Online Advertising
Incrementality Testing And Experimentation
Industry Practical Lessons

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Tutorial Parts

1. The basics: context and challenges
2. Incrementality Testing: concepts, solutions and literature
3. From concept to production: platform building, challenges, case studies
4. Deployment at Scale: test cycle and case studies
5. Emerging trends: identity challenges, industry trends and solutions
Part 1

The basics: context and challenges
Why we need to run incrementality tests

1. Measure channel spend effectiveness for **optimal budget allocation** and planning.
   - *Channels* are often **marketing specific media**, eg social, paid search, programmatic display, TV, radio, etc

2. Calibrate **Media Mix Models** to estimate the channel response curve at different spend levels
   - *Media Mix Models* are often **financial time-series based models** that predict aggregate marketing spend performance in yearly/quarterly planning
Context: Business Need

Kireyev et al. (2016), Li and Kannan (2014)

As a result, tests are often run at channel aggregate level

1. Channel level requires all advertiser spend aggregated over weeks (even months) of testing
   ○ Results often inform quarter budget allocations with a measure of lift and efficiency, eg cost per incremental conversion (CPIA)

2. CPIA provides a reliable comparison with other channels regardless of the channel in the funnel
   ○ A standard challenge with spend planning based on last-touch attribution is the highly imbalanced conversion rates between demand-capture and demand generation channels
Why testing when we have numerous causal inference frameworks?

1. Because observational studies without deliberate interventions often greatly overestimate the value of online ads
   - Even in the presence of rich confounding features, Gordon et al could not replicate experiment results in a large number of tests and with multiple causal inference techniques

2. Running randomized controlled experiments is the gold standard in marketing incrementality measurement.
   - A widely accepted notion in the online advertising industry
Context: Business Use Cases
Barajas and Bhamidipati (2021)

Typical use cases for online advertising vendors

- **New advertiser** wants to *test waters* before fully deploying budgets
  - Generating trust, a successful test leads to *incremental revenue* for the ad network

- **Existing advertiser** wants to *scientifically prove incremental value*
  - Regular incrementality tests to *assess the strategy*, from advertiser’s conversion metric definitions to provide certainty of the current budgets
Typical use cases for online advertising vendors

- Incrementality of **tactical practices** with external validity for future deployment
  - Examples include: CRM vs new customers, prospective vs remarketing, etc

- Quarterly regular **strategic adjustments** (retrospectively)
  - From test insights, targeting and optimization recommendations to improve incremental value
Testing in a Nutshell

Why incrementality testing is hard?
Incrementality Testing in a Nutshell

**Goal:**
Find Aggregate Effect of Marketing Spend

**Randomized unit:**
Users (our best notion)

**Intervention:**
Marketing Spend leading to ad delivery

**Control:**
No marketing ads

**Metrics:**
Converter Lifts, Cost per incremental converter/conversions, among others
If this is *just* an A/B test, why we need more?

We’ll review in next part of the tutorial....