



Willingness to pay for airline services attributes: evidence from a stated preferences choice game

A. G. de Menezes ^{1*}, J. C. Vieira ¹

¹ University of the Azores
Department of Economics and Management and CEEAplA
Rua da Mãe de Deus, 9501-801 Ponta Delgada, Portugal

Abstract

We analyze consumer preferences for airline service attributes between Ponta Delgada and Lisbon: the most important air corridor between the Azores and Mainland Portugal. Owing to stringent regulations, which fall under the European Union Public Service Obligations (PSOs) domain, there are no revealed preferences data suitable to study consumer preferences. Hence, we conduct a stated preferences choice game and estimate a microeconomic model à la McFadden. Our results are statistically significant and imply willingness to pay measures economically high for attributes such as punctuality warranties and comfort. Willingness to pay for additional daily flights is quite low. This result is important to how should the policy maker liberalize this sector.

Keywords: Stated Preferences Choice Games, Conditional Logit, Willingness to Pay, Airline Services, Public Service Obligations.

1. Introduction

We analyze consumer preferences for airline service attributes between Ponta Delgada and Lisbon: the most important air corridor between the Azores and Mainland Portugal. Owing to stringent regulations, which fall under the European Union Public Service Obligations (PSOs) domain, there are no revealed preferences data suitable to study consumer preferences. Hence, we conduct a stated preferences choice game and estimate a microeconomic model à la McFadden (1974).

We note that our methodology is agnostic with respect to the geographical place of its implementation. However, we do have good reasons to focus our attention in the Ponta Delgada – Lisbon corridor: as we argue below, on the one hand, stated preferences data come especially handy, as there are no revealed preferences data, and, on the other hand, policy guidance is much needed.

* Corresponding author: António Gomes de Menezes (menezesa@notes.uac.pt)