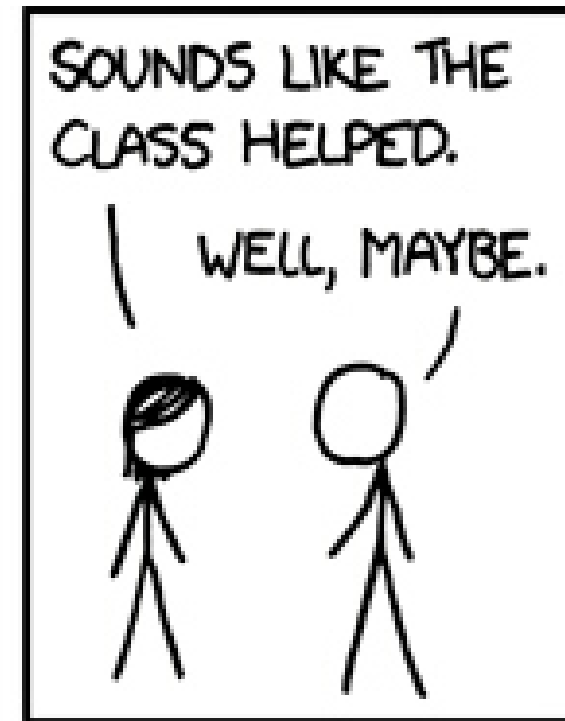
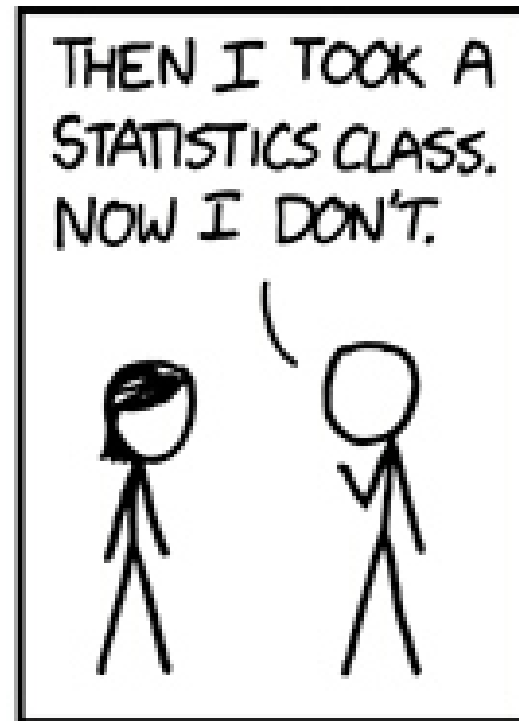
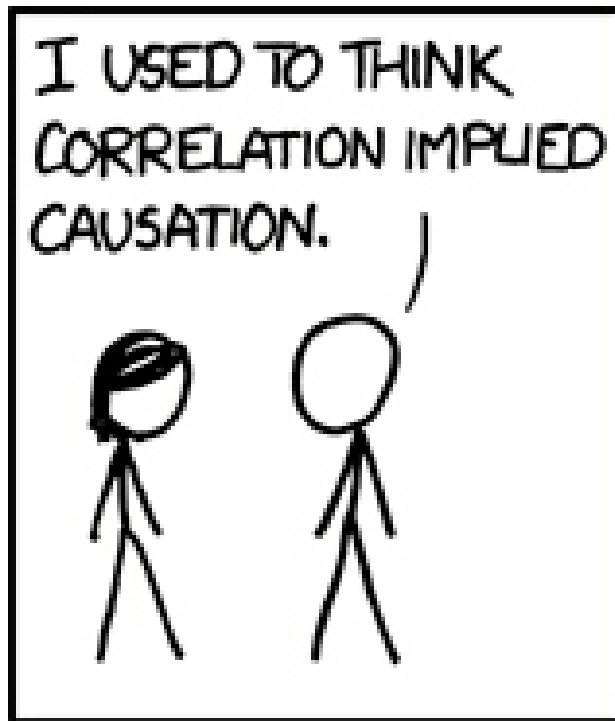
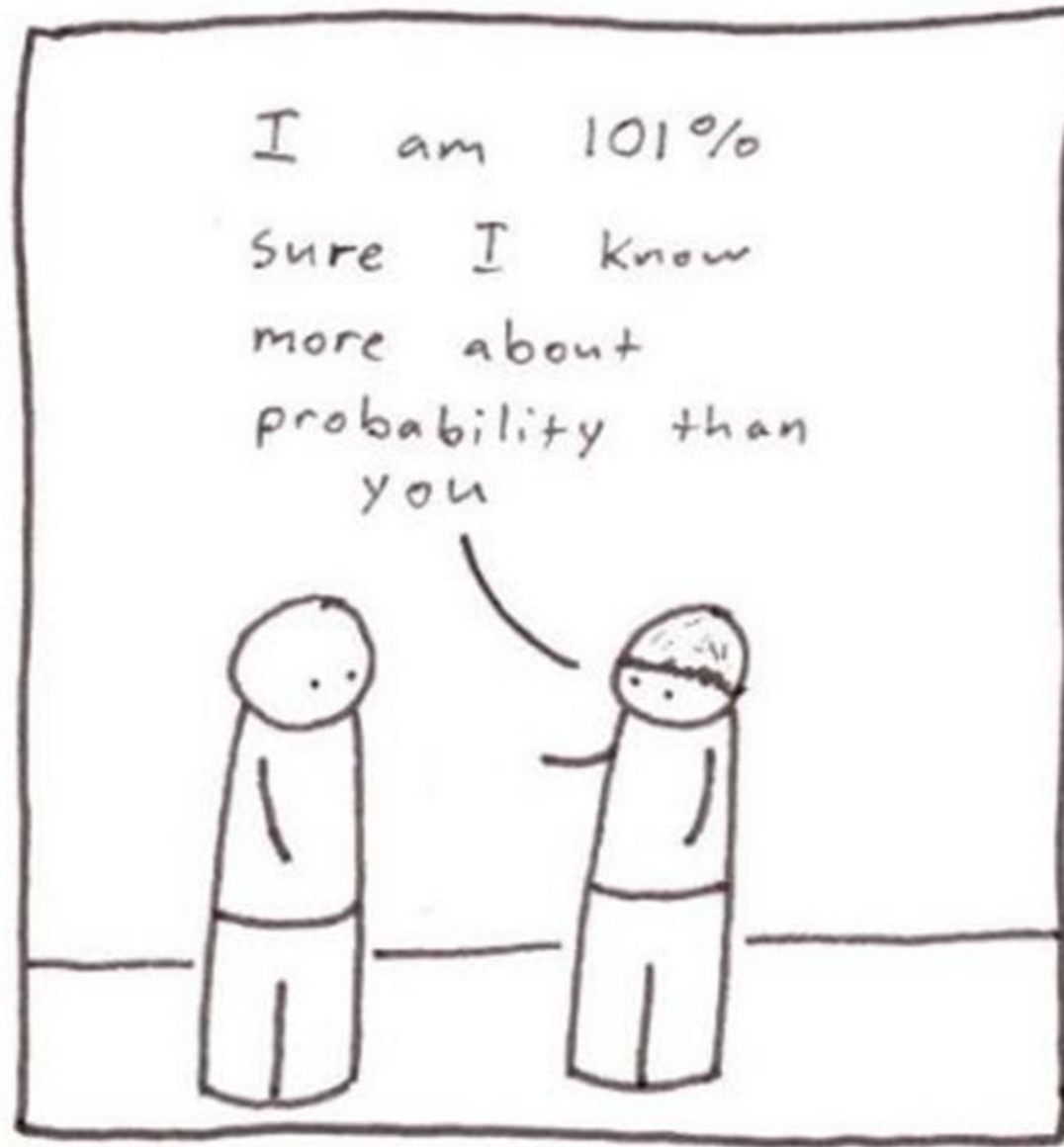


Introduction to Online Experimentation and A/Testing





Today's Agenda

- Introduction

- What is A/B testing?
- Some interesting A/B tests

- Fundamentals

- Hypothesis testing and related ideas
- Metrics for A/B testing
- Focus on intuitive understanding than specific distributions, formulas and tests

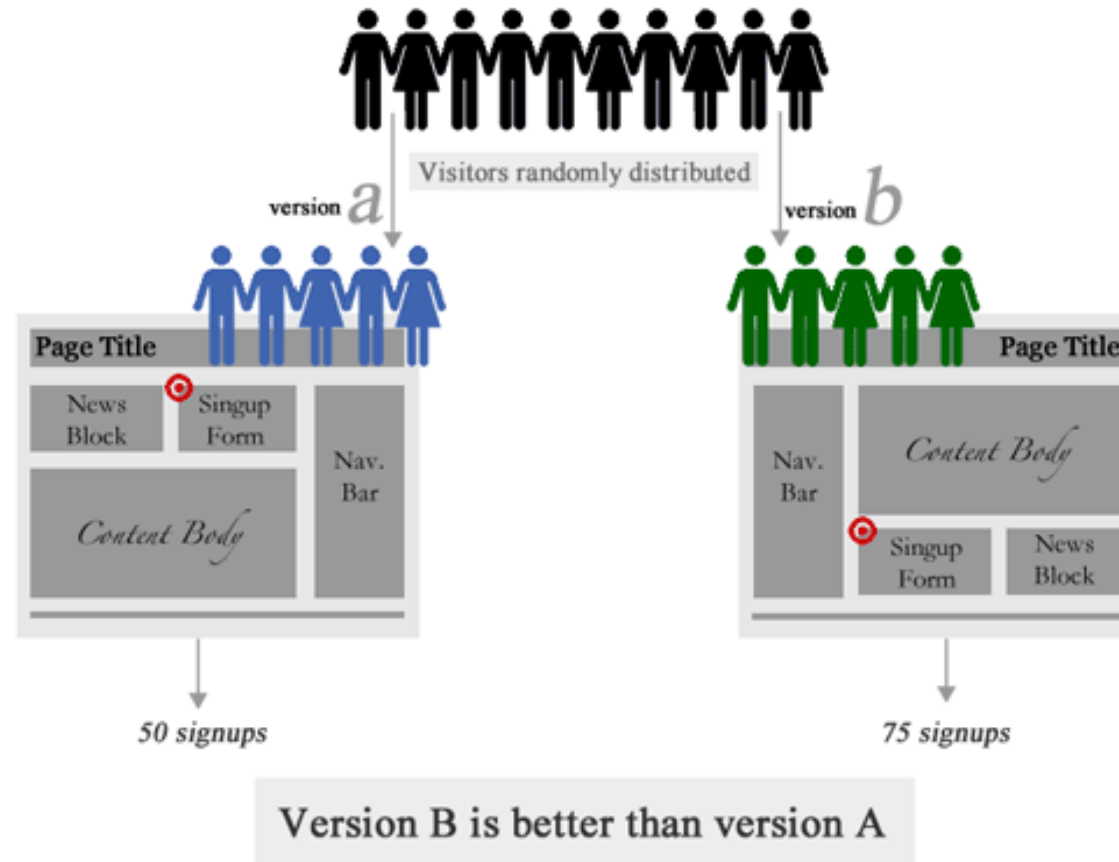
- Common pitfalls

- Depth of discussion will depend upon audience engagement and time

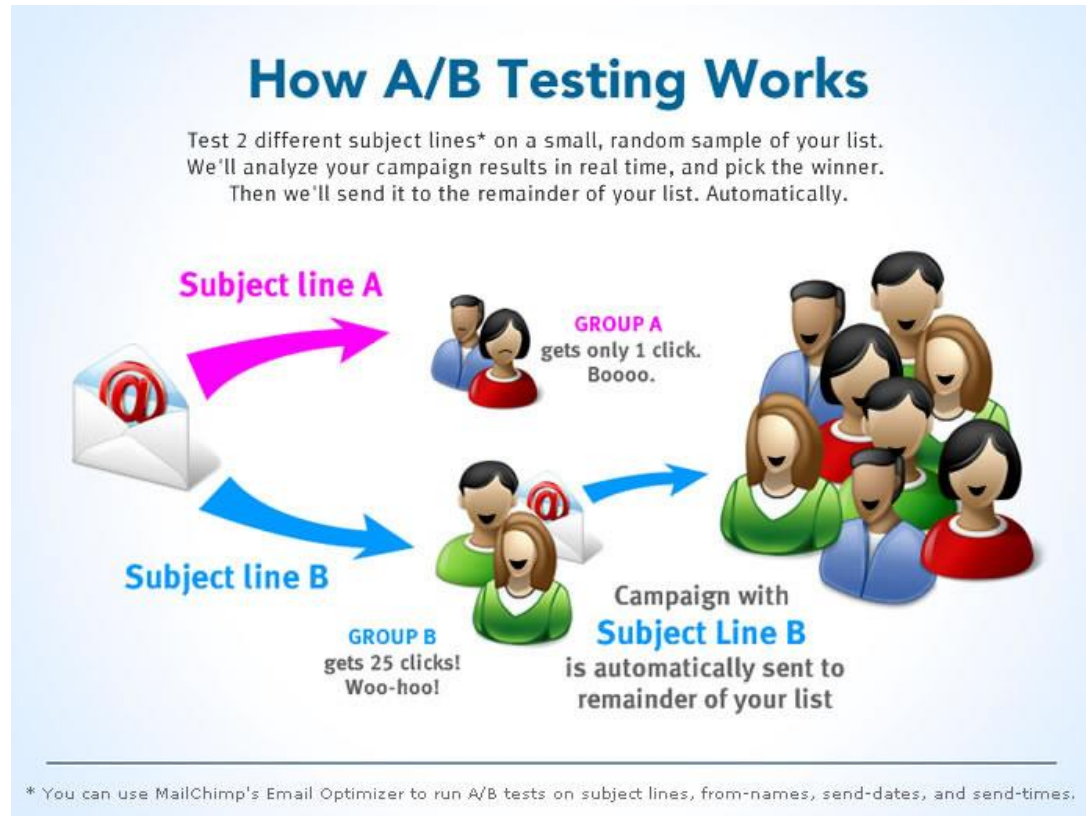
In God we trust. All others bring data

W. E. Deming

What is A/B testing



A/B testing on newsletters and email



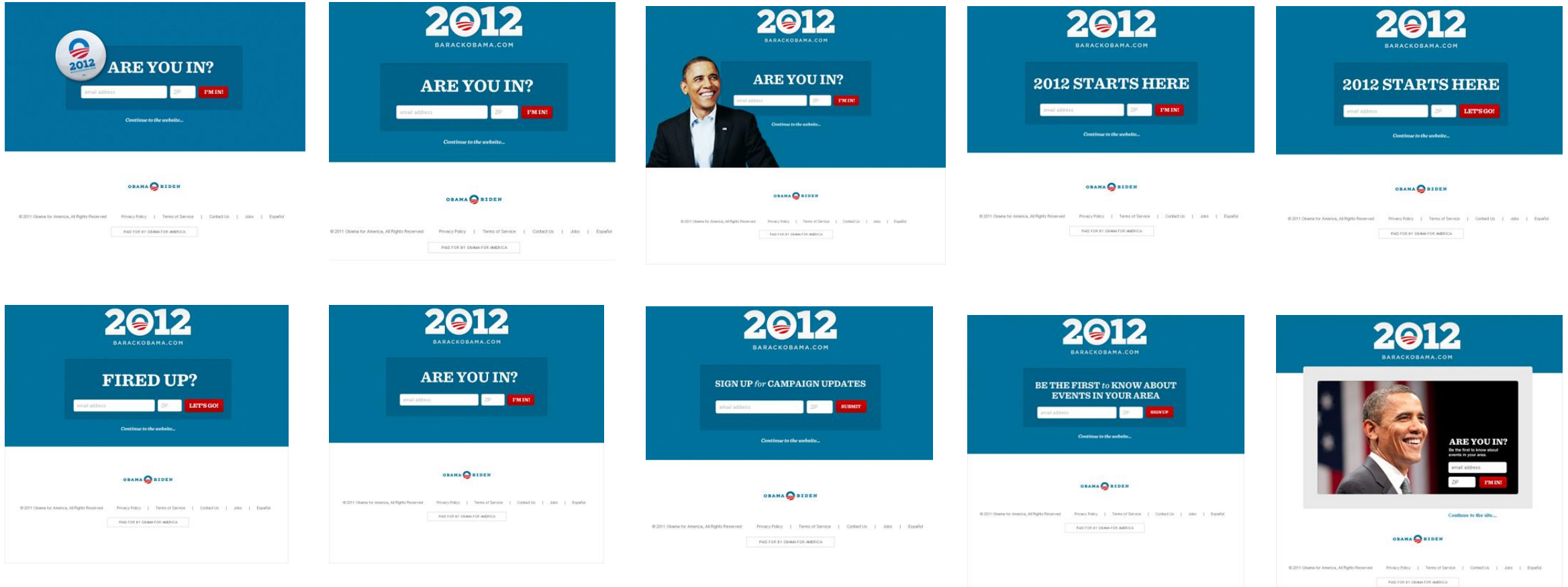
Run tests on many things

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

Obama 2012 Campaign

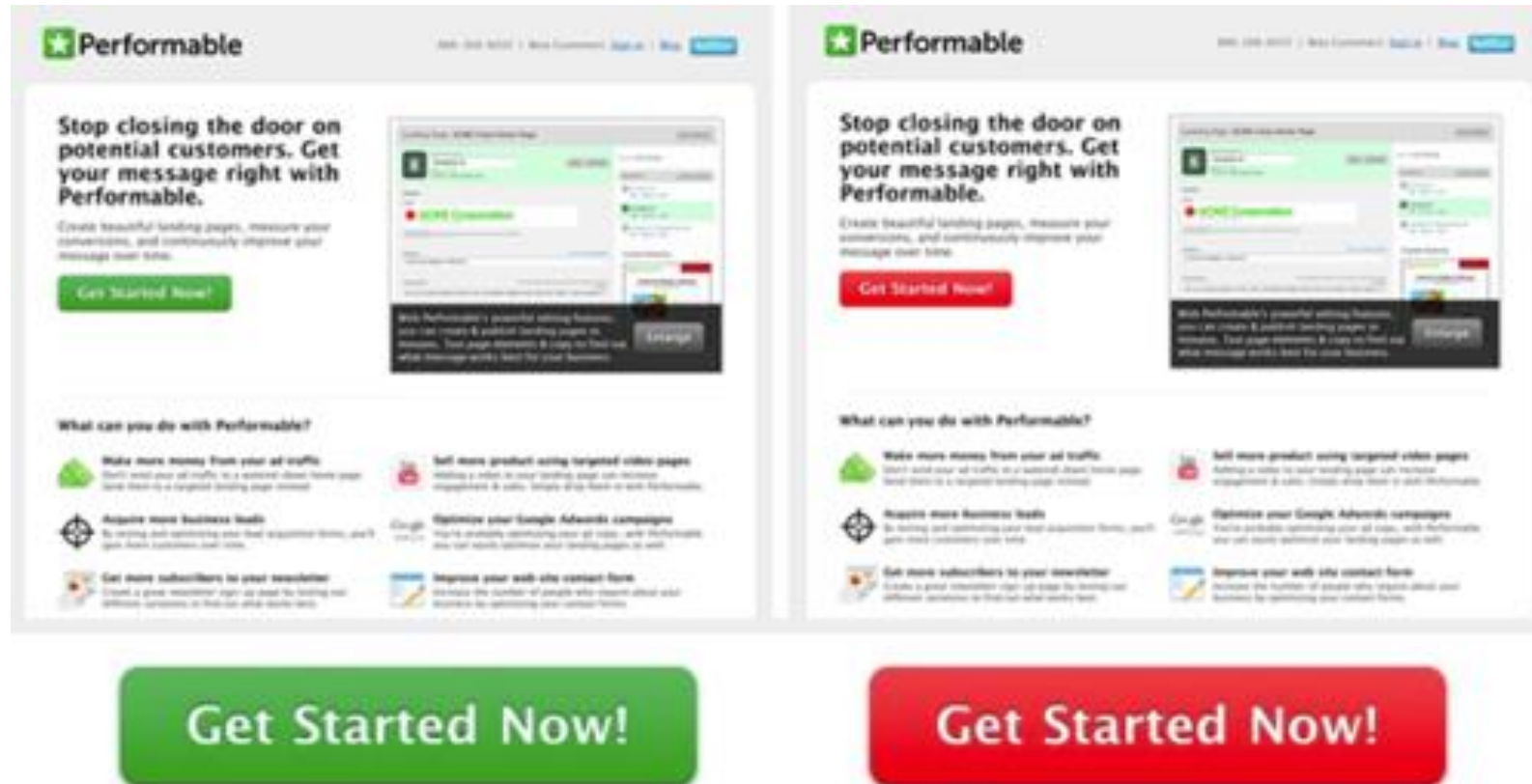


Maximize sign-ups and donations



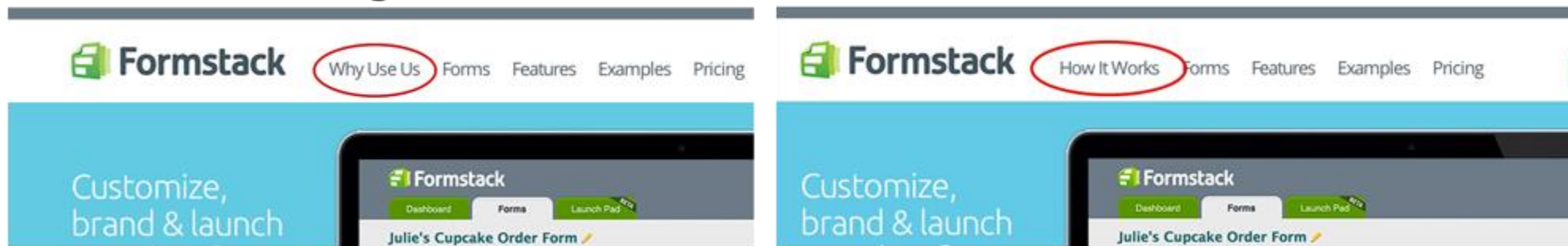
Source: <http://www.nathanielward.net/2011/06/see-ab-testing-in-action-on-barack-obamas-reelection-website/>

Testing Call to Action Button



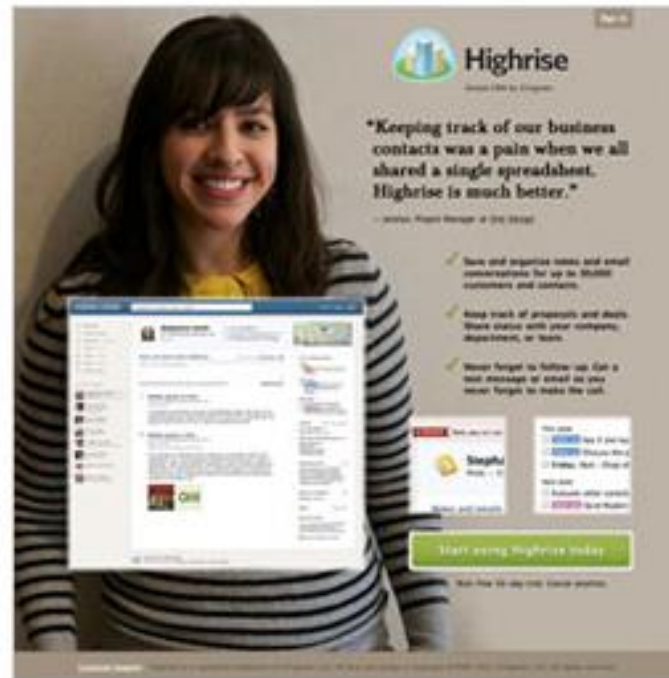
Red button increased clicks by **21%**

Testing Navigation Bar



‘How it works ‘ increased clicks by **47.7 %**

Michael or Jocelyn



JOCELYN



MICHAEL

Michael increased conversions by **21%**

Kayak: Is reassurance good or bad?

Verizon LTE 8:41 PM

Cancel Book Log in

SUMMARY

Queen Room with Two Queen Beds
2 guests, 1 night
Mar 03 - Mar 04

Total including Taxes & Fees:
\$256.48

No deposit will be charged.

If cancelled or modified up to 2 days before date of arrival, no fee will be charged. If cancelled or modified later or in case of no-show, 100 percent of the first night will be charged.

[Read full Terms & Notices](#)

Agree & Book

Customer service provided by
Booking.com

Verizon LTE 8:41 PM

Cancel Book Log in

SUMMARY

Queen Room with Two Queen Beds
2 guests, 1 night
Mar 03 - Mar 04

Total including Taxes & Fees:
\$256.48

No deposit will be charged.

If cancelled or modified up to 2 days before date of arrival, no fee will be charged. If cancelled or modified later or in case of no-show, 100 percent of the first night will be charged.

[Read full Terms & Notices](#)

Agree & Book

SSL/TLS encrypted payment

Customer service provided by

Why A/B testing

Human Psychology

- Users are complex and our intuition is often wrong
- Know what the users want subconsciously or otherwise.
- Impact is always expected to be positive, but outcome is often humbling

Business

- Rolling out a feature to all the users at the same time is risky
- Helps fail fast and move on

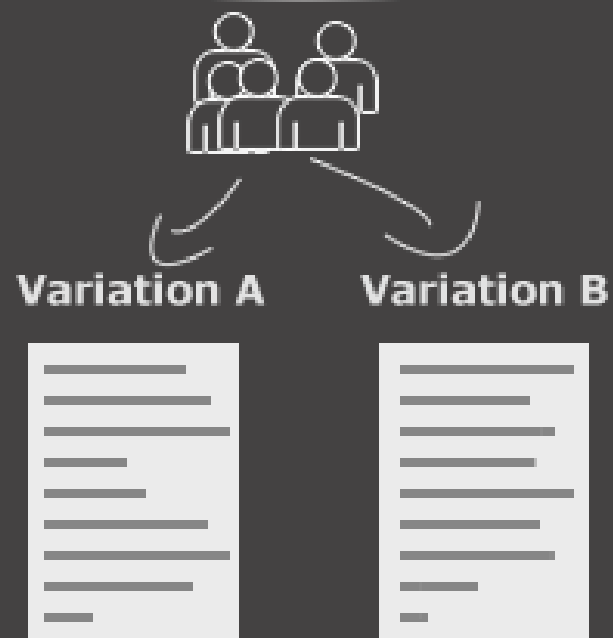
A/B Testing vs. Multivariate Testing



A/B Testing vs. Multivariate Testing

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

A/B Experiment



Multivariate Experiment

	Variation	A	B	C
Factor A	1	+1	+1	+1
Factor B	2	+1	+1	-1
Factor C	3	+1	-1	+1
	4	+1	-1	-1
	5	-1	+1	+1
	6	-1	+1	-1
	7	-1	-1	+1
	8	-1	-1	-1

Terminology

Control and Treatment

- **Control**

- Default experience. The way things are now.
- Example: Current look and feel of your 'Buy Now' button



A green rectangular button with rounded corners and a slight 3D effect, containing the text "Buy Now" in white, bold, sans-serif font.

- **Treatment**

- The change we want to make
- Example: Change the button from green to blue



A blue rectangular button with rounded corners and a slight 3D effect, containing the text "Buy Now" in white, bold, sans-serif font.



Factor and Level

- **Factor**
 - The item we want change.
- **Level**
 - The variations of factor



What metrics are used for A/B testing

- **Search engines:**

- Queries/UU, Session length, Sessions/UU, Page views, Bounce rate

- **Online Retailers:**

- Conversion rate, revenue/UU, Avg Cart Value and so on.

- **Other websites:**

- CTR, signup for newsletter

Each business is different.

Brainstorm

OEC: Overall evaluation Criteria

- Summarizes the **primary indicator of success**
- May be one of the metrics or a combination of metrics.

Null vs. Alternate Hypothesis

- **Null Hypothesis (H_0):**

- Control and treatment are similar (in terms of the parameter we are estimating).

- **Alternate Hypothesis (H_a):**

- Treatment is different from control

Null vs. Alternate Hypothesis



Control



Treatment

- **Null Hypothesis (H_0):** Green and blue buttons have the same CTR
- **Alternate Hypothesis (H_a):** CTRs for both buttons are different

Type I and Type II Error

Type I Error

The probability of **falsely accepting** null hypothesis

Type II Error

The probability of **falsely rejecting** null hypothesis

Experiment Outcome

Ground Truth			
	Ho is true.	Ho is false.	
Reject Ho.	Type I error	Correct decision.	
Do not reject Ho.	Correct decision.	Type II error	

Power

- Power of an online experiment is the probability of **not** rejecting the null hypothesis false
- Which is really $1 - \text{Probability (Type II Error)}$

Can you tell me in simple words...

The cook and Smoke Detector

- **Null Hypothesis (H_0):** There is no fire
- **Alternate Hypothesis (H_a):** There is fire



The cook and Smoke Detector

Type I Error: There is no fire but smoke detector goes.

The cook removes the alarm to prevent type I error.

This increases the chance of **Type II Error** i.e. a fire without an alarm.



The boy who cried wolf

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

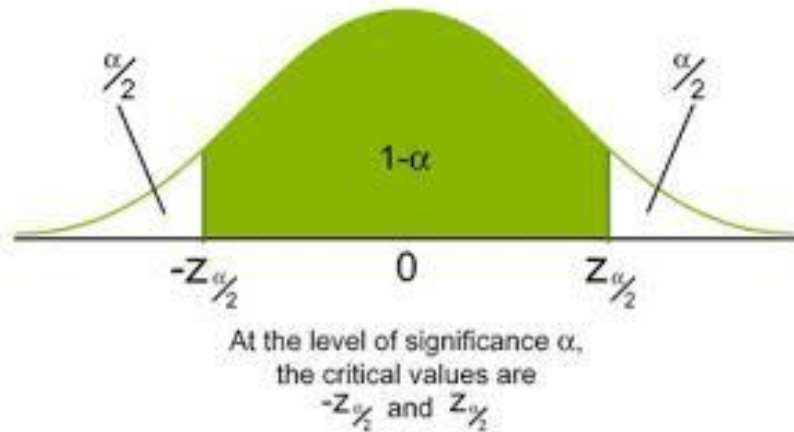


The Boy Who Cried Wolf

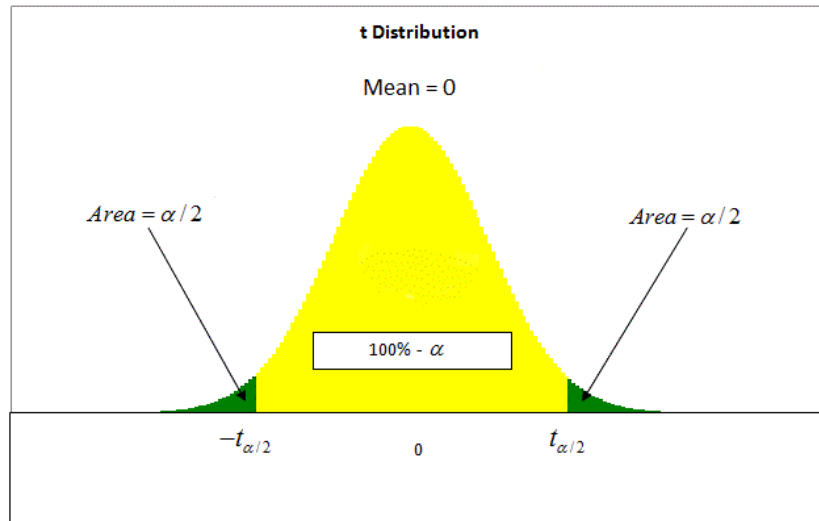
- **Type I Error:** Villagers **believing** the boy when there is **no wolf**
- **Type II Error:** Villagers **not believing** the boy when **wolf** is there



Calculating Confidence Interval



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



Critical Values (t*)			
n - 1	Confidence Level		
	0.900	0.950	0.990
10	1.812	2.228	3.169
20	1.725	2.086	2.845
30	1.697	2.042	2.750
40	1.684	2.021	2.704
50	1.676	2.009	2.678
60	1.671	2.000	2.660
70	1.667	1.994	2.648
80	1.664	1.990	2.639
90	1.662	1.987	2.632
100	1.660	1.984	2.626

Type I and Type II Error

Type I Error

The probability of **falsely accepting** null hypothesis

Type II Error

The probability of **falsely rejecting** null hypothesis

Experiment Outcome

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

Type I and Type II Error

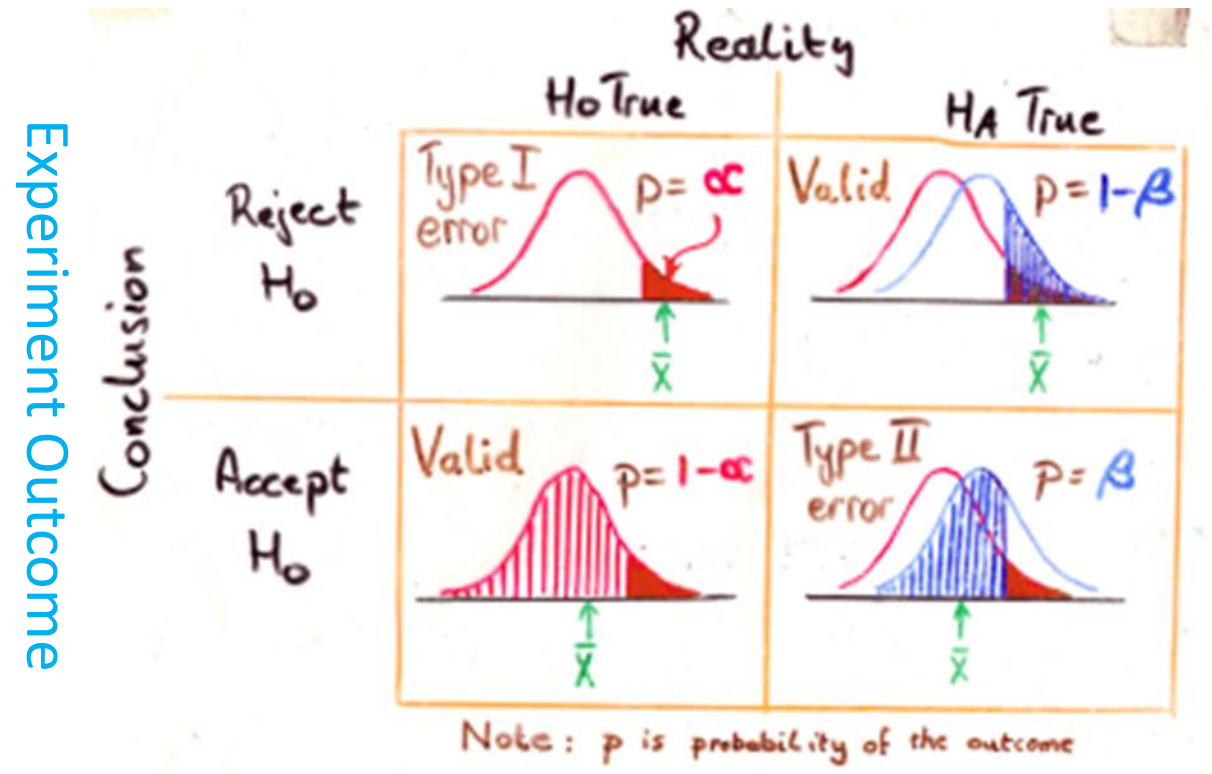
Type I Error

The probability of **falsely accepting** null hypothesis

Type II Error

The probability of **falsely rejecting** null hypothesis

Ground Truth



Confidence Interval

- Range of plausible values of parameter being estimated given the sample data



A/A Test

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



Buy Now

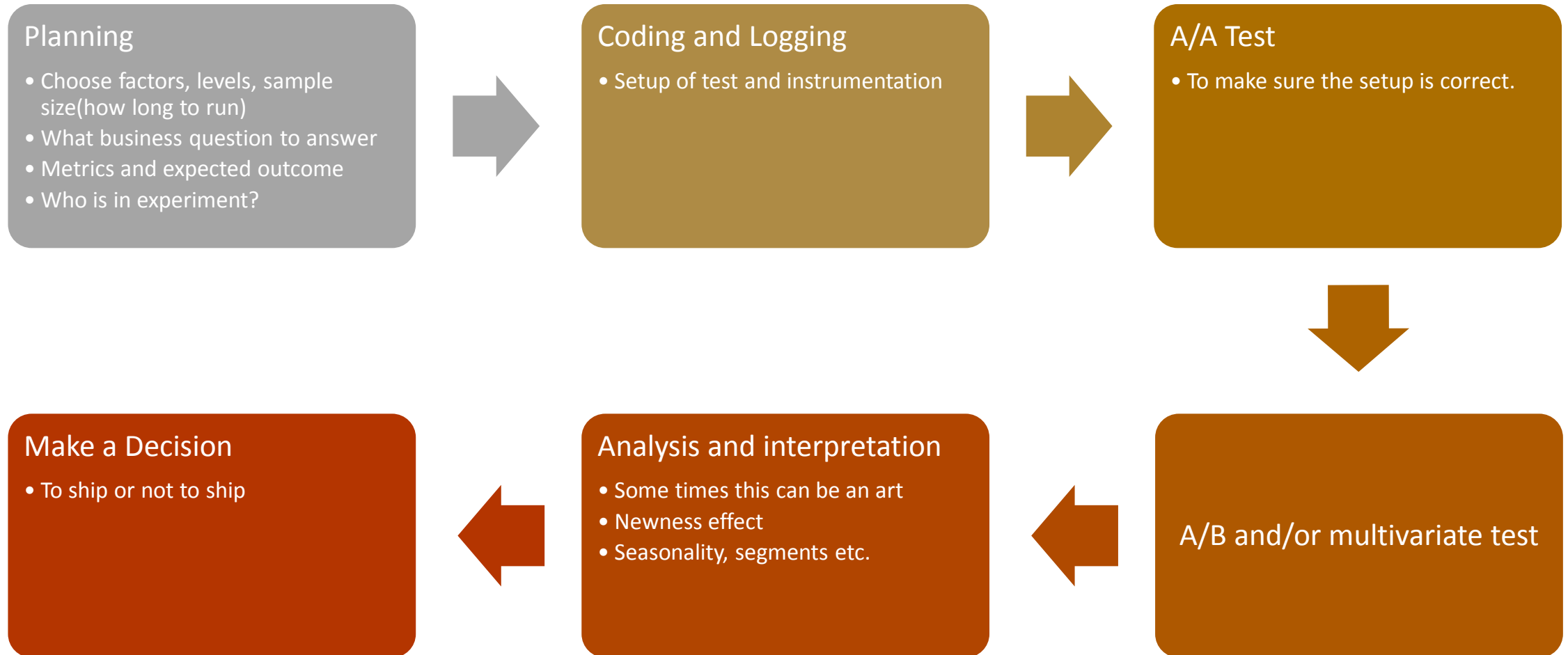
Control



Buy Now

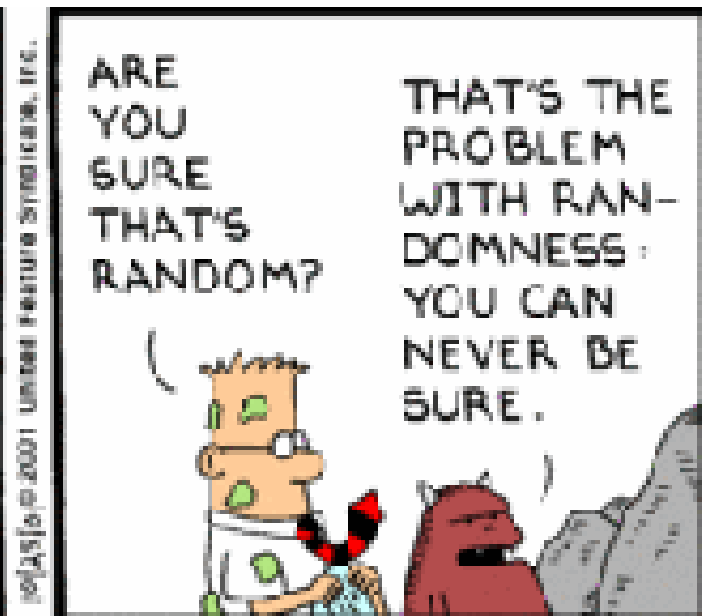
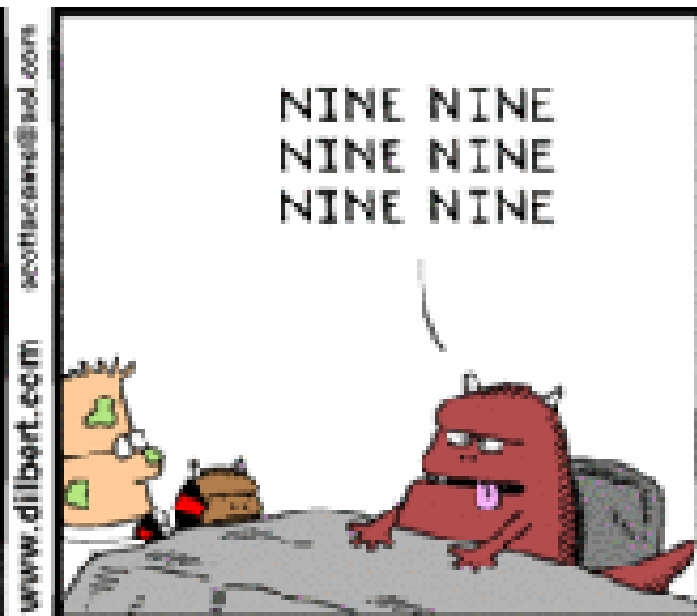
Treatment

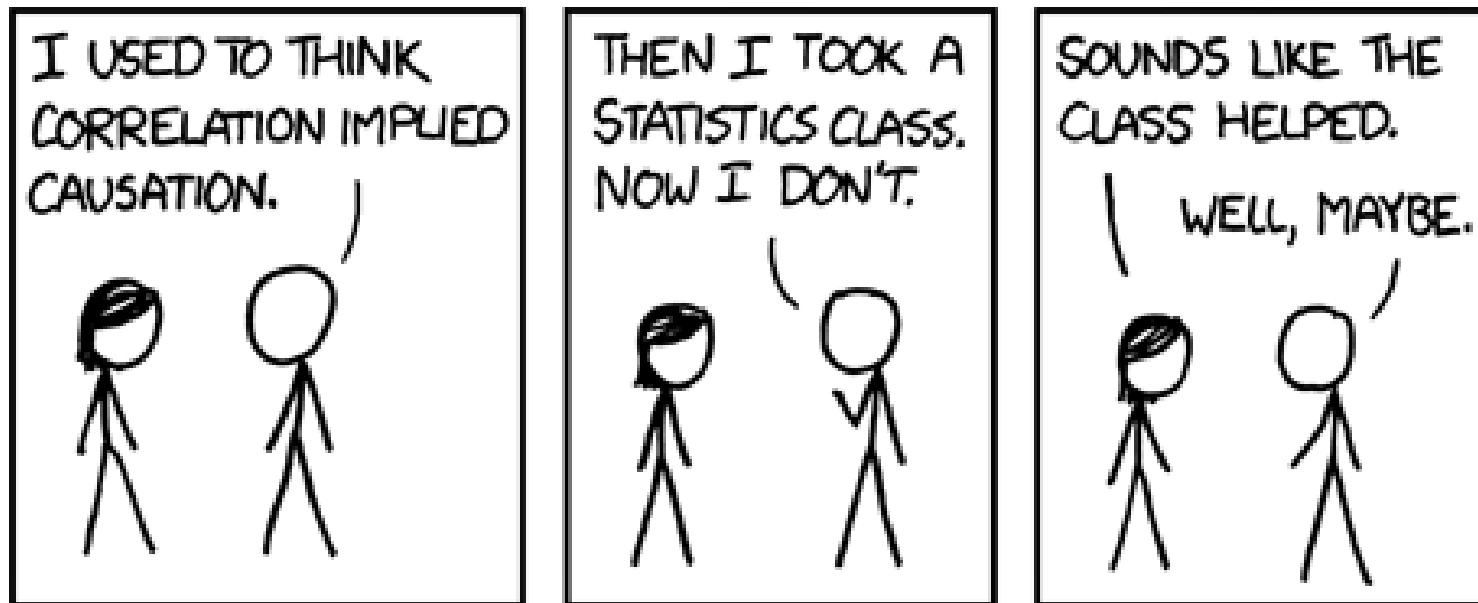
Steps in Experimentation



Categories of metrics

	Short-term	Medium-term	Long-term
Examples	CTR PVs Bounce Rate	PVs/user/day CTR/user /day Avg session length	Days with at least one visit, Total time on site Repeat visits/user
What is measured?	Immediate or almost immediate impact	Engagement over hours up to a day	Loyalty





Pitfalls in Online Experimentation

- **Pitfall 1:** Picking an OEC for which it is easy to beat the control
- **Pitfall 2:** Incorrectly computing the confidence intervals
- **Pitfall 3:** Using standard statistical formulas for computation of variance and power
- **Pitfall 4:** Combining metrics over periods where proportions assigned to Control and Treatment vary or over subpopulations sampled at different rates
- **Pitfall 5:** Neglecting to filter bots
- **Pitfall 6:** Failing to validate each step of the analysis pipeline and the OEC components
- **Pitfall 7:** Forgetting to control for all differences, and assuming that humans can keep the variants in sync

Pitfall 1: Picking and Easy to Beat OEC

- Before running an experiment an OEC is selected
- OEC should be tied to a long term goals as opposed to short term goals. CTR vs. long term revenue
- Loyal/repeat users get more weight?
- Sometimes getting the true metric is hard. High CTR does not necessarily mean high conversion rate

Pitfall 1: Picking and Easy to Beat OEC

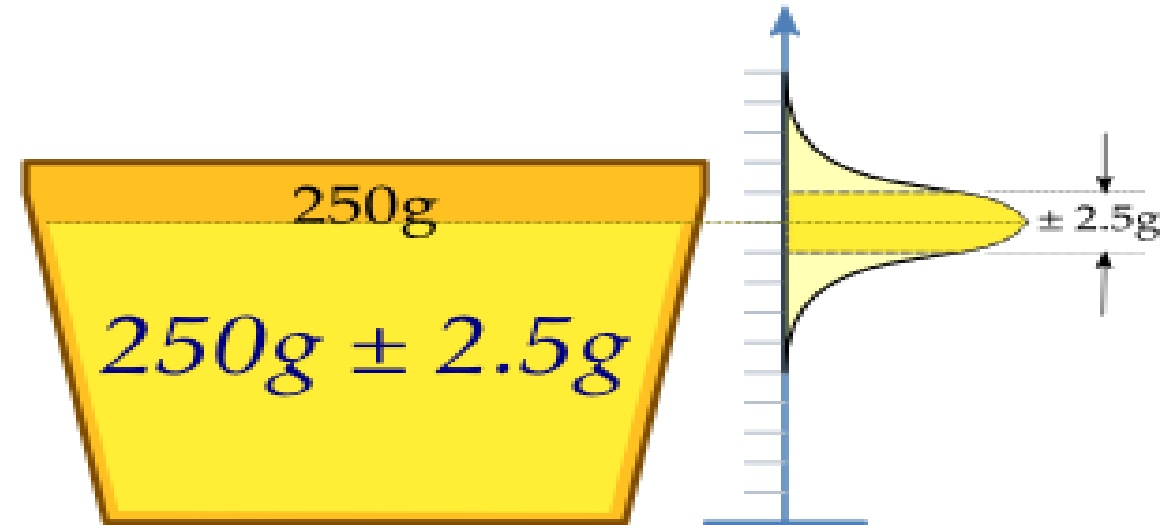
- Measuring click through on a small area of the page, ignoring the impact on other areas
 - What if the small area on the page was bold/flashing/high contrast?
 - What happens to the whole page CTR?
- Is 'time on site' a good OEC?
 - What if the treatment has a reduced user's effectiveness?

Pitfall 2: Incorrect Computation of Confidence Intervals

- **Hypothesis Test:** determines whether there is a statistically significant difference in the means of the control and the treatment
- **Confidence Interval:** provides a plausible range of the size of the effect (difference in C and T means)

Pitfall 2: Incorrect Computation of Confidence Intervals

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



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

Confidence interval implies: If we randomly fill a cup from this vending machine, there is a 95% chance that our cup will have this much coffee

Pitfall 2: Incorrect Computation of Confidence Intervals

- Confidence interval should be formed out of absolute difference
- **Do not** form a confidence interval around percent change. Percentage change involves dividing by a random variable.
- Some techniques to compute CI are mentioned when the OEC is a linear/non-linear combination of metrics that have the same/different basis/experimental unit.

Pitfall 3: Standard Statistical Formulas for Computation of Variance and Power

- Variance of the metric is needed to compute the statistical significance
- Variance estimates using standard statistical formula for some families of metrics are inaccurate
- This happens when the experimental unit used in random assignment is different from the experiment unit used in the calculation of the metric.

Pitfall 3: Standard Statistical Formulas for Computation of Variance and Power

- Variance, Power and Sample size estimates may be wrong if care is not taken
- How to correct this?
 - **Bootstrap method:** Estimate variance using bootstrap samples and compare with the variance from standard formula
- This should be done for all metrics and especially for the one with different experiment and randomization units

Pitfall 4: Simpson's Paradox

- Unintuitive but not uncommon
- **Simpson's paradox:** 'A correlation or trend present in different groups is reversed when the groups are combined'.

	Treatment A	Treatment B
Small Stones	Group 1	Group 2
	93% (81/87)	87% (234/270)
Large Stones	Group 3	Group 4
	73% (192/263)	69% (55/80)
Both	78% (273/350)	83% (289/350)

Pitfall 4: Simpson's Paradox

- 1 million visitors/day
- On Friday the treatment ran with 1% traffic
- On Saturday, the allocation was raised to 50%.
- If we consider Friday and Saturday separately T has a better CTR
- T's CTR is worse when aggregated over days

Table 1: Conversion Rate for two days.
Each day has 1M customers, and the Treatment (T) is better than Control (C) on each day, yet worse overall

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

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

Pitfall 4: Simpson's Paradox – A Scenario in Controlled Experiments

- Sampling of users with non uniform sampling to make sure all browsers have a representative sample
- Overall results show treatment is better than control but when segmented by browser, control looks better than treatment for each browser

Pitfall 5: Ignoring Bot Traffic

- For experimentation, we are interested in removing bots/fraud clicks that are not uniformly distributed across the control and treatment
- Uniformly distributed bots will only reduce the power of the experiment

Pitfall 5: Ignoring Bot Traffic

- Failing to exclude bot traffic and fraud clicks may invalidate the results of an experiment.

Pitfall 6: Failing to Validate Each Step of Analysis

- **It is important to keep a check on the health of the pipeline**
 - Assignment of users to experiment variants
 - Calculation of metrics
 - Any abnormal shift in metrics
 - Movement of metrics that are not expected to move
 - Broken instrumentation

Pitfall 6: Failing to Validate Each Step of Analysis

- **Logging Tests:**

- Compare with real historical data
- Compare with generated data
- Look for unexpected patterns
 - Volume of data over time
 - New and repeat users over time
 - Abnormal shift in any of the metrics

- **A/A Tests**

- **Rich Instrumentation**

Pitfall 7: Failing to 'Control' the Control

- Don't allow any difference between the Control and the treatment besides what is actually being tested
- If the treatment has some updates, control should have them too and vice versa

Pitfall 7: Failing to 'Control' the Control

- If the site is receiving frequent updates, these updates should be applied equally to the control and the treatment
- Forgetting to control for all differences, and assuming that humans can keep the variants in sync.

Off-the-shelf A/B Testing Tools



Have you heard the latest statistics
joke?

Probably....

Did you hear about the statistician
who was thrown in jail?

He now has zero degrees of freedom.

A statistician's wife has twins. He was delighted, and he called to tell his minister the good news.

"Excellent!", said the minister. "Bring them to church on Sunday and we'll baptize them."

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

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

1 – 3. $\alpha=0.05$

Thank You

