

Laboratorio di valutazione delle decisioni di investimento

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1 Exercise on Willingness to Pay

Download the STATA data file `wtpexerc.dta`.

The objective of the exercise is to estimate a Random Parameters model employing `mixlogit` command and find the WTP for each attribute. Things to consider:

1. the assumption that some parameters are random, i.e. may vary across respondents (decision makers), means that we allow that different decision makers have different preferences over each attribute;
2. you need to choose for which of the attributes you assume parameters are random;
3. WTP calculation requires that the estimated parameter of `price` is the denominator of WTP. Do you think `price` can be set to be among the random variables?
4. STATA has a specific command `wtp` to estimate confidence intervals for WTP, when some parameters are random. Install it by typing `findit wtp` in the command window in STATA and follow instructions.

Workgroups

If you present your work in a group you have to prepare max 10 slides. Summarize the procedure you follow and the results, providing a clear interpretation of the parameter estimates as well as of willingness to pay.

You have also to submit a paper copy of your slides and to e-mail a commented do file employed to carry on the exercise. The comments in the do file need to give a clear explanation of what you are doing in the command lines.

Individual works

If you don't want to work in group you have to submit a paper document explaining the procedure you follow and the results, with a clear explanation of each step, and a clear interpretation of the parameter estimates and willingness to pay.

You are also requested to e-mail a commented do file employed to carry on the exercise. The comments in the do file need to give a clear explanation of what you are doing in the command lines.