



Institute for Systemic Management
and Public Governance
Research Center for Tourism and Transport

University of St. Gallen

Estimating WTP based on attribute placement in a customer preferences classification scheme (Kano)

**Prof. Dr. Christian Laesser
University of St. Gallen**

**TRC Annual Meeting
Palma de Mallorca, 6 April 2019**

Abstract: I will need your help to interpret results.

I assume that a given level of classification (*according to Kano; “basic”, “performance”, “excitement”*) of an attribute, *in this case programs*, reflects its marginal value towards the overall value of an indivisible and overall outcome, *in this case broadcast content (constituted by those programs)*.

If it holds true that the classification of an attribute as “excitement” is a foundation for differentiation, one would expect a comparably higher marginal value contribution than if that same attribute is only classified as “basic” or “performance”.

This is, as this study shows, definitely not the case.

An interpretative discussion of my study results will hopefully help me in further progressing this work.

Agenda

- **Problem statement and introduction**
- Results
- Interpretation

Problem statement: (Compulsory) payment for public TV.

- What if, not the current amount, would one be willing to pay at the end of the day as a fee for a current public TV content?
- What program content does one expect from a fee-based television service? And what overall fee and why would one be willing to pay for this content?
- What program content could one possibly do without? And what overall fee and why would one expect for this waiver?

**Overall WTP could be measured, e.g., by a price sensitivity approach.
Example: price/ fee readiness for the current broadcasting program
of Swiss public TV.**

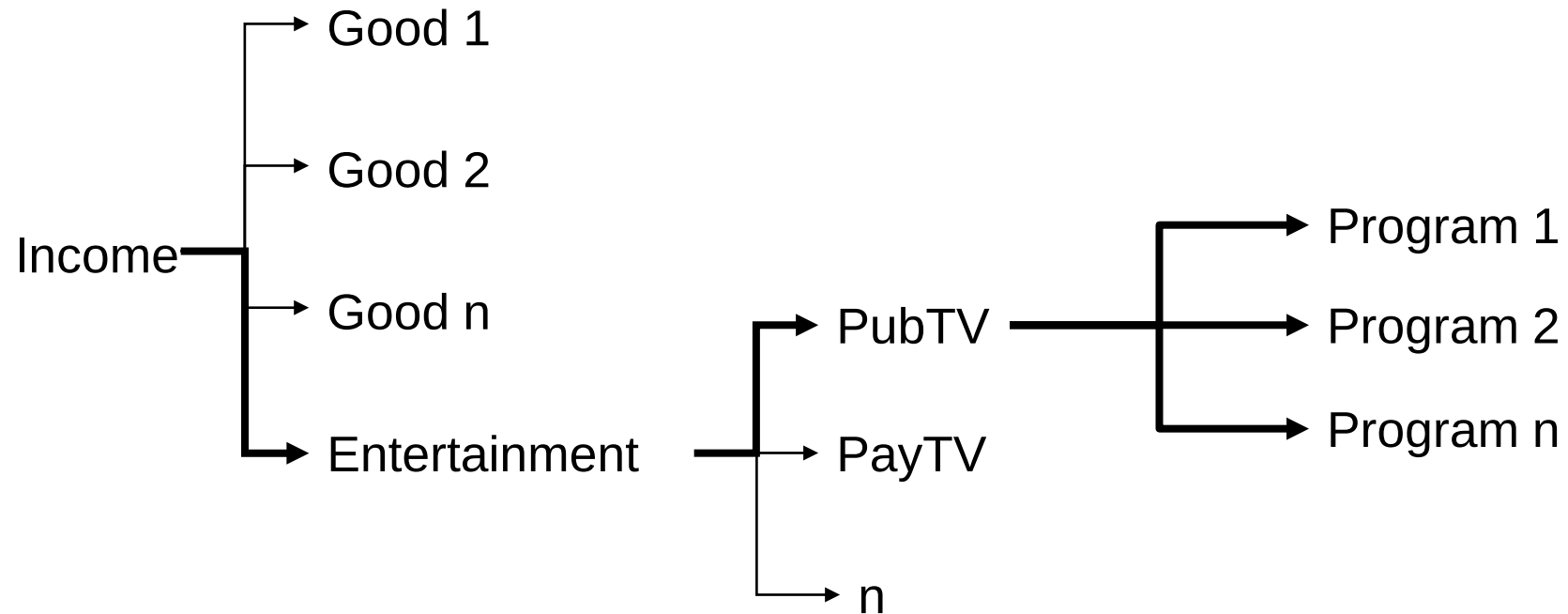
- **Fair price** per year: 241 CHF - 250 CHF (Mean - Median)
 - **Just acceptable** price per year: 300 CHF - 311 CHF (median - Mean)
 - **Expensive price** per year: 400 CHF - 402 CHF (median - Mean)
-
- For comparison:
Current reception fees: 286 CHF

The price/ fee readiness for an «own» selection and valuation of program elements is generally lower than the prices which have to be paid today.

- **Fair price** per year: 185 CHF - 200 CHF (Mean - Median)
- **Just acceptable** price per year: 244 CHF - 247 CHF (median - Mean)
- **Expensive price** per year: 300 CHF - 327 CHF (median - Mean)

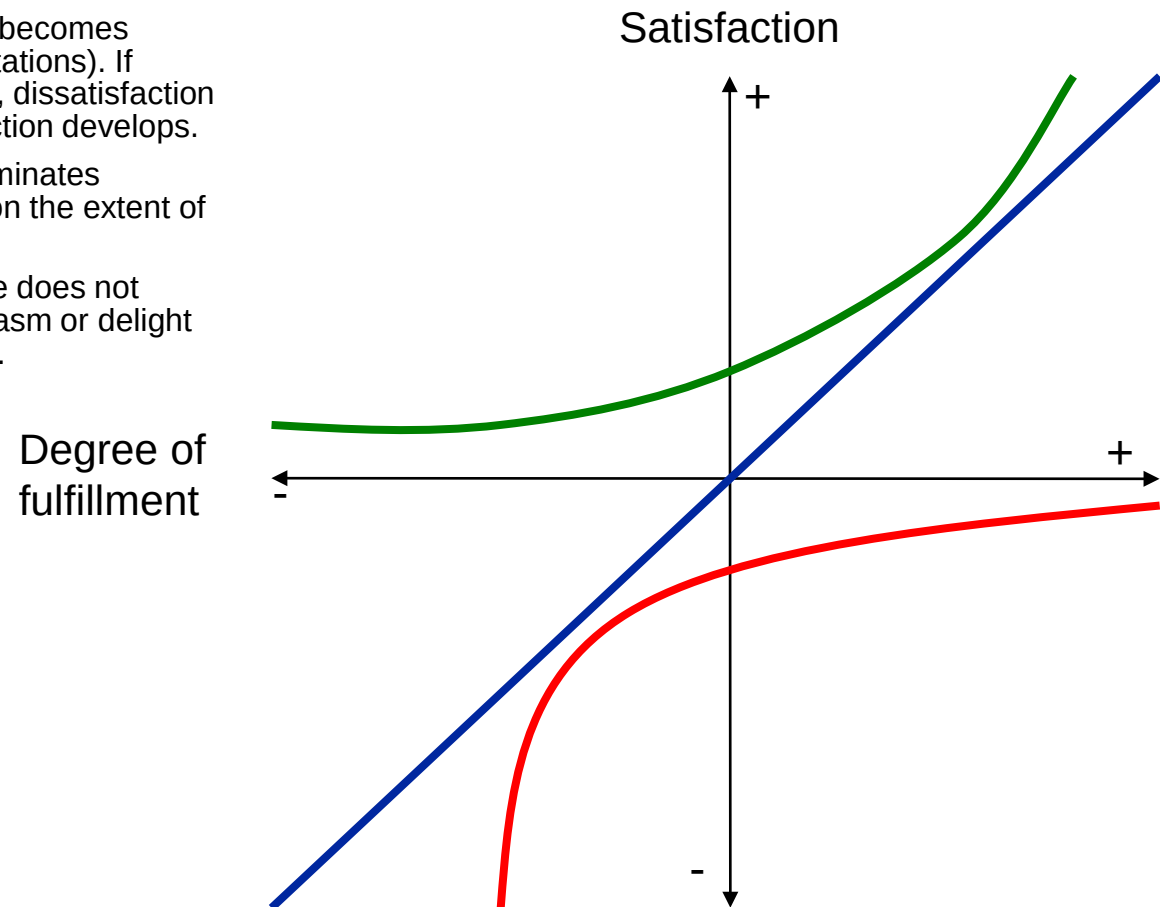
- For comparison:
Current reception fees: 286 CHF

How is this problem related to tourism?
The common denominator is the «basket good» character and its related optimisation challenges (attributes and associated WTP).

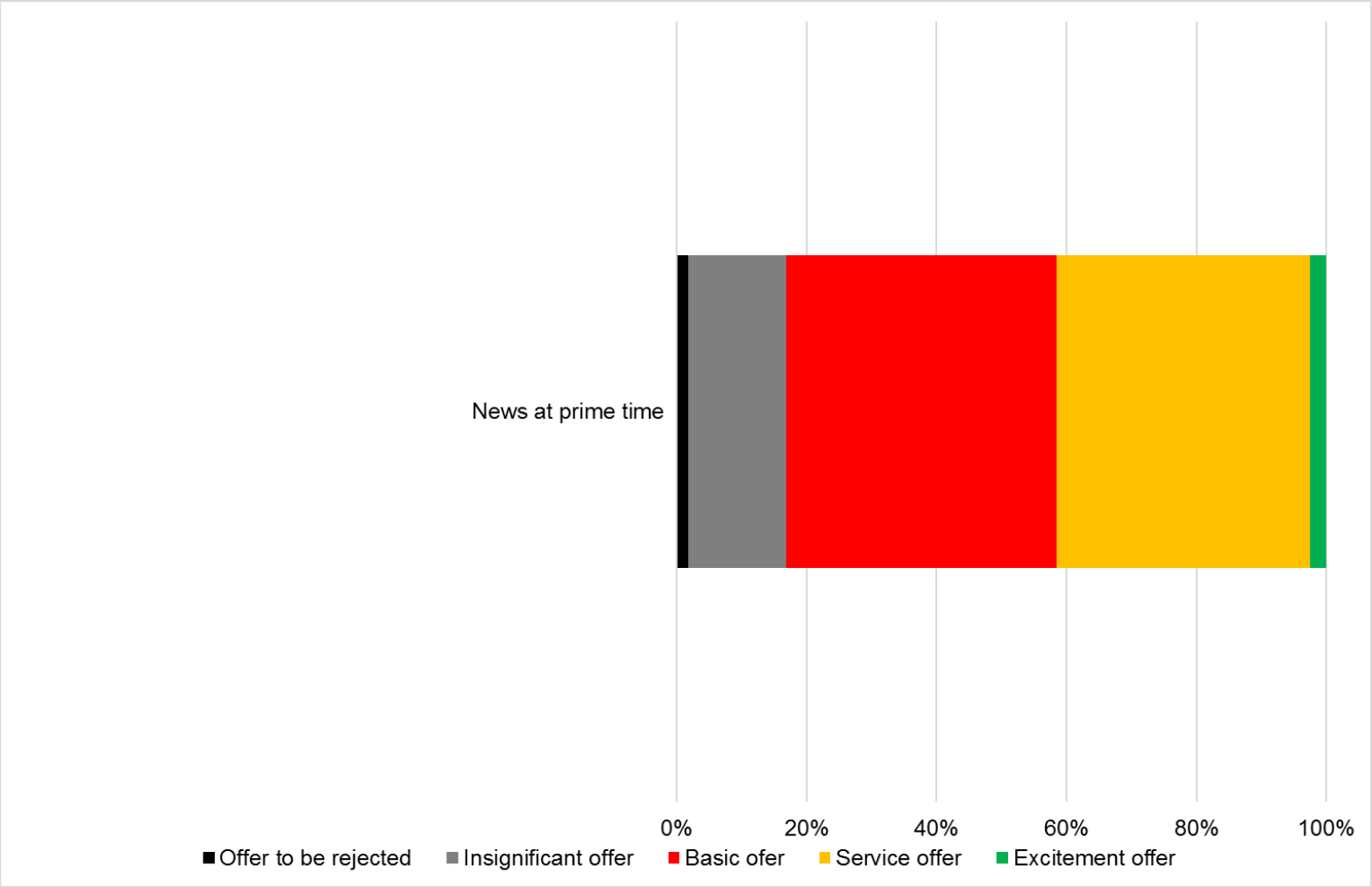


Assumption 1: The attractiveness of each and every single program («offer») can be measured by allocating each one of them to a customer preferences classification scheme.

- **Offer to be rejected:** leads to dissatisfaction if present, but not to satisfaction if absent.
- **Insignificant offer:** is irrelevant both in the presence and in the absence of an offer. It therefore cannot create satisfaction, but does not lead to dissatisfaction.
- **Basic offer:** is so fundamental and natural that it becomes conscious only with non-fulfillment (implicit expectations). If corresponding basic requirements are not fulfilled, dissatisfaction develops; if they are fulfilled, however, no satisfaction develops.
- **Service over:** one is conscious; such a offer eliminates dissatisfaction or creates satisfaction depending on the extent of fulfillment.
- **Excitement offer:** creates a benefit that someone does not necessarily expect. Such an offer causes enthusiasm or delight when present, but no dissatisfaction when absent.



Example of such a classification.

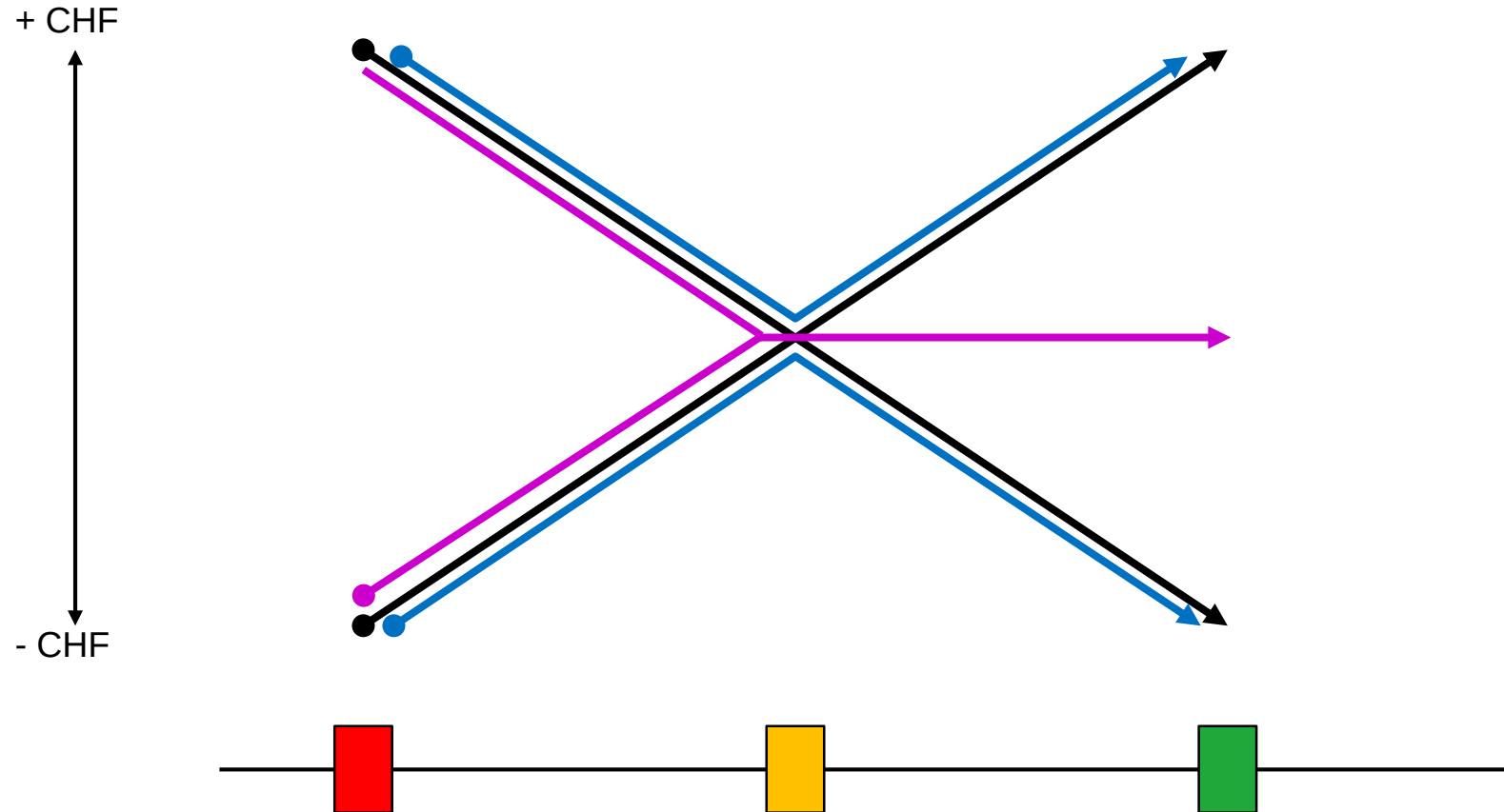


Assumption 2: The position of each program element (“offer”) in the classification scheme determines the level of specific marginal value and fee readiness (and its variances).

An good is described by an n-dimensional vector of attributes	$\vec{z} = (z_1, z_2, \dots, z_n)$
The observed expenditure maximizes the consumer benefit at a given time and place.	$C(\vec{z}) = c(z_1, z_2, \dots, z_n)$
The implicit value of an attribute is obtained by the expenditure differential with reference to this very attribute.	$\frac{\partial \vec{c}}{\partial z_i} = p_{z_i}(z_1, z_2, \dots, z_n)$
The marginal implicit expenditure function thus takes on the following form and specification.	$\ln TC = \alpha + \varphi_1 \textcolor{red}{PROG1}_{INDIFF} + \varphi_2 \textcolor{red}{PROG1}_{BASIC} + \dots + \varphi_4 \textcolor{red}{PROG1}_{EXCIT}$ $+ \delta_1 \textcolor{red}{PROG2}_{INDIFF} + \textcolor{red}{PROG2}_{BASIC} + \dots + \delta_4 \textcolor{red}{PROG2}_{EXCIT} + \dots + \varepsilon$

In red: base case

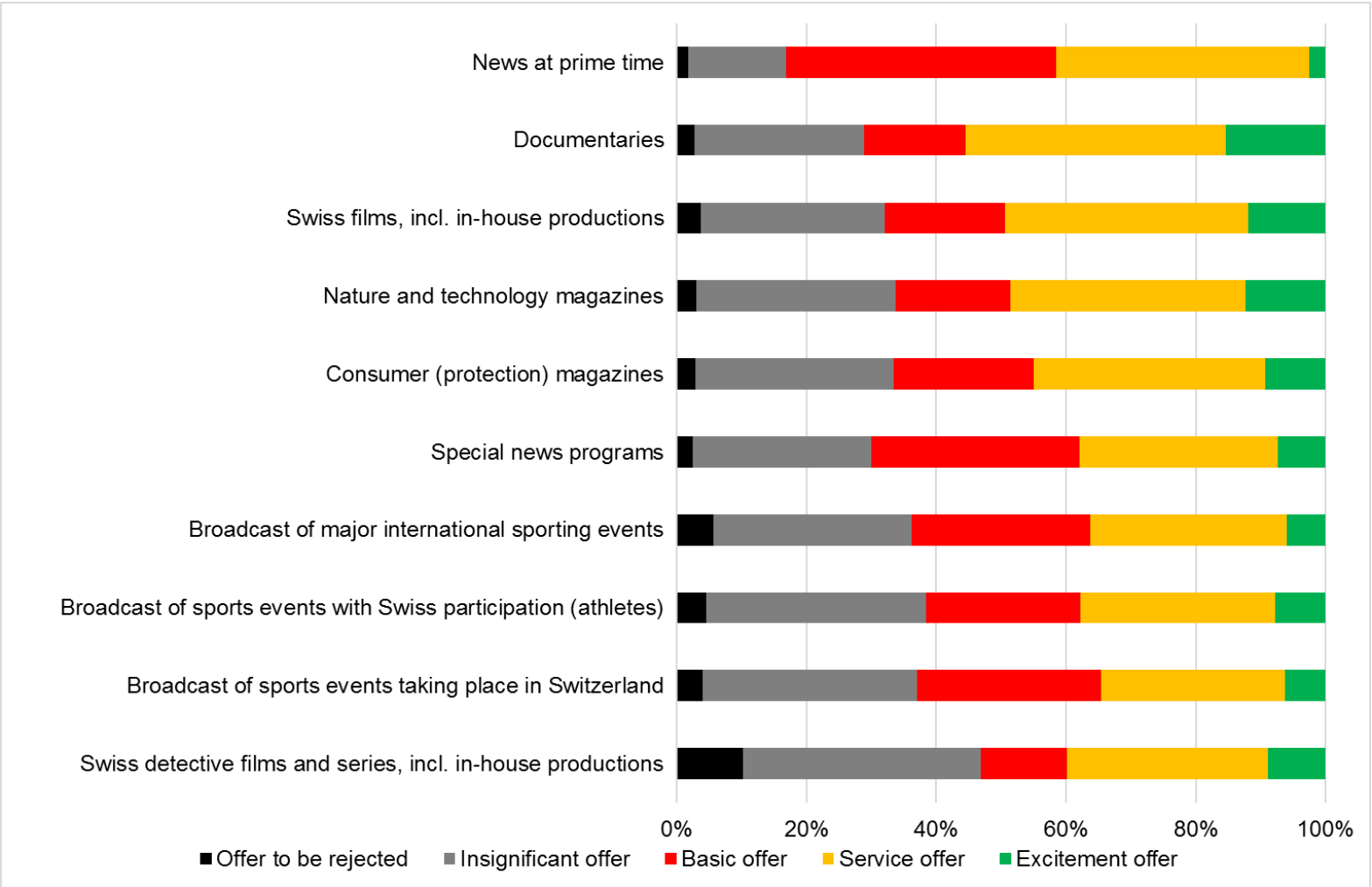
**How are the slopes going to be positioned?
Which class of preference classification is associated with the highest
marginal valuation? Let's hypothesize potential curve slopes.**



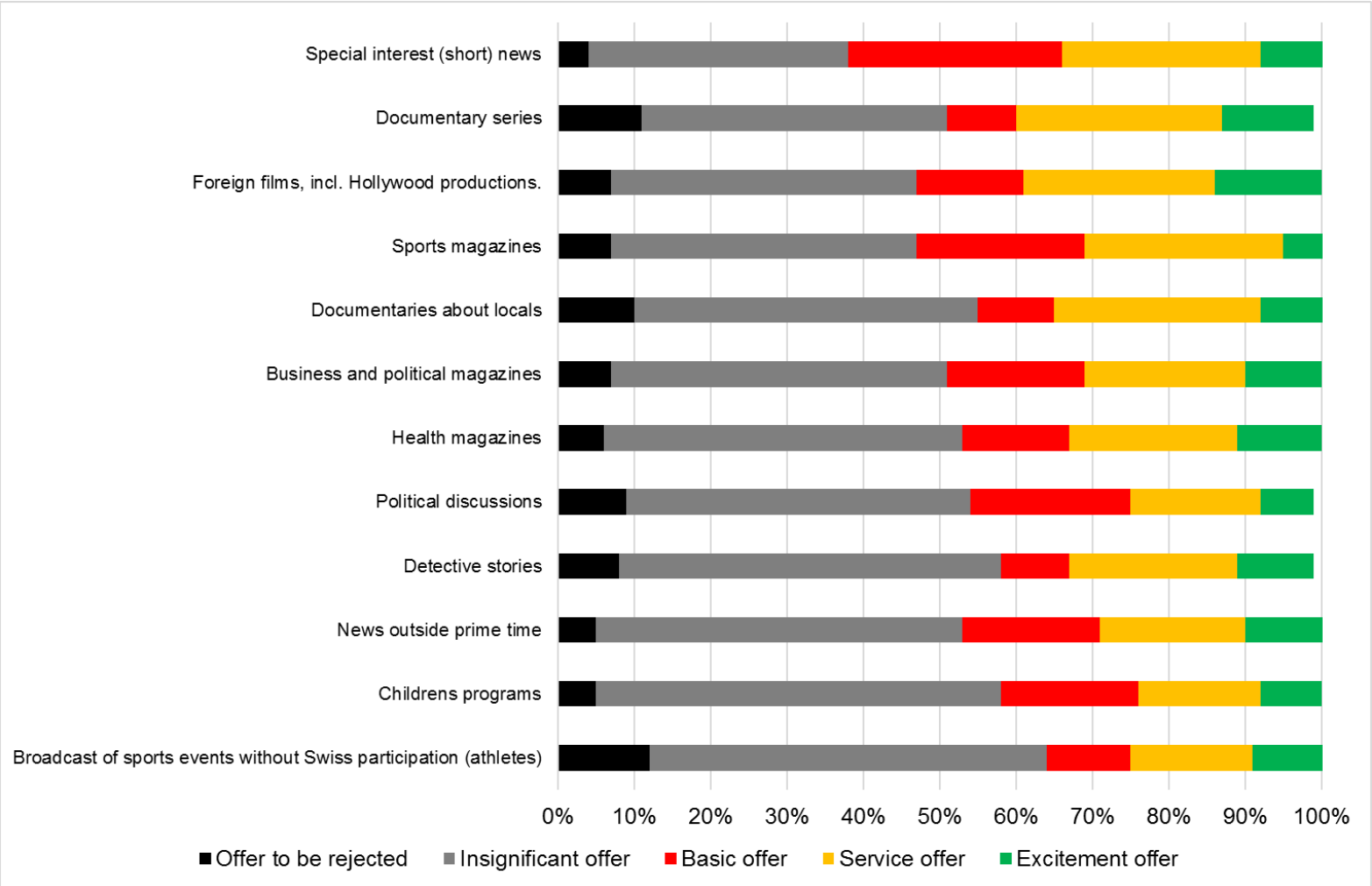
Agenda

- Problem statement and introduction
- **Results:**
 - **Which class of preference classification is associated with the highest marginal valuation?**
 - **What can we derive from the curve shapes?**
- Interpretation

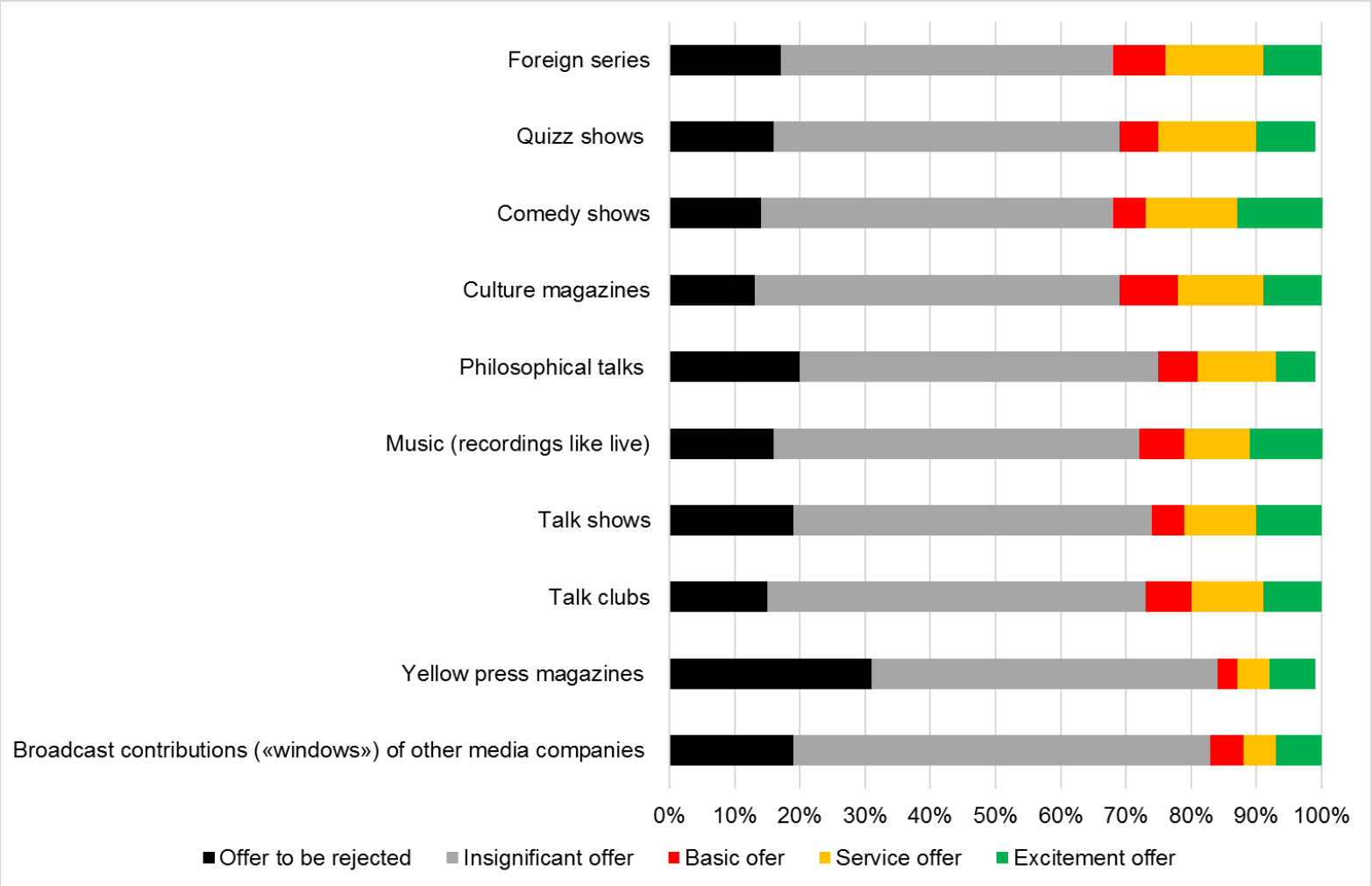
The top 10 program elements.



The mid range program elements.



The bottom 10 program elements



News at prime time



General news broadcasts outside of prime time



Special news programs (news events)



Special interest news (such as finance, weather, etc.)



Business and political magazines



Health magazines



Nature and technolgy «magazines»



Culture magazines



Consumer (protection) «magazines»



Sports magazines



Talkshows in general



Talk «clubs» (such as media, culture, etc.)



Political discussions



Philosophical talks («Sternstunden»)



Broadcast of major international sports events (independent of Swiss participation)



Broadcasts of sports events with Swiss participation (athletes)



Broadcast of sports events taking place in Switzerland



Documentaries



Documentaries (series)



Documentaries about «locals» (SRF bi de Lüt, etc.)



Swiss films, incl. inhouse productions



Swiss detective films and series, incl. in-house productions



Foreign films, incl. «Hollywood» productions



Foreign series



Detective films and series



Childrens programs



Quizz shows



Comedy Shows



Music (shows, programs, concerts. Etc.)



«Yellow press» magazines



Broadcast contributions («windows») of other media companies



Agenda

- Problem statement and introduction
- Results
- **Interpretation: HELP!**

Thanks for your attention