

Contents

<i>List of figures</i>	<i>page</i> xvii
<i>List of tables</i>	xxii
<i>Preface</i>	xxix

Part I	Getting started	1
1	In the beginning	3
1.1	Choosing as a common event	3
1.2	A brief history of choice modeling	6
1.3	The journey ahead	11
2	Choosing	16
2.1	Introduction	16
2.2	Individuals have preferences and they count	17
2.3	Using knowledge of preferences and constraints in choice analysis	27
3	Choice and utility	30
3.1	Introduction	30
3.2	Some background before getting started	32
3.3	Introduction to utility	45
3.4	The observed component of utility	48
3.4.1	Generic versus alternative-specific parameter estimates	49
3.4.2	Alternative-specific constants	51
3.4.3	Status quo and no choice alternatives	53
3.4.4	Characteristics of respondents and contextual effects in discrete choice models	54
3.4.5	Attribute transformations and non-linear attributes	57
3.4.6	Non-linear parameter utility specifications	71
3.4.7	Taste heterogeneity	75





Contents

3.5	Concluding comments	76
	Appendix 3A: Simulated data	76
	Appendix 3B: Nlogit syntax	78
4	Families of discrete choice models	80
4.1	Introduction	80
4.2	Modeling utility	81
4.3	The unobserved component of utility	83
4.4	Random utility models	86
4.4.1	Probit models based on the multivariate normal distribution	87
4.4.2	Logit models based on the multivariate Extreme value distribution	93
4.4.3	Probit versus logit	98
4.5	Extensions of the basic logit model	98
4.5.1	Heteroskedasticity	100
4.5.2	A multiplicative errors model	101
4.6	The nested logit model	102
4.6.1	Correlation and the nested logit model	104
4.6.2	The covariance heterogeneity logit model	105
4.7	Mixed (random parameters) logit model	106
4.7.1	Cross-sectional and panel mixed multinomial logit models	108
4.7.2	Error components model	109
4.8	Generalized mixed logit	110
4.8.1	Models estimated in willingness to pay space	112
4.9	The latent class model	114
4.10	Concluding remarks	116
5	Estimating discrete choice models	117
5.1	Introduction	117
5.2	Maximum likelihood estimation	117
5.3	Simulated maximum likelihood	126
5.4	Drawing from densities	133
5.4.1	Pseudo-random Monte Carlo simulation	136
5.4.2	Halton sequences	138
5.4.3	Random Halton sequences	145
5.4.4	Shuffled Halton sequences	147
5.4.5	Modified Latin Hypercube sampling	148
5.4.6	Sobol sequences	150

5.4.7	Antithetic sequences	153
5.4.8	PMC and QMC rates of convergence	155
5.5	Correlation and drawing from densities	157
5.6	Calculating choice probabilities for models without a closed analytical form	166
5.6.1	Probit choice probabilities	166
5.7	Estimation algorithms	176
5.7.1	Gradient, Hessian and Information matrices	176
5.7.2	Direction, step-length and model convergence	180
5.7.3	Newton–Raphson algorithm	183
5.7.4	BHHH algorithm	184
5.7.5	DFP and BFGS Algorithms	186
5.8	Concluding comment	186
	Appendix 5A: Cholesky factorization example	187
6	Experimental design and choice experiments	189
6.1	Introduction	189
6.2	What is an experimental design?	191
6.2.1	Stage 1: problem definition refinement	194
6.2.2	Stage 2: stimuli refinement	195
6.2.3	Stage 3: experimental design considerations	201
6.2.4	Stage 4: generating experimental designs	223
6.2.5	Stage 5: allocating attributes to design columns	228
6.2.6	Generating efficient designs	247
6.3	Some more details on choice experiments	255
6.3.1	Constrained designs	255
6.3.2	Pivot designs	256
6.3.3	Designs with covariates	258
6.4	Best-worst designs	259
6.5	More on sample size and stated choice designs	264
6.5.1	<i>D</i> -efficient, orthogonal, and <i>S</i> -efficient designs	266
6.5.2	Effect of number of choice tasks, attribute levels, and attribute level range	270
6.5.3	Effect of wrong priors on the efficiency of the design	275
6.6	Ngene syntax for a number of designs	276
6.6.1	Design 1: standard choice set up	276
6.6.2	Design 2: pivot design set up	279
6.6.3	Design 3: <i>D</i> -efficient choice design	281
6.7	Conclusions	287



Appendix 6A: Best-worst experiment	290
Appendix 6B: Best-worst designs and Ngene syntax	290
6B.1 Best-worst case 1	291
6B.2 Best-worst case 2	294
6B.3 Best-worst case 3	297
Appendix 6C: An historical overview	301
6C.1 Louviere and Hensher (1983), Louviere and Woodworth (1983), and others	301
6C.2 Fowkes, Toner, Wardman <i>et al.</i> (Institute of Transport, Leeds, 1988–2000)	304
6C.3 Bunch, Louviere and Anderson (1996)	305
6C.4 Huber and Zwerina (1996)	306
6C.5 Sándor and Wedel (2001, 2002, 2005)	308
6C.6 Street and Burgess (2001 to current)	309
6C.7 Kanninen (2002, 2005)	312
6C.8 Bliemer, Rose, and Scarpa (2005 to current)	313
6C.9 Kessels, Goos, Vandebroek, and Yu (2006 to current)	318
7 Statistical inference	320
7.1 Introduction	320
7.2 Hypothesis tests	320
7.2.1 Tests of nested models	321
7.2.2 Tests of non-nested models	327
7.2.3 Specification tests	330
7.3 Variance estimation	333
7.3.1 Conventional estimation	334
7.3.2 Robust estimation	335
7.3.3 Bootstrapping of standard errors and confidence intervals	336
7.4 Variances of functions and willingness to pay	340
7.4.1 Delta method	346
7.4.2 Krinsky–Robb method	351
8 Other matters that analysts often inquire about	360
8.1 Demonstrating that the average of the conditional distributions aggregate to the unconditional distribution	360
8.1.1 Observationally equivalent respondents with different unobserved influences	360
8.1.2 Observationally different respondents with different unobserved influences	362
8.2 Random regret instead of random utility maximization	363

8.3	Endogeneity	370
8.4	Useful behavioral outputs	371
8.4.1	Elasticities of choice	371
8.4.2	Partial or marginal effects	374
8.4.3	Willingness to pay	378
<hr/> Part II Software and data		385
9	Nlogit for applied choice analysis	387
9.1	Introduction	387
9.2	About the software	387
9.2.1	About Nlogit	387
9.2.2	Installing Nlogit	388
9.3	Starting Nlogit and exiting after a session	388
9.3.1	Starting the program	388
9.3.2	Reading the data	388
9.3.3	Input the data	390
9.3.4	The project file	390
9.3.5	Leaving your session	391
9.4	Using Nlogit	391
9.5	How to Get Nlogit to do what you want	392
9.5.1	Using the Text Editor	392
9.5.2	Command format	393
9.5.3	Commands	395
9.5.4	Using the project file box	396
9.6	Useful hints and tips	397
9.6.1	Limitations in Nlogit	398
9.7	Nlogit software	398
10	Data set up for Nlogit	400
10.1	Reading in and setting up data	400
10.1.1	The basic data set up	401
10.1.2	Entering multiple data sets: stacking and melding	405
10.1.3	Handling data on the non-chosen alternative in RP data	405
10.2	Combining sources of data	408
10.3	Weighting on an exogenous variable	410
10.4	Handling rejection: the no option	411
10.5	Entering data into Nlogit	414



10.6	Importing data from a file	415
10.6.1	Importing a small data set from the Text Editor	418
10.7	Entering data in the Data Editor	421
10.8	Saving and reloading the data set	422
10.9	Writing a data file to export	424
10.10	Choice data entered on a single line	424
10.11	Data cleaning	427
	Appendix 10A: Converting single line data commands	431
	Appendix 10B: Diagnostic and error messages	432
<hr/> Part III The suite of choice models		435
11	Getting started modeling: the workhorse – multinomial logit	437
11.1	Introduction	437
11.2	Modeling choice in Nlogit: the MNL command	437
11.3	Interpreting the MNL model output	444
11.3.1	Determining the sample size and weighting criteria used	445
11.3.2	Interpreting the number of iterations to model convergence	445
11.3.3	Determining overall model significance	446
11.3.4	Comparing two models	453
11.3.5	Determining model fit: the pseudo-R ²	455
11.3.6	Type of response and bad data	456
11.3.7	Obtaining estimates of the indirect utility functions	457
11.4	Handling interactions in choice models	461
11.5	Measures of willingness to pay	463
11.6	Obtaining utility and choice probabilities for the sample	465
	Appendix 11A: The labeled choice data set used in the chapter	466
12	Handling unlabeled discrete choice data	472
12.1	Introduction	472
12.2	Introducing unlabeled data	472
12.3	The basics of modeling unlabeled choice data	473
12.4	Moving beyond design attributes when using unlabeled choice data	478
	Appendix 12A: Unlabeled discrete choice data Nlogit syntax and output	483
13	Getting more from your model	492
13.1	Introduction	492

13.2	Adding to our understanding of the data	494
13.2.1	Descriptive output (Dstats)	494
13.2.2	;Show	496
13.2.3	;Descriptives	499
13.2.4	;Crosstab	501
13.3	Adding to our understanding of the model parameters	502
13.3.1	Starting values	503
13.3.2	;effect: elasticities	504
13.3.3	Elasticities: direct and cross – extended format	507
13.3.4	Calculating arc elasticities	512
13.3.5	Partial or marginal effects	513
13.3.6	Partial or marginal effects for binary choice	515
13.4	Simulation and “what if” scenarios	518
13.4.1	The binary choice application	522
13.4.2	Arc elasticities obtained using ;simulation	524
13.5	Weighting	527
13.5.1	Endogenous weighting	527
13.5.2	Weighting on an exogenous variable	535
13.6	Willingness to pay	543
13.6.1	Calculating change in consumer surplus associated with an attribute change	546
13.7	Empirical distributions: removing one observation at a time	547
13.8	Application of random regret model versus random utility model	547
13.8.1	Nlogit syntax for random regret model	553
13.9	The Maximize command	554
13.10	Calibrating a model	555
14	Nested logit estimation	560
14.1	Introduction	560
14.2	The nested logit model commands	561
14.2.1	Normalizing and constraining IV parameters	565
14.2.2	Specifying IV start values for the NL model	567
14.3	Estimating a NL model and interpreting the output	567
14.3.1	Estimating the probabilities of a two-level NL model	575
14.4	Specifying utility functions at higher levels of the NL tree	577
14.5	Handling degenerate branches in NL models	583
14.6	Three-level NL models	587
14.7	Elasticities and partial effects	590
14.8	Covariance nested logit	593



14.9	Generalized nested logit	597
14.10	Additional commands	600
15	Mixed logit estimation	601
15.1	Introduction	601
15.2	The mixed logit model basic commands	601
15.3	Nlogit output: interpreting the ML model	608
15.3.1	Model 2: mixed logit with unconstrained distributions	611
15.3.2	Model 3: restricting the sign and range of a random parameter	621
15.3.3	Model 4: heterogeneity in the mean of random parameters	626
15.3.4	Model 5: heterogeneity in the mean of selective random parameters	629
15.3.5	Model 6: heteroskedasticity and heterogeneity in the variances	633
15.3.6	Model 7: allowing for correlated random parameters	636
15.4	How can we use random parameter estimates?	643
15.4.1	Starting values for random parameter estimation	645
15.5	Individual-specific parameter estimates: conditional parameters	646
15.6	Conditional confidence limits for random parameters	651
15.7	Willingness to pay issues	652
15.7.1	WTP based on conditional estimates	652
15.7.2	WTP based on unconditional estimates	658
15.8	Error components in mixed logit models	660
15.9	Generalized mixed logit: accounting for scale and taste heterogeneity	672
15.10	GMX model in utility and WTP space	676
15.11	SMNL and GMX models in utility space	697
15.12	Recognizing scale heterogeneity between pooled data sets	704
16	Latent class models	706
16.1	Introduction	706
16.2	The standard latent class model	707
16.3	Random parameter latent class model	711
16.4	A case study	714
16.4.1	Results	715
16.4.2	Conclusions	722
16.5	Nlogit commands	724
16.5.1	Standard command structure	724

16.5.2	Command structure for the models in Table 16.2	725
16.5.3	Other useful latent class model forms	733
17	Binary choice models	742
17.1	Introduction	742
17.2	Basic binary choice	742
17.2.1	Stochastic specification of random utility for binary choice	745
17.2.2	Functional form for binary choice	747
17.2.3	Estimation of binary choice models	750
17.2.4	Inference-hypothesis tests	752
17.2.5	Fit measures	753
17.2.6	Interpretation: partial effects and simulations	754
17.2.7	An application of binary choice modeling	756
17.3	Binary choice modeling with panel data	767
17.3.1	Heterogeneity and conventional estimation: the cluster correction	768
17.3.2	Fixed effects	769
17.3.3	Random effects and correlated random effects	771
17.3.4	Parameter heterogeneity	772
17.4	Bivariate probit models	775
17.4.1	Simultaneous equations	777
17.4.2	Sample selection	782
17.4.3	Application I: model formulation of the <i>ex ante</i> link between acceptability and voting intentions for a road pricing scheme	784
17.4.4	Application II: partial effects and scenarios for bivariate probit	800
18	Ordered choices	804
18.1	Introduction	804
18.2	The traditional ordered choice model	805
18.3	A generalized ordered choice model	807
18.3.1	Modeling observed and unobserved heterogeneity	810
18.3.2	Random thresholds and heterogeneity in the ordered choice model	812
18.4	Case study	817
18.4.1	Empirical analysis	820
18.5	Nlogit commands	830
19	Combining sources of data	836
19.1	Introduction	836



19.2	The nested logit “trick”	844
19.3	Beyond the nested logit “trick”	848
19.4	Case study	853
19.4.1	Nlogit command syntax for Table 19.2 models	858
19.5	Even more advanced SP–RP models	860
19.6	Hypothetical bias	868
19.6.1	Key themes	871
19.6.2	Evidence from contingent valuation to guide choice experiments	874
19.6.3	Some background evidence in transportation studies	880
19.6.4	Pivot designs: elements of RP and CE	886
19.6.5	Conclusions	893
<hr/> Part IV Advanced topics		897
20	Frontiers of choice analysis	899
20.1	Introduction	899
20.2	A mixed multinomial logit model with non-linear utility functions	899
20.3	Expected utility theory and prospect theory	905
20.3.1	Risk or uncertainty?	906
20.3.2	The appeal of prospect theory	908
20.4	Case study: travel time variability and the value of expected travel time savings	912
20.4.1	Empirical application	914
20.4.2	Empirical analysis: mixed multinomial logit model with non-linear utility functions	917
20.5	NLRPLogit commands for Table 20.6 model	923
20.6	Hybrid choice models	927
20.6.1	An overview of hybrid choice models	927
20.6.2	The main elements of a hybrid choice model	931
21	Attribute processing, heuristics, and preference construction	937
21.1	Introduction	937
21.2	A review of common decision processes	943
21.3	Embedding decision processes in choice models	946
21.3.1	Two-stage models	946
21.3.2	Models with “fuzzy” constraints	947
21.3.3	Other approaches	952

21.4	Relational heuristics	955
21.4.1	Within choice set heuristics	955
21.4.2	Between choice set dependence	958
21.5	Process data	963
21.5.1	Motivation for process data collection	963
21.5.2	Monitoring information acquisition	963
21.6	Synthesis so far	966
21.7	Case study I: incorporating attribute processing heuristics through non-linear processing	968
21.7.1	Common-metric attribute aggregation	970
21.7.2	Latent class specification: non-attendance and dual processing of common-metric attributes in choice analysis	977
21.7.3	Evidence on marginal willingness to pay: value of travel time savings	979
21.7.4	Evidence from self-stated processing response for common-metric addition	981
21.8	Case study II: the influence of choice response certainty, alternative acceptability, and attribute thresholds	987
21.8.1	Accounting for response certainty, acceptability of alternatives, and attribute thresholds	989
21.8.2	The choice experiment and survey process	993
21.8.3	Empirical results	997
21.8.4	Conclusions	1008
21.9	Case study III: interrogation of responses to stated choice experiments – is there sense in what respondents tell us?	1009
21.9.1	The data setting	1013
21.9.2	Investigating candidate evidential rules	1015
21.9.3	Derivative willingness to pay	1023
21.9.4	Pairwise alternative “plausible choice” test and dominance	1025
21.9.5	Influences of non-trading	1029
21.9.6	Dimensional versus holistic processing strategies	1035
21.9.7	Influence of the relative attribute levels	1051
21.9.8	Revision of the reference alternative as value learning	1052
21.9.9	A revised model for future stated choice model estimation	1054
21.9.10	Conclusions	1057
21.10	The role of multiple heuristics in representing attribute processing as a way of conditioning modal choices	1058
	Appendix 21A: Nlogit command syntax for NLWLR and RAM heuristics	1062



Appendix 21B: Experimental design in Table 21.15	1066
Appendix 21C: Data associated with Table 21.15	1066
22 Group decision making	1072
22.1 Introduction	1072
22.2 Interactive agency choice experiments	1073
22.3 Case study data on automobile purchases	1079
22.4 Case study results	1082
22.5 Nlogit commands and outputs	1091
22.5.1 Estimating a model with power weights	1091
22.5.2 Pass 1, round 1 (agent 1) and round 2 (agent 2) ML model	1091
22.5.3 Pass 1, round 1 (agent 1) and round 2 (agent 2) agree model	1093
22.5.4 Sorting probabilities for two agents into a single row	1094
22.5.5 Creating cooperation and non-cooperation probabilities for the pairs	1094
22.5.6 Removing all but line 1 of the four choice sets per person in pair	1094
22.5.7 Getting utilities on 1 line (note: focusing only on overall utilities at this stage)	1095
22.5.8 Writing out new file for power weight application	1096
22.5.9 Reading new data file	1096
22.5.10 Estimating OLS power weight model (weights sum to 1.0)	1096
22.5.11 Pass #2 (repeating same process as for pass#1)	1098
22.5.12 Pass #3 (same set up as pass#1)	1103
22.5.13 Group equilibrium	1108
22.5.14 Joint estimation of power weights and preference parameters	1113
<i>Select glossary</i>	1116
<i>References</i>	1128
<i>Index</i>	1163