (which happens with probability $1 - p^k$). Since every Test device is exposed to an ad, the *userID*-level randomized assignment to Test/Control results in a random assignment to type- T and type- C at the *consumer* level, with the probability of assignment to type- C being p^k .
5. A type- T consumer has a conversion probability of r_t , and *each* they are *equally likely* to convert from any of their k devices⁷, i.e., the conversion probability for each device is r_t/k .
6. A type- C consumer has a conversion probability of r_c , and *each* of their k devices is *equally likely* to exhibit a conversion, i.e. they each have a conversion probability of r_c/k .
7. The true consumer-level lift (in the sense of *ATL*, Definition 6.4) is a , which means $r_t = r_c(1 + a)$.

We can then show the following:

Proposition 9.1. [Dilution due to Cross-device Contamination] In the above scenario where each consumer has k devices, and each device is assigned to Control with a probability p , all Test devices are exposed to ads, and the true consumer-level causal Ad Lift (in the sense of *ATL*, Definition 6.4) is a , then the lift measured at device (i.e. userID) level will be

$$ATL = ap^{k-1}/(1 + a - ap^{k-1}) \quad (38)$$

⁷Note that we are implicitly assuming that a consumer's response probability is flat regardless of how many times they are exposed to an ad campaign. In reality, we expect response to be a monotone (and quite possibly non-linear) function of frequency of exposure, but we assume frequency independence here in order to arrive at a simple, quantitative, directional estimate of the impact of cross-device contamination.

Response-Rate		Test	Control
Human	Device		
$r_t = r_c(1 + a)$	$r_t/3$		
$r_t = r_c(1 + a)$	$r_t/3$		
r_c	$r_c/3$		



 Exposed cookie
 Unexposed cookie

Figure 6: A simple cross-device contamination scenario where each consumer has exactly three devices, and each device (represented by a circle) is randomly assigned to Control with probability p (and to Test with probability $1 - p$). The device distributions of three consumers are shown. Each row of devices is associated with a distinct consumer. The two Response Rate columns show the response rates of the consumer, and that of each device of the consumer.

Proof. Let R_t, R_c be the measured Test and Control response rates respectively, at the device-level. All Test devices must belong to a type T consumer and hence have conversion probability $R_t = r_t/k$. On the other hand, the conversion probability of a Control device will depend on whether or not it is "contaminated", i.e., whether or not a "sibling" of that device (i.e., one that belongs to the same consumer) is in Test. A given Control consumer has probability $1 - p^{k-1}$ of being contaminated (in which case its response rate would be r_t/k), and probability p^{k-1} of being "clean" (i.e., all its siblings are in Control, in which case its response rate would be r_c/k). Thus the measured Control device response rate would be

$$R_c = p^{k-1}r_c/k + (1 - p^{k-1})r_t/k \quad (39)$$

$$= p^{k-1}r_c/k + (1 - p^{k-1})r_c(1 + a)/k \quad (40)$$

$$= (1 + a - ap^{k-1})r_c/k, \quad (41)$$

which implies

$$R_t - R_c = r_c ap^{k-1}/k, \quad (42)$$

and so the lift is given by

$$ATL = (R_t - R_c)/R_c \quad (43)$$

$$= ap^{k-1}/(1 + a - ap^{k-1}). \quad (44)$$

□

The above result shows that as the number of devices k per consumer increases, the measured device-level lift drops *exponentially* in k , since the term involving p^{k-1} in the denominator can be neglected for large k values, and the expression reduces to $ap^{k-1}/(1 + a)$. As a sanity check we can verify that the ATL expression (38) reduces to a when $k = 1$. It is also worth noting that the above toy scenario assumed (as stated in assumption 1 above) that while consumers have k devices each, the identifiers (or cookies) on those devices are stable (i.e., persist) for at least the time between the bid opportunity and the desired outcome. In fact, this is often not the case, and if conversions occur after a cookie-change, then these conversions are effectively "lost", in the sense that they would not be attributed to a (Test or Control) bid-opp, and this would result in a depression of both the Test and Control response rates (assuming that cookie non-acceptance and cookie deletion are equally common among Test and Control consumers), effectively decreasing the signal-to-noise ratio.

This result might lead one to conclude that at worst, contamination would drive the Causal Lift estimation to zero. This makes intuitive sense: when contamination is severe, every Control device essentially has the response rate of a Test (exposed) device, and *as long as the composition of the type-C and type-T consumer populations is the same*, the measured causal Ad Lift would be at worst zero. Our research, using an unbiased truth set whereby

the underlying (anonymized) identity of each consumer is actually known, shows that the *average* number of browser cookies per consumer (specific to a particular DSP and examined over a timeframe of INSERT TIMEFRAME) is typically in the (INSERT X-X NUMBER RANGE) range, with a long tail of consumers exhibiting *far* more cookies per consumer.⁸ While the model above assumed a fixed number of devices per consumer rather than a distribution, the fact that consumers on average tend to have many cookies would lead one to expect significant reduction in lift, if not a zero result.

Yet, the situation is even worse than that! In the above scenario, zero (or extremely low) measured lift resulted from high k under the assumption that each consumer has exactly k devices. If we remove this assumption, and instead assume the population consists of some consumers with just one device, as well as others with multiple devices, then it is possible for the composition of the Test and Control populations to have different responsiveness to ads, due to a combination of two phenomena (which we have observed in our data):

1. Consumers with multiple devices constitute a higher fraction of the Control population than Test. This phenomenon is a mathematical consequence of a non-constant device distribution, as we show below in Proposition 9.2.
2. the baseline (no-exposure) response rate of multiple-device consumers is higher than that of single-device consumers. This phenomenon is at least partially attributable to the fact that consumers with multiple devices are more "prolific" (and perhaps more affluent) internet users and as such tend to perform conversion actions at a higher rate than single-device consumers, even in the absence of any advertising exposure.

The following result shows a simple example where a non-constant device distribution can result in multi-device human users being over-represented in Control compared to Test.

Proposition 9.2. [Multi-Device Skew] Consider a scenario where each device is randomly assigned to Control with probability p (and to test with probability $1 - p$), and each consumer has exactly one cookie on each device (i.e., there are no cookie refreshes or deletions). Suppose there are two kinds of human users: "1D users", i.e. those with just 1 device, and "2D users", i.e. those with exactly 2 devices. Let the random-variable T_i represent the number of " i -D" human users with at least one device in Test, and C_i represent the number of " i -D" human users with at least 1 cookie in Control. Then for a sufficiently large population-size the expected value of C_2/C_1 is $(2 - p)/(1 + p)$ times larger than the expected value of T_2/T_1 , i.e. the ratio

⁸Note that multiple cookies can result from a compounding of the effects of multiple-devices per user, and multiple cookies on each device.

of 2D to 1D users in Control is $(2 - p)/(1 + p)$ times larger than the corresponding ratio in Test.

Proof. Suppose there are N_1 1D human users, and N_2 2D human users. For each 1D human user, the chance that their device is in control is p . For each 2D human user, the probability that *at least one* of their devices is in Control is $1 - (1 - p)^2$. Therefore

$$\begin{aligned} E[C_1] &= N_1 p \\ E[C_2] &= N_2 (1 - (1 - p)^2) = 2p - p^2, \end{aligned}$$

It is possible to show using a Taylor expansion (see, e.g., [?]) that for sufficiently large N_1, N_2 , the expectation of the ratio C_2/C_1 can be closely approximated by the ratio of the expectations, i.e.

$$E[C_2/C_1] \simeq E[C_2]/E[C_1] = (N_2/N_1)(2p - p^2)/p = (N_2/N_1)(2 - p).$$

Similarly, for each 1D human user, the chance that their device is in Test is $1 - p$, and for each 2D human user, the chance that at least one of their device is in Test is $1 - p^2$. This implies

$$\begin{aligned} E[T_1] &= N_1 (1 - p) \\ E[T_2] &= N_2 (1 - p^2), \end{aligned}$$

and once again we use the approximation

$$E[T_2/T_1] \simeq E[T_2]/E[T_1] = (N_2/N_1)(1 - p^2)/(1 - p) = (N_2/N_1)(1 + p),$$

from which the result follows:

$$E[C_2/C_1] \simeq E[T_2/T_1](2 - p)/(1 + p)$$

□

In practical randomized measurements of causal ad impact, the probability p of a cookie/device being assigned to Control is much smaller than 1, and $p = 10\%$ is typical. For $p = 0.10$, the above result shows that the 2D to 1D ratio in Control is $(2 - p)/(1 + p) = 1.9/1.1 = 1.7$ times the corresponding ratio in Test, meaning that 2D human users are over-represented in control, relative to test, by a factor of 1.7. Combined with our empirical observation that multi-device human users have a higher baseline propensity to convert (on *each* of their devices) than single-device users, this result makes it clear that the control-group response rate could well be *higher* than that of the test group, thus leading to a *negative lift* measurement. We previously saw that negative lift could result from win bias, but corrected for that using our methodology for Pre-Bid Randomization. Here we see that ID contamination can drown a positive signal to zero, or flip a positive to negative. Clearly no solution can be valid without addressing ID contamination.

9.2 Remedies for Contamination

In light of the above results showing how ID contamination leads to a degradation of lift measurement, it is important to consider possible remedies that account for ID contamination. We now consider how a simple modification of our methodology offers one such remedy. Perhaps unsurprisingly, the modification relies on the availability of information linking together identifiers (i.e., userIDs) that belong to the same underlying consumer. At MediaMath this information is integrated into a solution which we refer to as *Connected-ID*, or CID for short. The reader can think of a CID as the "master" ID connecting all the various userIDs (cookies, IDFAs, etc.) associated with a particular consumer. The primary source of information enabling these connections is login IDs, typically corresponding to email addresses that consumers use to log into accounts on advertiser websites or mobile apps, with the idea being that these login IDs (suitably hashed) are both unique (by definition) and persistent over time⁹ and thus when captured simultaneously with various userIDs, provide a way to associate those userIDs to the same underlying consumer. Note that the CID solution is *deterministic*, in contrast to less accurate *probabilistic* approaches which model device data, consumer behaviors, and other information to determine a probability that two or more userIDs are linked to the same underlying consumer. While it is beyond the scope of our paper to produce a full account of the performance of probabilistic solutions, our own analysis and the experience of our clients is that the precision and recall of these solutions, as measured against truth sets (where the underlying identity of each consumer is known), is such that they are not reliable enough for accurate targeting of consumers nor for accurate measurement of Ad Lift. Henceforth, we shall use the term CID to refer not only to MediaMath's solution, but to any solution that connects userIDs to a master ID corresponding to the underlying consumer, on the basis of deterministic data.

In general, no CID solution will be complete, meaning that while it may capture most or all of the userIDs for some consumers, it will not generally be able to resolve all userIDs to a CID for all consumers. In other words, some userIDs will have no CID mapping, e.g., because login ID information has not been captured for that consumer and joined to the CID graph, because the device is new, etc. Despite incomplete (and possibly noisy) CID information, we can use a *sufficiently large* CID solution to improve our lift estimates with a simple modification:

⁹Though email addresses may of course change over time, it is assumed that the timescale over which ad effectiveness is measured (i.e., the PV window) is much shorter than the timescale over which consumers typically change email addresses, and thus that emails addresses are effectively stable for these purposes.

Modification 9.1 (Treat the CID as a unit). Discard userIDs for which there is no CID mapping. For the remaining userIDs, use the CID as the identifier instead of the userID. In particular, in the Pre-Bid Test/Control assignment, use the hash of the CID rather than the original userID. For all the Causal Lift calculations, ignore the original userID and use the CID instead. This will then yield a Causal Lift measurement at the CID level (or consumer level).

If we assume that the CID information is *complete* (i.e., it captures *all* userID linkages), and *correct* (i.e., all linked userIDs in fact belong to the same consumer), then it should be clear that there is no SUTVA violation (i.e., no interference among units, which are CIDs), and hence the methodology in Section 6.3 works.

Of course, in reality the CID information may be incomplete and incorrect. Incompleteness, however, is only an issue to the extent that it drives uncertainty in the estimation of Ad Lift and the confidence intervals around it, using the methodologies presented earlier. The more complete the CID solution is (i.e., the more userIDs it can link to CIDs), the smaller those errors will be. The CID solution merely needs to be *sufficiently large* enough to produce measurement results with sufficiently high confidence. How large does this need to be in practice? MediaMath’s CID solution currently has [INSERT NUMBER] CIDs in the US, corresponding to consumers with one or more userIDs. This is about [INSERT PERCENTAGE] of the estimated [INSERT NUMBER] of unique consumers in the US. As we will demonstrate in the next Section, this data has yielded Ad Lift measurement with high confidence. While this does not provide a lower bound on the absolute or relative size of the CID solution needed, it does demonstrate that a complete solution is not needed. For a given CID solution, one can simply evaluate the resulting Ad Lift and confidence intervals to empirically assess whether it is “large enough.”

As for correctness, most CID solutions employ a variety of techniques to ensure the quality of the data is high. These often include supervised testing against known deterministic IDs, unsupervised testing to flag and filter anomalies (e.g., abnormally high numbers of userIDs mapping to a single CID), performance validation (i.e., looking at actual business results derived from the application of CID solutions to marketing activities), and others. A complete framework for evaluating the correctness of an arbitrary CID solution is beyond the scope of this paper. However, it is generally possible to increase the correctness of the CID information by sacrificing some coverage with the following further heuristic:

Modification 9.2 (Restrict the analysis CIDs with k or more userIDs). In

addition to restricting to userIDs that have a (deterministic) mapping to a CID, further restrict to CIDs that link k or more userIDs.

The practical justification for this modification is twofold:

1. It removes "one-hit wonders" where a CID is mapped to only one userID. While this may correctly indicate, for example, that this consumer has only one device, we have noted in practice that such singleton occurrences also tend to arise from a variety of issues associated with failure to establish correct mappings.
2. The larger the value of k , the more likely it is that each CID has connected most or all of the userIDs corresponding to a consumer, i.e., the more confident one can be in the CID solution's ability to correctly associate userIDs to CIDs.

Clearly there is a tradeoff with this approach: for higher k we will have less data, resulting in wider confidence bounds around the measured lift. In practice, we have found the best results for $k = 2$ or $k = 3$, which produce noticeably different results vs. $k = 1$. This is consistent with empirical studies (e.g., [?]) showing that a vast majority ($> 70\%$) of consumers have fewer than 4 cookies, and that digital consumers own, on average, about 3.5 connected devices [?] though most of their media consumption (and hence ad exposure) occurs on 2 or 3 devices (e.g., smartphones, laptop, and tablets, as opposed to gaming consoles, wearables, etc.). Thus, using $k = 2$ or $k = 3$ helps prevent ID contamination from overwhelming lift measurements, avoiding singletons and gearing the analysis around the empirically expected value for k .

We believe that the issues discussed in this paper - notably around ID contamination and win bias - have severely hampered previous attempts to measure Ad Lift. In MediaMath's experience, having observed many dozens if not hundreds of attempted measurements, spanning different advertiser verticals and different campaigns configurations, the results routinely come back indicating marginal lift, no lift, or negative lift. These results (in particular negative lift), run counter to common-sense expectations about the impact of advertising, and fly in the face of many billions of dollars of ad spend. The few tests that we have seen produce strong, positive lift tended to do so only for short-periods of time, quickly falling back into the noise. We believe this is because those approaches, unlike the current work, do not account for real-world constraints and complications. In the next Section, we present Ad Lift measurements using the methodology presented here, which yields significant, positive, and stable measurements.

10 Experimental Results

In table 1 we show results of the Causal lift (ATL) computation using the modified methodology of Section 9, for seven campaigns using bid opportunity data over a 30-day period ending March 21, 2017. The table shows various measures related to ATL as well as the raw counts of Test and Control unique CIDs and conversions, and several intermediate values that illustrate our methodology. We now describe the columns in the table in some detail:

- **id** is the ID of an ad campaign
- ATT is the Average Treatment Effect on Treated, or $R_{TW} - R_{CW}$ as defined in Eq. 9. Note that by Lemma 6.3 $ATT = (R_T - R_C)/w$, where w is the win rate (see below).
- ATL is the Causal Lift as defined in Eq. 20, i.e.,

$$ATL = (R_{TW} - R'_{CW})/R'_{CW} = ATT/(R_{TW} - ATT)$$

- INC is the *Incrementality*, as defined in Eq. 21, i.e.,

$$INC = (R_{TW} - R'_{CW})/R_{TW} = ATT/R_{TW}.$$

- The column names starting with "g" denote quantities related to the Gibbs-sampling methodology in Section 7: $g5$, $g50$, $g95$ denote the 5th percentile, 50th percentile (or median), and 95th percentile, respectively, of the distribution of possible values of ATL that are consistent with the observed data, as generated by the Gibbs Sampling procedure. So one can treat the range $(g5, g95)$ as the 90% confidence-interval for ATL . $gConf$ is the Gibbs-sampling-based "directional confidence" in the observed lift (ATL): we model the distribution of ATL as a Gaussian with mean μ and standard-deviation σ computed from the generated values of ATL , and then define $gConf$ as one minus the probability that we would have observed an ATL as high as the one we observed, had the true value of ATL been negative, under the assumed Gaussian distribution.
- The 6 columns TU, TC, TWU, TWC, CU, CC represent the raw observed counts that are the inputs to our methodology. TU, TC are respectively the number of unique CIDs and conversions in the Test group. TWU, TWC are the number of unique CIDs and conversions in the TW (Test-Winners) population. CU, CC are respectively the number of unique CIDs and conversions in the Control population.
- w is the win rate, defined as TWU/TU , expressed as a percentage.

- R_T, R_C are the observed response rates of the Test and Control populations, respectively, expressed as percentages: $R_T = TC/TU$, $R_C = CC/CU$.
- R_{TW} is the response rate of the Test-Winners group, equal to TWC/TWU , expressed as a percentage.

All of the various response rates, and ATT (which is a difference in response rates $R_{TW} - R_{CW}$) are shown in the table in *basis points* (bp), where one bp is 0.01%.

To illustrate how our methodology is applied, let us consider the calculations for campaign 1 (top row in the table):

Example 10.1. [Calculation of ATL for campaign 2] We start with the six raw observed counts with values of $TU = 263,501$, $TC = 1,670$, $TWU = 148,058$, $TWC = 955$, $CU = 16,065$, and $CC = 79$. First we compute these response rates:

$$\begin{aligned} R_T &= TC/TU = 1670/263501 = 0.0063\% = 63bp \\ R_C &= CC/CU = 70/16065 = 0.0049\% = 49bp \\ R_{TW} &= TWC/TWU = 955/148058 = 0.0065\% = 65bp, \end{aligned}$$

and the win rate $w = TWU/TU = 56\%$. We then compute the ACE , or Average Causal Effect (also called the Intent-to-Treat effect, ITT), as in Eq. 8:

$$ACE = R_T - R_C = 63bp - 49bp = 14bp, \quad (45)$$

which means that *at the Intent-to-Treat level*, the effect of the ad campaign is 14bp. From Eq. 9 we see that the ATT (Average Treatment Effect on Treated), is

$$ATT = ACE/w = 14bp/0.56 = 25bp = (R_{TW} - R_{CW}). \quad (46)$$

This shows that the casual effect of the ad campaign *on the exposed population* is 25bp. Since ATT is (by definition) equal to $R_{TW} - R_{CW}$, we infer that $R_{CW} = R_{TW} - ATT = 65bp - 25bp = 40bp$. Now we can calculate ATL and INC (Eqs 20 and 21) as follows:

$$\begin{aligned} ATL &= ATT/R_{CW} = 25/40 = 63\% \\ INC &= ATT/R_{TW} = 25/65 = 39\%, \end{aligned}$$

which shows that the response rate of the exposed Test population is 63% higher than that of the counterfactual Control winner population, and that out of the 65bp response rate of the exposed Test population, only 39% is causally attributable to the ad campaign. \square

Looking across the campaigns, we can see a wide range of ATL and INC values, presumably owing to the different intrinsic effectiveness of these

campaigns against their target consumers. Of note, the values for *ATL* and *INC* are all positive and the values of *gConf* are above 90% for all but one campaign, illustrating the utility of providing not only point estimates but also confidence measurements. We reiterate that these results are in stark contrast to our experience with other methodologies, which tend to produce marginal lift, no lift, or negative lift, and often with a high degree of inconsistency.

11 Related Work

The *ghost ads* methodology [?] aims to estimate the causal/incremental effect of ads by *identifying the counterfactual* winner types in the Control population. This hinges on being able to accurately simulate an auction and predict whether or not a Control consumer *would have* seen the ad (i.e., would have *won* the auction if the consumer had been assigned to Test). This may be possible for a small handful of so-called “walled garden” media companies such as Google, Facebook, and Amazon, who can see both the “buy” and “sell” sides of the auction process and dictate the outcome according to their internal algorithms and specifications, but in general for ad buyers this is not possible and such an approach cannot be implemented. By contrast our methodology uses randomization and a correction for auction win bias to avoid the need to actually identify counterfactual winner types in the Control group.

There is a strand of literature addressing the challenging problem of estimating the causal effect of advertising based on *observational* data, i.e., from data collected during the normal course of campaign delivery, without setting up explicit randomized control tests. One such paper is [?] which considers several ways to address the chief difficulty in estimating causality from observational data: the exposed and unexposed populations will not in general be equivalent. The authors consider various ways of correcting for this non-equivalence. Essentially these approaches rely on doing a counterfactual or “what-if” analysis *analytically* via fitted models/estimators rather than experimentally via randomization. An important requirement in these approaches is that *all* potentially confounding variables (i.e., those that affect assignment to the treatment group and also affect response rates) are observable, which is rather a strong requirement and one which we believe does not hold in the real world. Thus, these approaches tend to be assumption-driven (in terms of the models/estimators used), prone to unknown biases in the construction of treatment populations, and have proven to be difficult to validate in practice, leaving many advertisers questioning if the results can really be believed. While observational approaches have the appeal of

zero opportunity cost to advertisers (who would miss out showing ads to the Control group in a randomized test), we believe these downsides make such approaches sub-optimal for reliable Incrementality measurement at an aggregate level.

Another prominent paper that discusses the observational approach to causality in the digital advertising context, is [?]. An interesting survey paper from Facebook [?] shows that observational methods often fail to produce results as good as true randomized experiments, even after taking into account thousands of confounding variables. In fact one of the methods presented in this paper is similar to our method for computing the *ATT* (Eq 9).

In the category of observational approaches, there has been recent interest in applying Machine Learning techniques to estimate the *Individual Causal Effect ICE* (or Individual Treatment Effect, *ITE*) as a function of covariates (or features) of an individual entity. For example [?, ?] present a decision-tree based approach to estimate the *ICE*, and [?] show how counterfactuals can be estimated by learning representations (using linear models or deep neural networks) that encourage similarity (or balance) between Test and Control populations.

Two papers present the idea of using Gibbs Sampling in the context of causal analysis: [?] outline a method to apply Gibbs sampling to causal inference in the presence of non-compliance, and [?] present a similar method, applied to advertising campaign effectiveness measurement. Neither of these papers give a complete specification that can be easily implemented. Our Gibbs Sampling procedure is similar to these but we have introduced important simplifications, and specified the approach in a manner that is self-contained and easy to implement.

12 Future Work

In future work, we intend to explore various generalizations and extensions of this approach. These include: 1) adapting the methodology to estimate the Ad Lift from multiple campaigns and/or digital advertising channels, taking into account interaction effects, 2) specifying how such Ad Lift measurements should correctly inform advertising budget allocation decisions, and 3) Unifying this approach with a methodology for the valuation of individual bid opportunities, in a manner that accounts for incrementality at the bid-opportunity level.

13 Acknowledgements

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Table 1: Causal Lift (*ATL*) measurement results, along with various related computations and intermediate values, for nine campaigns over a 30-day period ending on March 21, 2017.

id	ATL	INC	ATT	gConf	g5	g50	g95	R_T	R_C	R_{TW}	w	TU	TC	TWU	TWC	CU	CC
1	63	39	25	99	12	62	167	63	49	65	56	263,501	1,670	148,058	955	16,065	79
2	18	15	14	100	7	18	30	57	52	93	42	2,195,456	12,609	918,316	8,573	145,216	748
3	17	14	8	91	-3	16	44	46	43	53	47	734,135	3,390	346,656	1,840	69,511	296
4	534	84	6	100	74	335	3597	3	2	8	13	4,938,065	1,423	657,002	503	459,553	93
5	153	60	6	94	-11	109	1317	4	3	9	15	2,409,520	902	364,234	343	110,991	32
6	5	5	46	100	3	5	8	629	610	887	40	1,955,475	122,968	787,613	69,874	205,131	12,520
7	12	11	1	65	-23	9	72	2	2	6	24	2,833,414	511	681,506	380	198,932	33