Hypothetical Bias in Choice Experiments

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It is a consistent finding in stated preference research that hypothetical questions differ systematically from questions that are incentive compatible, i.e., elicit a truthful response from consumers. Extant research, e.g., about incentive-aligned conjoint experiments, shows that differences can be substantial. Typically, we see that hypothetical questions about willingness-to-pay are overstated compared to incentivized questions. Although most stated preference surveys are conducted in a hypothetical setting, and are therefore biased, not much is known about the magnitude of the bias and what factors influence it. Existing meta-analyses do not find conclusive results. Consequently, managers who conduct a hypothetical experiment to estimates willingness-to-pay, e.g., because incentive compatible mechanisms are not applicable in their research context, are left with limited guidance about the margin of error of their analysis.

The aim of this thesis topic is to compare hypothetical and incentivized choice experiments in order to identify drivers of hypothetical bias, e.g., by systematically varying factors identified from the literature in an experimental design.

Literature:


