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Customer value of decision support services among Finnish family forest owners – a discrete choice experiment

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Customer value is generally defined as a customer's perceived preference for and evaluation of those service attributes, attribute performances, and consequences arising from use that facilitate achieving the customer's goals and purposes in use situations (Woodruff 1997). Our aim is to examine how family forest owners value different attributes of decision support service when heterogeneity in forest owners' preferences and motivations (forest ownership goals and decision-making styles) is taken into account.

The data was acquired by a postal survey to a sample of 400 North Karelian family forest owners with a response rate of 53%. The survey included a discrete choice experiment (DCE) of decision support services. The choice sets in the DCE comprised of a forest fact sheet provided to a owner free of charge and two supplementary decision support service packages with varying levels of predetermined attributes (including price, participation option (e.g. field trip), guidance to use the forest plan, business plan component (e.g. cash flow projection) and biodiversity management component).

In 34.5 % of all choices, a service package was preferred over the free-of-charge forest fact sheet indicating that an owner's willingness to pay for supplementary service attributes exceeded the price of services. Choice modeling further revealed that 1) a field trip with a planner 2) management recommendations for sites with high values of biodiversity, scenic beauty and/or game and 3) economic cutting recommendations based on the owner's rate of return requirement were the most valued service attributes. Systematic preference heterogeneity was caused by a decision-making style, income, previous cutting behavior and professional status (being retired or not) of the forest owners. In addition, significant unobserved preference heterogeneity was revealed. The results provide guidance for marketing strategies of service suppliers and extension activities of public institutions.

Keywords: forestry advisory, postal survey, customer preferences, service design

Reference:

Woodruff R.B. 1997. Customer Value: The Next Source for Competitive Advantage. Journal of the Academy of Marketing Science 25: 139-153.