

Report on Bachelor Thesis

Institute of Economic Studies, Faculty of Social Sciences, Charles University

Student:	Tereza Čiderová
Advisor:	Mgr. Milan Ščasný, Ph.D.
Title of the thesis:	Analysis of demand for on-trade and off-trade alcoholic beverages in the Czech Republic

OVERALL ASSESSMENT:

Short summary

The thesis explores the demand for alcohol in the Czech Republic from 2011 to 2016 using data from the Czech Household Budget Survey (ČSÚ). Compared to most existing literature, it differentiates between on-trade (consumed at restaurants, bars or similar places) and off-trade (consumed at home) demand and evaluates consumers' substitution between these two while looking separately at beer, wine, and spirits. After estimating (quality-adjusted) unit prices, the thesis utilises the Quadratic Almost Ideal Demand System to derive own-price, cross-price, and income elasticities. Based on the results, alcohol consumed at home is a necessity, whereas consumption outside is a luxury good. Beer consumption is the most responsive to changes in income. Consumers mostly react to increases in alcohol prices by switching to off-trade beer.

Contribution

The author presents the ability to draw conclusions based on the knowledge of relevant theory and empirics. Motivated by the existing literature that considers either total alcohol consumption or at-home consumption only, this thesis distinguishes between off-trade and on-trade demand for alcohol and allows for their substitution. It thus broadens the existing literature by describing the complex consumers' behaviour in more detail.

Methods

The author demonstrates a sufficient understanding of the used methodology, which builds upon the bachelor-level econometrics but has required extensive further study. I identified just a few pieces that would benefit from further elaboration; otherwise, all the steps taken are well described, including dealing with censored data (a high percentage of households reported zero expenditures on either beer, wine, or spirits). Some terms are not properly defined or explained, such as who is the household's head and the reasoning behind the list of professions forming "higher society" (given by the thesis as politician, lawyer, civil servant, official, or manager).

Literature

The literature review is exhaustive (reflecting the extensiveness of the existing literature). The references are in proper form. Nevertheless, the papers' summaries appear without a context or further use at some points. I would recommend relating the existing papers to the thesis more. It would give the reader a clearer understanding of the differences from the thesis and stress its contribution. E.g. Grosová et al. (2017) also investigate on-trade and off-trade alcohol substitution, so I would directly state there what is the enhancement presented in this thesis. I appreciated, for example, comparing the existing studies (e.g. at the top of page 15), which gave them some logical relationship. Some parts of the literature review might be moved to Results, so it is easier for the readers to compare the presented elasticities (or intermediate results).

Manuscript form

The thesis is well structured. The author uses appropriate language and style, including the academic format for graphs and tables. The text effectively refers to graphs and tables and contains a complete bibliography. However, some graphs and tables would benefit from more detailed explanatory notes (to make them "self-standing"). E.g. Table 4.3 uses "Consuming units (OCED)", but its definition is given only several pages later; are those simple averages over the years in Fig. 4.5; what is the definition of rural areas, etc.? There are also a few minor mistakes, such as using decimal commas in some cases.

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Overall evaluation and suggested questions for the discussion during the defense

This thesis is of high quality. The author demonstrates a deep understanding of the topic. The tools used are relevant and adequate to the author's level of study.

Suggestions for the discussion during the defence:

1. Are there any reliable estimates of the under-reporting of alcohol consumption?
2. To what do you attribute that censoring of your data is "more severe than in most previous studies"?
3. Assuming the definition of the household's head in the Household Budget Survey is the one commonly used by ČSÚ, how can your inference of this variable reflect it?
(After marriage, the man is the household's head by default. There are only limited settings for women to be considered households' heads.)

The results of the Urkund analysis do not indicate significant text similarity with other available sources.

In my view, the thesis fulfils the requirements for a bachelor thesis at IES, Faculty of Social Sciences, Charles University, **I recommend it for the defence and suggest a grade A.**

SUMMARY OF POINTS AWARDED (for details, see below):

CATEGORY	POINTS
Contribution (max. 30 points)	30
Methods (max. 30 points)	30
Literature (max. 20 points)	19
Manuscript Form (max. 20 points)	17
TOTAL POINTS (max. 100 points)	96
GRADE (A – B – C – D – E – F)	A

NAME OF THE REFEREE: Mgr. Lenka Šlegerová

DATE OF EVALUATION: 29. 5. 2022

Digitally signed (29. 5. 2022):
Lenka Šlegerová

Referee Signature

EXPLANATION OF CATEGORIES AND SCALE:

CONTRIBUTION: *The author presents original ideas on the topic demonstrating critical thinking and ability to draw conclusions based on the knowledge of relevant theory and empirics. There is a distinct value added of the thesis.*

METHODS: *The tools used are relevant to the research question being investigated, and adequate to the author's level of studies. The thesis topic is comprehensively analyzed.*

LITERATURE REVIEW: *The thesis demonstrates author's full understanding and command of recent literature. The author quotes relevant literature in a proper way.*

MANUSCRIPT FORM: *The thesis is well structured. The student uses appropriate language and style, including academic format for graphs and tables. The text effectively refers to graphs and tables and disposes with a complete bibliography.*

Overall grading:

TOTAL	GRADE
91 – 100	A
81 - 90	B
71 - 80	C
61 – 70	D
51 – 60	E
0 – 50	F