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New methods of parametric modelling of consumer's preferences

Research project objectives/ Research hypothesis

The subject of the proposed project concerns state-of-the-art econometric methods of modeling consumers' preferences, and non-market valuation. The aim of the project is to propose new methods which will allow for better accounting of the preference heterogeneity in the population, investigate their feasibility and evaluate their performance. These new approaches include: (1) using more flexible parametric distributions, (2) combining the random parameters and the latent class models and (3) allowing for endogenized, non-linear transformations of explanatory variables.

The new methods we propose can be used in multinomial choice models, which are typically used for the analysis of discrete choice data collected from, e.g., discrete choice experiment or contingent valuation surveys. The choices observed in such surveys make it possible to apply statistical methods to estimate utility function parameters, and hence to formally model consumers' preferences. As a result, it is possible to evaluate the changes in consumers' welfare, their maximum willingness to pay and to predict their market behavior.