

# Multiple Randomization Designs

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## 1. Introduction

Suppose we are thinking of offering **customers** more information about **products**. We could present them with reviews from other customers.

How do we estimate the causal effect of such a change?

**Conventional experimentation: two possibilities:**

Product Experiment  
Randomize Products

$$W = \left( \begin{array}{c} \text{products} \rightarrow \\ \text{C} \quad \text{T} \quad \text{C} \quad \text{C} \quad \text{T} \quad \text{T} \quad \text{T} \quad \text{C} \end{array} \right)$$

**or:**

Customer Experiment  
Randomize Customers

$$W = \left( \begin{array}{c} \text{customers} \\ \downarrow \\ 1 \quad \text{T} \\ 2 \quad \text{C} \\ 3 \quad \text{T} \\ 4 \quad \text{T} \\ 5 \quad \text{C} \end{array} \right)$$

Conventional Analysis (going back to Fisher, Neyman):  
 $N$  units,  $i = 1, \dots, N$ , randomly assigned to one of two treatments:

$W_i \in \{C, T\}$  is treatment indicator.

Two potential outcomes,  $Y_i(C)$  and  $Y_i(T)$ , with unit-level causal effect  $\tau_i = Y_i(T) - Y_i(C)$ .

Realized/observed outcome is

$$Y_i = Y_i(W_i) = \begin{cases} Y_i(C) & \text{if } W_i = C, \\ Y_i(T) & \text{if } W_i = T. \end{cases}$$

Interest is in average causal effect:

$$\tau = \frac{1}{N} \sum_{i=1}^N \left( Y_i(\text{T}) - Y_i(\text{C}) \right)$$

Average causal effect is estimated as difference in average outcomes by treatment status.

$$\hat{\tau} = \bar{Y}_{\text{T}} - \bar{Y}_{\text{C}} = \frac{1}{N_{\text{T}}} \sum_{i:W_i=\text{T}} Y_i - \frac{1}{N_{\text{C}}} \sum_{i:W_i=\text{C}} Y_i$$

Estimated (conservative) variance:

$$\hat{V} = \frac{S_{\text{T}}^2}{N_{\text{T}}} + \frac{S_{\text{C}}^2}{N_{\text{C}}}$$

where

$$S_{\text{C}}^2 = \frac{1}{N_{\text{C}} - 1} \sum_{i:W_i=\text{C}} (Y_i - \bar{Y}_{\text{C}})^2, \quad S_{\text{T}}^2 = \frac{1}{N_{\text{T}} - 1} \sum_{i:W_i=\text{T}} (Y_i - \bar{Y}_{\text{T}})^2$$

## What is the problem with conventional A/B testing in market place settings?

Main problem is units interact in complex, intentional ways, leading interference / spillovers at some level.

- Treating customer  $i$  may have an effect on outcome for control customer  $i'$ .
- Treating product  $j$  may have an effect on outcome for control product  $j'$ .

A/B experiments (i) ignore this, (ii) do not allow us to detect the problem, (iii) do not allow us to address the resulting bias.

**Spillovers/Interactions are intrinsic to market places:** Market places bring together different parties.

## Recent Literature on “Complex” Experiments

- Munro, Evan, Stefan Wager, and Kuang Xu. "Treatment effects in market equilibrium." arXiv preprint arXiv:2109.11647 (2021).
- Papadogeorgou, Georgia, Fabrizia Mealli, and Corwin M. Zigler. "Causal inference with interfering units for cluster and population level treatment allocation programs." *Biometrics* 75, no. 3 (2019): 778-787.
- Zigler, Corwin M., and Georgia Papadogeorgou. "Bipartite causal inference with interference." *Statistical science: a review journal of the Institute of Mathematical Statistics* 36, no. 1 (2021): 109.
- Johari, Ramesh, Hannah Li, Inessa Liskovich, and Gabriel Y. Weintraub. "Experimental design in two-sided platforms: An analysis of bias." *Management Science* (2022).

## Main Idea of current paper:

Can think of (binary) treatment assignment as **matrix** instead of **vector**

$$\mathbf{W} = \begin{pmatrix} \text{products} \rightarrow & 1 & 2 & 3 & 4 & 5 & 6 & 7 & 8 \\ \text{customers} & & & & & & & & \\ \downarrow & & & & & & & & \\ 1 & ? & ? & ? & ? & ? & ? & ? & ? \\ 2 & ? & ? & ? & ? & ? & ? & ? & ? \\ 3 & ? & ? & ? & ? & ? & ? & ? & ? \\ 4 & ? & ? & ? & ? & ? & ? & ? & ? \\ 5 & ? & ? & ? & ? & ? & ? & ? & ? \end{pmatrix}$$



In this set up, standard experiments are special case:

Customer Experiment  
Randomize Customers

$$W = \begin{pmatrix} \text{products} \rightarrow & 1 & 2 & 3 & 4 & 5 & 6 & 7 & 8 \\ \text{customers} & & & & & & & & \\ \downarrow & & & & & & & & \\ 1 & C & C & C & C & C & C & C & C \\ 2 & C & C & C & C & C & C & C & C \\ 3 & T & T & T & T & T & T & T & T \\ 4 & C & C & C & C & C & C & C & C \\ 5 & T & T & T & T & T & T & T & T \end{pmatrix}$$

or

Product Experiment  
Randomize Products

$$W = \begin{pmatrix} \text{products} \rightarrow & 1 & 2 & 3 & 4 & 5 & 6 & 7 & 8 \\ \text{customers} & & & & & & & & \\ \downarrow & & & & & & & & \\ 1 & C & T & C & C & T & T & T & C \\ 2 & C & T & C & C & T & T & T & C \\ 3 & C & T & C & C & T & T & T & C \\ 4 & C & T & C & C & T & T & T & C \\ 5 & C & T & C & C & T & T & T & C \end{pmatrix}$$

But we can do more interesting things than customer or product experiments:

### Simple Multiple Randomization Design

$$W = \begin{pmatrix} \text{products} \rightarrow & 1 & 2 & 3 & 4 & 5 & 6 & 7 & 8 \\ \text{customers} \\ \downarrow \\ 1 & C & C & C & C & C & C & C & C \\ 2 & C & C & C & C & C & C & C & C \\ 3 & C & C & C & C & T & T & T & T \\ 4 & C & C & C & C & T & T & T & T \\ 5 & C & C & C & C & T & T & T & T \end{pmatrix}$$

Three control groups that are *ex ante* comparable, but *ex post* possibly different: C, C, C

## 2. Multiple Randomization Designs

**General:** Two or more populations, with outcomes indexed by both (customers/products, drivers/riders, products/days, drivers/riders/days).

Could choose to randomize units from one of the two populations and use conventional A/B experiments.

**But:** Could assign treatment to pair customer/product.

Three benefits:

**Benefit 1:** Multiple randomization designs can be **more powerful** in estimating average treatment effects

**Benefit 2:** Multiple randomization designs can **detect presence** of spillovers.

**Benefit 3:** Multiple randomization designs can **adjust** for richer patterns of spillovers.

Generic Double Randomization Example:

**Population 1:** Customers

**Population 2:** Products

**Treatment:** provide more information about product to customer (e.g., pictures instead of written description, or ratings of previous customers) or shipping discount.

**Decision:** should we implement the treatment for all customers and products or for no one?

**Statistical Question to Inform Decision:** By how much would exposing all customers/products to the treatment improve average customer satisfaction/purchases?

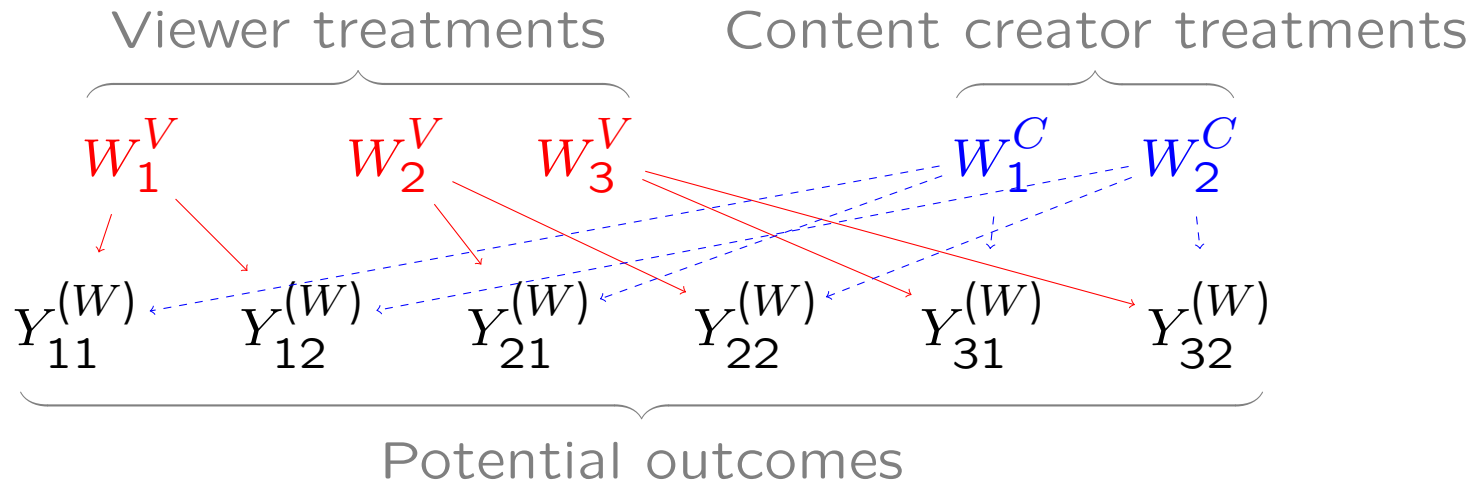
**Key:** In experiment we can vary the treatment and measure the outcome at the level of the customer/product pair (not possible in many traditional settings, and even here sometimes fraught with issues)

## Simple Multiple Randomization Design

$$W = \begin{pmatrix} \text{products} \rightarrow & 1 & 2 & 3 & 4 & 5 & 6 & 7 & 8 \\ \text{customers} & & & & & & & & \\ \downarrow & & & & & & & & \\ 1 & C & C & C & C & C & C & C & C \\ 2 & C & C & C & C & C & C & C & C \\ 3 & C & C & C & C & T & T & T & T \\ 4 & C & C & C & C & T & T & T & T \\ 5 & C & C & C & C & T & T & T & T \end{pmatrix}$$

### Questions:

1. (Estimand) What are we interested in?
2. (Design) How do we choose distribution  $p(w)$ ?
3. (Estimation) How do we estimate things?
4. (inference) How we do inference?



Bipartite graph representation ( $I = 3$ ,  $J = 2$ ) of a simple double randomization design. Viewers  $i \in \{1, \dots, I\}$  have treatment indicators  $W_i^V \in \{0, 1\}$ . Content creators  $j \in \{1, \dots, J\}$  have treatment indicators  $W_j^C \in \{0, 1\}$ . Treatment assignment for each (viewer, creator) pair  $(i, j)$  is  $W_{ij} = W_i^V W_j^C$  so that it is treated iff both treatment indicators are 1. Potential outcome for pair  $(i, j)$  is  $Y_{ij}^{(W)} = Y_{ij}(S_{ij}^{\text{dbr}}) = Y_{ij}(\text{type}(W_i^V, W_j^C))$ , where ‘type’ is given by equation ??.

## Double Randomization Design

- $I$  Customers,  $i = 1, \dots, I$ .
- $J$  Products,  $j = 1, \dots, J$

Outcomes and treatments are measured for pair customer/product:

- $Y_{ij}$  is outcome for customer  $i$  and product  $j$
- $W_{ij} \in \{C, T\}$  is binary treatment for customer  $i$  and product  $j$  (information / no information)

$\mathbf{Y}$  and  $\mathbf{W}$  are  $I \times J$  matrices of outcomes and treatments.

### General Question:

Design of Experiment, what is good/optimal choice of distribution  $p(\mathbf{w})$ .

In standard experimental setting often the optimal design is simple: randomly select half the population and assign those to treatment and the others to control.

**Here:** What should the correlation be within rows and columns of treatment matrix  $\mathbf{W}$ ?

Depends on

(i) question of interest

(ii) assumptions about potential spillovers and correlation of outcomes:

Not assumption-free



## Completely Randomized Design

(attractive in absence of spillovers, and in that case easy efficiency gain over customer or product experiment)

$$\mathbf{W} = \begin{pmatrix}
 \text{products} \rightarrow & 1 & 2 & 3 & 4 & 5 & 6 & 7 & 8 \\
 \text{customers} & & & & & & & & \\
 \downarrow & & & & & & & & \\
 1 & C & T & C & T & T & T & C & C \\
 2 & C & C & T & T & C & T & C & T \\
 3 & T & T & T & C & C & C & T & C \\
 4 & T & C & C & C & T & C & T & T
 \end{pmatrix}$$

- More efficient than Customer or Product experiment.
- Optimal to balance treatment for Customers and Products.
- Estimate average treatment effect as  $\hat{\tau} = \bar{Y}_T - \bar{Y}_C$

Suppose

$$Y_{ij}(\mathbf{C}) = \mu + \alpha_i + \beta_j + \varepsilon_{ij}, \quad Y_{ij}(\mathbf{T}) = Y_{ij}(\mathbf{C}) + \tau,$$

$$E[\alpha_i] = 0, \quad V(\alpha_i) = \sigma_\alpha^2, \quad E[\beta_j] = 0, \quad V(\beta_j) = \sigma_\beta^2,$$

$$E[\varepsilon_{ij}] = 0, \quad V(\varepsilon_{ij}) = \sigma_\varepsilon^2, \quad \alpha_i, \beta_j, \varepsilon_{ij} \text{ independent.}$$

$$V(\hat{\tau}|\text{customer - experiment})) = 4\frac{\sigma_\alpha^2}{I} + 4\frac{\sigma_\varepsilon^2}{IJ}$$

$$V(\hat{\tau}|\text{product - experiment})) = 4\frac{\sigma_\beta^2}{J} + 4\frac{\sigma_\varepsilon^2}{IJ}$$

$$V(\hat{\tau}|\text{completely - randomized})) = 4\frac{\sigma_\varepsilon^2}{IJ} \text{ much smaller!}$$

## Cross-over Experiment

(familiar from old agricultural experimental design literature)

$$\mathbf{W} = \begin{pmatrix} \text{time} \rightarrow & 1 & 2 & 3 & 4 & 5 & 6 & 7 & 8 \\ \text{customers} & & & & & & & & \\ \downarrow & & & & & & & & \\ 1 & C & T & C & T & T & T & C & C \\ 2 & C & C & T & T & C & T & C & T \\ 3 & T & T & T & C & C & C & T & C \\ 4 & T & C & C & C & T & C & T & T \end{pmatrix}$$

- ◇ More efficient than Customer or Time experiment.
- ◇ Optimal to balance treatment for Customers and Time Periods.

### 3. Simple Double Randomization Designs (more complex)

Randomize customers into  $N^C \geq 2$  groups with indicator  $W_i^C$

Randomize products into  $N^P \geq 2$  groups with indicator  $W_j^P$

Assignment is  $W_{ij} = f(W_i^C, W_j^P)$

For example  $N^C = N^P = 2$ :

$$\mathbf{W} = f(\mathbf{W}^C, \mathbf{W}^P) = \begin{pmatrix} \text{C} & \text{C} & \text{C} & \text{C} & \text{C} & \text{C} \\ \text{C} & \text{C} & \text{C} & \text{C} & \text{C} & \text{C} \\ \text{C} & \text{C} & \text{C} & \text{T} & \text{T} & \text{T} \\ \text{C} & \text{C} & \text{C} & \text{T} & \text{T} & \text{T} \end{pmatrix}.$$

- Creates  $N^C \times N^P$  (= 4 here) *ex ante* comparable groups that have systematically different experiences *ex post*.

Four groups of pairs,  $T$ ,  $C$ ,  $C$ , and  $C$ .

## Analyzing a Simple Double Randomization Design

The pair  $(W_i^C, W_j^P)$  defines four types of customer/product pairs:

$$T_{ij} = \begin{cases} \text{cc (consistent control)} & \text{if } W_i^C = 0, W_j^P = 0, \\ \text{ic (inconsistent customer control)} & \text{if } W_i^C = 1, W_j^P = 0, \\ \text{ia (inconsistent product control)} & \text{if } W_i^C = 0, W_j^P = 1, \\ \text{tr (treated)} & \text{if } W_i^C = 1, W_j^P = 1. \end{cases}$$

The assignment and type matrices for a simple double randomization design are

$$\mathbf{W} = \begin{pmatrix} \text{C} & \text{C} & \text{C} & \text{C} & \text{C} & \text{C} \\ \text{C} & \text{C} & \text{C} & \text{C} & \text{C} & \text{C} \\ \text{C} & \text{C} & \text{C} & \text{T} & \text{T} & \text{T} \\ \text{C} & \text{C} & \text{C} & \text{T} & \text{T} & \text{T} \end{pmatrix} \quad \mathbf{T} = \begin{pmatrix} \text{cc} & \text{cc} & \text{cc} & \text{cc} & \text{ia} & \text{ia} & \text{ia} & \text{ia} \\ \text{cc} & \text{cc} & \text{cc} & \text{cc} & \text{ia} & \text{ia} & \text{ia} & \text{ia} \\ \text{ic} & \text{ic} & \text{ic} & \text{ic} & \text{tr} & \text{tr} & \text{tr} & \text{tr} \\ \text{ic} & \text{ic} & \text{ic} & \text{ic} & \text{tr} & \text{tr} & \text{tr} & \text{tr} \end{pmatrix}$$

Possible Comparisons:

1. Treated versus **all** controls:  $\bar{Y}_T - \bar{Y}_C$
2. Treated versus **consistent controls**:  $\bar{Y}_T - \bar{Y}_C$  (informative about total effect of intervention)
3. **Inconsistent Products** versus **Consistent Controls**:  
 $\bar{Y}_C - \bar{Y}_C$  (informative about spillovers within products)
4. **Inconsistent customers** versus **Consistent Controls**:  
 $\bar{Y}_C - \bar{Y}_C$  (informative about spillovers within customers)
5. **Difference In Differences Comparison**:  
 $\bar{Y}_T - \bar{Y}_C - (\bar{Y}_C - \bar{Y}_C)$  (direct effect of treatment)

## Local Interference

Potential outcomes satisfy the local interference assumption if, for any pair  $(i, j)$ , and  $\mathbf{w}, \mathbf{w}'$ , such that (a) the assignments for the pair  $(i, j)$  coincide,  $w_{ij} = w'_{ij}$ , (b) the fraction of treated  $s$  for the same  $i$  coincide,  $\overline{w}_i^P = \overline{w}_i^C$ , and (c) the fraction of treated  $s$  for the same  $j$  coincide,  $\overline{w}_j^C = \overline{w}_j^P$ ,

$$y_{ij}(\mathbf{w}) = y_{ij}(\mathbf{w}').$$

## Inference

$$\alpha_\omega^C := \frac{1}{I-1} \frac{I - I_\omega}{I_\omega} \quad \text{and} \quad \alpha_\omega^P := \frac{1}{J-1} \frac{J - J_\omega}{J_\omega},$$

Let

$$\widehat{\Sigma}_\omega := \frac{I_\omega^{-1} \alpha_\omega^C \omega C + J_\omega^{-1} \alpha_\omega^P \omega P + (I_\omega J_\omega)^{-1} \alpha_\omega^C \alpha_\omega^P \omega C P}{1 - \alpha_\omega^C - \alpha_\omega^P + \alpha_\omega^C \alpha_\omega^P} \left[ \sum_{i \in \omega, j \in \omega} \frac{(y_{i,j}(\omega) - iC(\omega))^2}{\frac{(1-\alpha_\omega^C)(J_\omega-1)}{\alpha_\omega^C}} + \frac{(y_{i,j}(\omega) - iP(\omega))^2}{\frac{(1-\alpha_\omega^P)(I_\omega-1)}{\alpha_\omega^P}} \right].$$

Consider a SMRD, with  $I \times J$  total units,  $I > I_T \geq 2$ ,  $J > J_T \geq 2$ , and for which local interference holds. For all  $\omega \in \{c, im, iv, t\}$ ,

$$\mathbb{E}[\widehat{\Sigma}_\omega] = \mathbb{V}\left(\widehat{\overline{Y}}_\omega\right).$$





Multiple Randomization for Clustering Problems: We could combine a cluster-randomized product experiments for one sets of customers with an product experiment for a second set of customers.

Suppose the treatment is a shipping discount, and as a result of the treatment customers switch their purchases from control products to treated products within the same cluster.

Customers assigned to group  $A$  are part of a cluster randomized experiment, customers assigned to group  $B$  are assigned to completely randomized experiment.

$$W = \begin{pmatrix} \text{customers} \rightarrow & 1 & 2 & 3 & 4 & 5 & 6 & 7 & 8 \\ & A & A & A & A & B & B & B & B \\ \text{product} & \text{cluster} & & & & & & & \\ \downarrow & \downarrow & & & & & & & \\ 1 & 1 & C & C & C & C & T & T & T & T \\ 2 & 1 & C & C & C & C & C & C & C & C \\ 3 & 2 & T & T & T & T & T & T & T & T \\ 4 & 2 & T & T & T & T & T & T & T & T \\ 5 & 3 & C & C & C & C & T & T & T & T \\ 6 & 3 & C & C & C & C & C & C & C & C \\ 7 & 4 & T & T & T & T & C & C & C & C \\ 8 & 4 & T & T & T & T & C & C & C & C \end{pmatrix}$$

- This design is informative re within-cluster spillovers by creating multiple *ex ante* comparable control groups.

## 4. Conclusion

- In settings with multiple populations more complex experimental designs are possible.
- Such designs (*e.g.* **multiple randomization designs**) can answer more questions about interference/spillovers than conventional designs by creating multiple comparison groups.
- Opens up lots of design questions.
- Opens up lots of inference questions.
- Important role for (economic/substantive) modeling (limits on) spillovers.