



EXERCISES SESSION 3

The topic of this lab is the Multinomial Logit (MNL) model. You will work with the *Optima* dataset. On the course webpage we provide you with the data files (`.dat`) as well as 3 example models (`.mod`).

The goal of the lab is to estimate different specifications of MNL models.

Question 1

Study the 3 provided model specifications (`.mod` files). Try to understand which are the underlying assumptions and how these assumptions are modeled. Which of the provided models is the best? How do you test this?

Question 2

Choose one of the 3 models as a baseline and improve it by performing the following actions:

1. Add some attributes of the alternatives to the utilities.
2. Try a non-linear specification of the utilities (e.g. piecewise linear specification, Box-Cox transformation, power series, log transformation, etc.). How would you test your new model against the linear model? Propose different solutions to this and apply them to the chosen dataset.