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**The Power of Online Advertising:  
How Hedonic and Utilitarian Appeals on E-mail  
Newsletters Can Impact Consumer Choices**

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***"Never stop testing, and your advertising will never stop improving."***

-Paul Graham, YC

## **ABSTRACT**

Title: “The Power of Online Advertising: How Hedonic and Utilitarian Appeals on E-mail Newsletters Can Impact Consumer Choices”

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Digital marketing has revolutionized the advertising industry. One of the areas it has had a meaningful impact is on the online shopping experiences, called e-commerce. To engage and retain customers to an online shop, one of the most popular and beneficial advertising tools is the e-newsletter. To better understand how to optimize such a tool, this dissertation focuses on one of the main differentiations between products (hedonic vs. utilitarian), The purpose is to understand how can they best appeal to customers so that the exposure to the ad results in the choice of said product(s).

To test how this categorization of products have impact on its advertising, testing was done by sending different newsletters displaying different combinations of hedonic and utilitarian products.

Results show that newsletters portraying hedonic goods are more successful and advertising more than one product in the same newsletter benefits both hedonic and utilitarian products in engaging customers' awareness.

For the future of advertising, and in specific of online advertising, this research can help prove how the impact of such a small change in the ad can influence the whole customer decision-process. Moreover, the results highlight the need for retailers to define a very specific and detail-oriented advertising and communications strategy.

## SUMÁRIO

Título: “The Power of Online Advertising: How Hedonic and Utilitarian Appeals on E-mail Newsletters Can Impact Consumer Choices”

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O marketing digital revolucionou a indústria publicitária. Uma das áreas em que teve um impacto mais significativo foi nas experiências de compras online, chamado e-commerce. Para cativar e reter clientes a uma loja online, uma das ferramentas mais populares e mais utilizadas é a newsletter. Para melhor compreender como otimizar tal ferramenta, esta dissertação foca-se numa das principais distinções entre produtos (hedónicos vs utilitários). O objectivo é entender como podem as newsletters apelar aos consumidores para que a exposição ao anúncio resulte na sua escolha.

Para testar como esta categorização de produtos tem impacto no anúncio, foi realizado um teste em que diferentes newsletters com diferentes combinações de produtos hedónicos e utilitários foi enviada para uma mailing list de (potenciais) clientes

Os resultados mostram que newsletters que apresentam bens hedónicos têm maior taxa de sucesso. Mostram também que publicitar mais do que um produto na mesma newsletter é vantajoso tanto para produtos hedónicos como para utilitários, permitindo-lhes maior possibilidade de cativar a atenção do consumidor.

Para o futuro da publicidade, e da publicidade online em específico, esta dissertação pode ajudar a provar que uma pequena mudança num anúncio pode influenciar todo o processo de decisão do cliente. Adicionalmente, os resultados obtidos sublinham a importância de os lojistas definirem uma estratégia de publicidade e comunicação específica e atenta aos detalhes.

## **ACKNOWLEDGEMENTS**

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## GLOSSARY

- Assortment: Selection of products carried by a retailer.
- Consumer 2.0: consumer with strong online presence, who is always connected and uses social media to communicate about and give feedback to companies or brands.
- Digital Marketing: Promotion of goods through one or more channels of digital media (including, but not limited to, Internet, mobile phones and social media).
- E-Commerce: Electronic commerce is a type of business model that allows for business to be conducted over an electronic network, usually the Internet.
- E-Newsletter: Electronic document, sent regularly by an organization to its opt-in customers or associates, containing information about recent activities or products.
- Hedonic Appeal: Related to or marked by pleasure.
- Landing Page: any web page on which one might land but that was created with the only intention of capturing visitor's information through that form.
- Online Store: An e-commerce website where online consumers can find items for sale and buy them using a credit card.
- Utilitarian Appeal: Related to or marked by usefulness; practical.
- Viral Marketing: Marketing that spreads exponentially with each new user. Assumes that each new user that starts using the good will "infect" and share the advertising with everyone he/she interacts with.

# CHAPTER 1: INTRODUCTION

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## 1.1 Background

The fast pacing world we live in brings constant changes. Today, people can be anywhere at any time and, with just a click, reach any point of the globe within seconds. Having a huge impact in personal lives, the Internet is also fundamental in business.

Digital Marketing allows for quick and personalized marketing actions. One of its features is e-commerce. By making their offers available online, companies provide several advantages to their customers and save costs. Some of the advantages include a more thorough decision process (e.g. information and reviews from previous buyers are easily found online) and a wider range of options to choose from, as a potential buyer can now access and reach products not initially available in his/her home market. Overall, the online environment and opportunities have a strong impact on consumer choice (Mandel & Johnson, 2002).

Because it has such a strong effect on consumer behaviour, e-commerce needs to be thoroughly understood and correctly used by e-tailers, to generate the best possible results. Knowing how to leverage and develop a good online store and its promotional activities can help reduce business costs and, at the same time, increase profit and return on investment. (AtitudeENegócios, 2014)

When comparing to traditional retail, e-commerce distinguishes itself by one word: convenience. At any time of the day, any person can make a purchase from any physical location on Earth. This applies especially to products that are rare and/or unavailable in offline and home-country markets. But some disadvantages of e-commerce must also be remarked, such as that consumers are generally unable to actually see and get a feel of the product before buying it. There is no chance of trying or sampling before purchasing and getting the product delivered. From a company's perspective, owning an e-store also means more competition, as customers typically have more retail options to choose from than offline. Nevertheless, these are obstacles that can be overcome with the right strategy. That is why it is necessary to have a deep knowledge of all the Electronic tools available to enhance and improve an e-commerce, making a business stand from its competitors and, at the same time, keeping it trustworthy and reliable to customers (Khurana, n.d.).

The different design and content elements of an online retailer's promotional activities play a crucial role in enticing prospect customers and driving traffic to the store (Geissler, Zinkhan, & Watson, 2006). For this reason, knowing how to make the most out of the first contact of a potential customer with the online brand and its products and match it with the business strategy is of vital interest for e-tailers.

## **1.2 Problem Statement**

One of the main questions regarding digital marketing is how to improve an online retailer's communication strategy. If done appropriately, this is expected to enhance the experience for the customer and, therefore, increase sales and return on investment (ROI) (Anderson, Fornell, & Lehmann, 1994). One of the first and foremost aspects of such a strategy is deciding how the first contact the customer has with the store or with the product online is going to be managed. This can happen within the actual e-store, if the customer was looking for a product and, in that search, found that specific page. But most of the time, the first contact comes from one of the many advertising platforms digital marketing enables today, such as e-mail newsletter, banners, and pop-ups and many others.

In spite of the many online ad possibilities available, what matters most is understanding how to best use and apply the different options to bring the best results to the e-tailer. One of the aspects with impact on the behaviour of consumers is the motivations and appeals behind the choice of a product. They can either be the choice of a more hedonic product or a more utilitarian one (Khan & Dhar, 2004). Understanding how consumers' decisions and purchases can be influenced is key in any retail and advertising strategy (both traditional and online commerce) and can lead to more appropriate promotional decisions.

## **1.3 Aim**

The main aim of my thesis is to better understand how to improve an e-store's advertising strategy by presenting, from the first contact, the right type of product (hedonic vs. utilitarian) according to consumers' preferences. That is, how hedonic and utilitarian products should be placed in the ad in order to get the best responses from customers. To achieve this general aim, answers to the following concrete research questions were sought:

- Can a product considered hedonic or utilitarian impact the consumer buying decision?

- Do hedonic and utilitarian products have an influence on each other on inducing the purchasing decision process?

In other words, I expect to understand if products with different classifications (hedonic or utilitarian) can impact each other as well as the decision and purchasing processes. By knowing what customers respond best to makes it possible to optimize the communications and, consequently, the sales. Hopefully, the results from this research will give guidelines for other e-businesses and can be helpful, independently of which products one is selling.

#### **1.4 Scope**

From the several promotional means available to any e-commerce, the newsletter is the most commonly used. Most of the e-tailers, where Amazon or eDreams are some of the examples, frequently send a newsletter to their customers to keep them up to date and remind of them of what there is to offer. For being such a powerful and popular instrument, I chose the newsletter as the research tool to advertise hedonic and utilitarian products in different combinations. And from this test, draw conclusions about best organization and presentation of such products on the newsletter. As well, being able to understand the possible e-store's newsletter influence on consumer decision and, therefore, capability to generate more interest and engagement.

For this project, the contribution of Revshare, a portuguese digital marketing agency, was of the utmost importance. In partnership with Católica Lisbon, they shared with me inside knowledge and data on the subject under research. But mostly, I work closely with the e-store they have recently launched in Brazil, *PixBrasil*, and am able to test with their newsletter campaigns and respective results. This website provides to customers practical household products.

As one of the fastest changing countries and with a growing economy, Brazil is one of the countries facing a huge expansion and development. Internet usage and online commerce are some of the areas in which they are giving big steps forward. Situation proven by the fact that Brazil is already the 5<sup>th</sup> most connected country and is expected to take Japan's 4<sup>th</sup> place by 2015. Even more, online shopping grew over 250% between 2008 and 2012, registering 22,5 billion reais (Brazilian currency) in that last year. (tobeguarany.com, 2014)

Taking this opportunity, Revshare decided to invest in the market as an aggregator, which means that they don't directly sell the products. On a first stage, they worked as intermediaries, but soon evolved to a business they had full control of, *PixBrasil*. Their business is to combine in the same webpage products from different origins and sellers and advertise them, collecting a fee for every purchase.

From all the products included in the PixBrasil assortment, four products in specific are under study in this dissertation, with which were constructed the newsletters analysed: mini fridge, sofa cover, ice cream maker and lamps.

## **1.5 Research Method**

Both primary data (gathered through survey results and newsletters' results analysis) and secondary data (results from previously sent newsletters) were used in this research.

A survey was first conducted to assess the level of hedonicity of products on offer at the time by PixBrasil. With that information, newsletters were then designed and sent in order to test if different categorized products influenced each other at the time of the consumer decision/exposure. Specifically, these newsletters figured different combinations of hedonic and utilitarian products, whose results were used to determine if one combination brings better results than the other.

In order to analyse the results from the newsletters created for this research (primary data), the most important aspects were the direct results, which include sales, clicks and impressions. A stronger focus is placed on clicks, as that represents the moment the consumer decided on a product (even if, by any chance didn't end up purchasing it). For a more thorough understanding, other ratios were used, which comprise ROI (return on investment), CAC (client acquisition cost), CR (conversion rate) and CTR (click through rate).

The data from previously launched promotional newsletters (secondary data) was analysed using the same metrics and ratios as primary data. The main goal with their analysis was to understand the impact products had on consumers' choice when advertised by themselves. That is, without the impact or constraint of any other product, of any other category. Such analysis is relevant to understand how the behaviour and choices of consumers differed when the ad had more than one product.

## **1.6 Relevance**

More and more people are using the chance and commodity of shopping online. According to Forbes projections, a compound annual growth rate (CAGR) of over 13% is expected over the next five years (Forbes, 2013). This can be a good sign for businesses if they are equipped with the right tools, so that they can make their own e-store “the right one”, the one the consumers prefer, trust and have as reference.

Guidelines and ideas on how to improve an e-store’s promotional newsletter is, ultimately, what I intend with this dissertation. Research if there is a better combination between hedonic and utilitarian products portrayed. Overall, I hope to shed a new light on e-commerce’s advertising options and help improve businesses.

## **1.7 Dissertation Outline**

In chapter 2, I present a review of some of the existing literature on digital marketing, e-commerce and online shopping as well as some of the studies done on the impact of hedonic and utilitarian distinction on the purchase process. Using this as a basis, I formulate research hypothesis about potential customer behaviour towards newsletters, which I use for further statistical testing. Chapter 3 describes the methodology employed during the research, including the collection, analysis and interpretation of data, which allow me to give an answer to the research questions. In chapter 4 the results obtained are presented and discussed. Lastly, chapter 5 highlights the main conclusions and limitations of this research and suggests some future research studies.

## CHAPTER 2: LITERATURE REVIEW AND RESEARCH HYPOTHESIS

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### 2.1 Digital Marketing

Digital marketing has the goal of promoting brands and goods using different forms of digital media. This includes not only internet-based channels, but also mobile phones (SMS and MMS), social media marketing, display advertising, search engine marketing, and any other form of digital media (“Financial Times Lexicon” n.d.).

The strongest advantage of digital marketing is its interactivity, which Liu (2002) defines as “the degree to which two or more communication parties can act on each other, on the communication medium, and on the messages and the degree to which such influences are synchronized.”

Internet has had a pivotal role in changing commerce, by allowing to electronically link consumers and sellers through interactive online systems (McNally, 2011). Consequently, advertising methods have also changed and adapted. Advertising online improves the efficiency levels, an effect that is more visible in the long run (Pergelova, Prior, & Rialp, 2010). According to Deighton (1997), the Internet has two critical features: addressability (communication is directly addressable to individuals) and responsiveness (communication is aware of the receiver’s response). Thus, the Internet provides a targeted and fast means for reaching consumers (Burke 1997).

### 2.2 E-commerce

Current numbers show that B2C (business to consumer) online sales ascended to 1,47 billion dollars in 2014. In the same period, there were more than 191 million e-shoppers in the USA alone (Statista, n.d.).

The changes brought by the internet and e-commerce also allowed for a new set of options and markets for consumers. Today we can distinguish between a marketplace and a marketpace, the first being physical and the last being digital. The latter happens when someone shops on the Internet. (Kotler, 2000)

According to Kotler (2000), e-commerce refers to business transactions conducted online. Several advantages come from it, both for consumers and businesses, namely

convenience, savings, selection, personalization, and information (Kotler, 2000). Some other advantages, noted by Mandel & Johnson (2002), are that e-commerce lowers consumer search costs and puts consumers in control of the information they receive. With all these extended possibilities, the internet further empowers consumers (Mandel & Johnson, 2002). This idea is shared by Riegner (2007), who claims that consumers, due to the internet, have nowadays a growing control over their media habits and their role in the commercial marketplace.

However, from the seller's point of view, such an empowerment implies plenty of marketing challenges. Bellizzi (2000), for instance, found a positive correlation between Internet usage and businesses' competitiveness and innovativeness. Additionally, Internet usage was also found to be positively related to business revenue, i.e., using an e-commerce channel effectively reduces costs. Therefore, given all the advantages coming from doing business through the internet, should encourage firms to actively engage and guide customers in that direction (Bellizzi, 2000).

Despite all the benefits, there is a long path ahead for online shopping. While e-commerce has grown substantially over the last several years, Internet shopping still has a long way to go to become a dominant retail channel and be taken as first option (Rodgers & Harris, 2003).

### **2.3 Influencing Consumer's Online Purchases**

One of the key issues, especially for online businesses, is to retain customers, after they landed in the e-store's web page. For this reason, web design plays a major role in e-commerce, with even the smallest transformations in web presence leading to important changes in the search and selection of offer, for both expert and new e-decision makers (Mandel & Johnson, 2002). Moreover, the impact of the first impression is vital in gaining and holding consumers' attention and interest. (Geissler, Zinkhan, & Watson 2001). Sellers want to "lock-in" their customers, term defined as consumers' decreased tendency to search and switch sellers after an initial investment in a particular search or store browsing. This situation is justified by both a preference to minimize immediate costs and an inability to anticipate the impact of future switching costs (Zauberman, 2003). It is, therefore, important to understand how one's customers can best be attracted and engaged to an e-store.

Zauberman (2003) studied the combined effect of time (as consumers weigh costs more heavily the closer they are in time) and satisfaction (cost is calculated considering, not

only the economic value of the product, but the entire experience) on consumer search patterns and choice behaviour over time. He was able to conclude that a preference to minimize immediate costs and an inability to foresee the impact of future switching costs is what, ultimately, leads customers to lock-in.

Meanwhile, Chernev (2006) focused on the assortment choice paradox. This states that when choosing between assortments, consumers go for the variety offered by larger assortments, in detriment of smaller ones; however, they also show less confidence in the choices made from larger assortments than smaller ones. This is justified by trying to maximize two potentially conflicting goals: decision flexibility (better in larger assortments) and protection against future preference uncertainty (higher in smaller assortments) (Chernev, 2006).

Researchers are focusing more and more on the digital marketing and online aspects of businesses. As Mathwick and Rigdon (2004) noted, research into consumer online behaviour focuses mainly on the nature and consequences of consumer engagement on the web. Accordingly, some studies have shown that offering engaging online experiences can attract consumers, diminish price sensitivity, and positively influence subsequent attitudes and behaviours. (Novak, Hoffman, and Yung 2000). On the other hand, individual differences, such as gender, are also known to impact how consumers make purchase decisions online.

Men are more likely to use the Internet for practical and/or utilitarian purposes whereas women are more likely to use it for social purposes (Rodgers and Sheldon, 1999). Emotion, trust, and convenience are the responsible factors for women's negative and men's positive attitudes toward the Internet. Emotion and trust are also responsible for the frequency with which customers made online purchases during the course of a month (Rodgers & Harris, 2003). Others have proposed that women prefer shopping in physical stores, because these allow them more informational cues (ability to try on or touch, for example, feature that they find fundamental) than online retailers (Eroglu, Machleit, and Davis, 2001). In the end, it is crucial for e-tailers is to understand what really matters and appeals to consumers. That is because, the higher the relevance attributed by the consumer, the better the changes of successful business (click-through rates and converted sales) (Phillip & Suri, 2004).

Gender differences are also reflected in website design preferences, as it has been shown that women focus more strongly on text, and men focus more strongly on images (Schiessl, Duda, Thölke, and Fischer, 2003). Therefore, it seems that women, contrary to

men, will prefer more detailed, full-page advertisements with significant textual information (Goodrich, 2014)

Independently of the gender or any other personal characteristics, what matters is to engage the most users. Customer engagement brings word of mouth, which is very beneficial, because it means retailer's current customers trust them enough to recommend it to others. Therefore, they can acquire new customers without the effort of new advertising. In the online sphere, strong word-of-mouth (also called word-of-mouth) is called viral marketing. (Strauss & Frost, 2013)

## **2.4 E-mail and Online Newsletters**

About 95% of the online consumers use e-mail (EmailExpert, 2014), as a means of communication. Phelps and colleagues (2004) distinguish the importance of the roles mass media channels and of interpersonal communication. The first ones are more important to learn about an innovation, whereas the last is especially important for persuasion.

Phelps and colleagues (2004) deepens their research by studying the motivations behind online word-of-mouth: "By encouraging communication among consumers, important perceptions about products—as well as compelling triggers for purchase—may spread quickly and widely, thereby achieving mass reach a few people at a time".

Sharing information by e-mail benefits from its easiness, once forwarding e-mail is easier than writing comments, for example. Furthermore, with e-mail is easy to spread images and/or verbal content that are too detailed to be disseminated through a conversation. The messages with better chances to be passed along are the ones that spark emotions (Phelps et al., 2004).

One of the priorities for a brand's promotional e-mail communication is for them to be thoroughly integrated with its social media presence. An effective promotion involves delivering the right message to the right messenger in the right media. For this, it is necessary to have deep understanding of audience's needs, behaviours and motivations, as well as keeping constant monitoring (Strauss & Frost, 2013).

The idea of an e-mail message that can, at the same time, engage customers, sell products and make the brand "top-of-mind" comes to life with a newsletter (Soskey, 2015). One of the e-mail newsletters' specificities is that they offer the chance of two-way communication. This is important for companies, which then can track user responses to the

promotional e-mails by embedding links in the messages. But also for users, who can offer explicit feedback by choosing the kind of newsletters want to subscribe. (Liu & Shrum, 2002)

Several aspects can make a newsletter successful and trigger customers to act on it. But the most important features are for the newsletter to be meaningful to the client, have a balance between educational and promotional, have only one call-to-action and make it easy to unsubscribe (Soskey, 2015). Overall, is about giving the power to the consumer, giving him something that is important to him, as well as easy to understand and navigate.

The development of richer and more interactive websites and relationship tools (where newsletters have an important role) has proven to be essential in order to let visitors satisfied and more inclined to revisit and develop a deeper relationship with the brand in the close future (Müller, Florés, Agrebi, & Chandon, 2008).

## 2.5 Consumers' Engagement

If marketing has one goal, it is to reach consumers at the moment they are more open to external influences. For many years, those moments have been comprehended through the metaphor of a “funnel” (consumers start with a number of potential brands in mind, which marketing works to reduce). But today, mostly due to the emergence of a well-informed consumer (much with the aid of internet) the funnel concept fails to capture all the touch points and key buying factors. A new approach becomes necessary and it's called the consumer decision journey. The decision-making process (figure 1) is now a circular

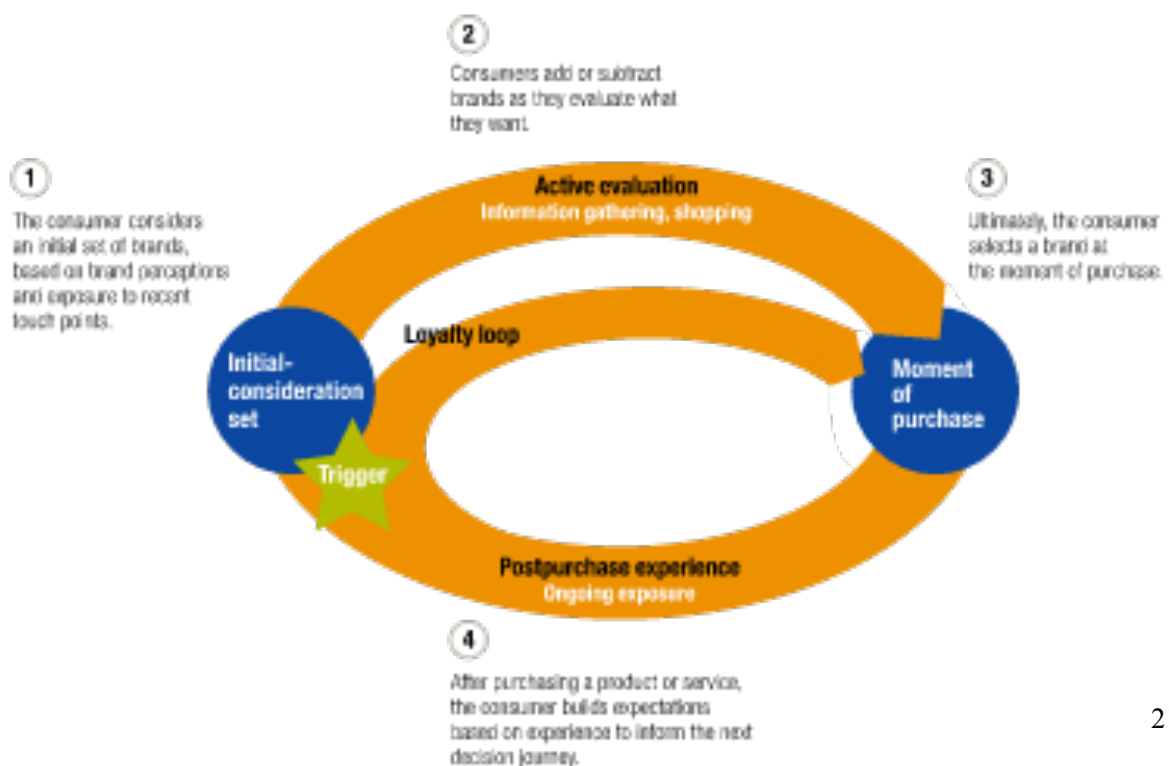


Fig. 1: The new decision-making process: “The consumer decision journey”

journey with four phases: initial consideration; active evaluation (when consumer researches potential purchases); closure (moment of purchase); and post-purchase (time of experience the product). These are the conclusions gathered at McKinsey, when studying the changes in consumer behaviour. The study also made evident that the new customer wants to be more involved in the whole process and requires a two-way communication, which implies marketers to have a more systematic way to satisfy customer demands (Court et al., 2009). The same study also states that ad exposure at a non-purchasing time is also imperative. That happens because, when the trigger to buy is activated, the accumulated impressions become crucial to shape the initial consideration set. (Court et al., 2009). Therefore, a consistently received newsletter may remind the customer of a specific brand he/she may return to when it's time to buy.

Customers are more likely to act on a received communication, like a newsletter, when they engaged the brand and subscribed for it. According to a recent study, 44% of email recipients made at least one purchase the previous year based on a received promotional email (SalesForce, 2013). Even further, 68% of marketers agree e-newsletters are the top email messages that help to achieve their business goals (PowerProDirect, n.d.). This states as obvious that an appealing and proper e-newsletter can still attract considerable business, especially because the trend is for these numbers to go even higher soon.

The Internet offers both growth and loyalty opportunities for brands and companies. In their paper "*The branding impact of brand websites*" Muller and colleagues (2008) derive some useful insights about online experiences. Firstly, when satisfied with their overall website experience, visitors are more likely to return and recommend the site and, as well, develop more positive attitudes toward the brand and increase purchase intent. These relations are even stronger when consumers choose to be connected further with the brand (sign to the newsletter or magazine, for instance). The authors go on to note that purchase intention seems mainly affected by several variables, including interactivity, attitude toward the site, website quality and design, and attitude toward the brand. For that reason, establishing a dialogue with customers, to understand and anticipate their needs is fundamental to offer better and personalized products and services.

In the end, and even though the overall perceived value of a website may not be sufficient, it is critical for inducing a repeated visiting behaviour and positive word-of-mouth.

## 2.6 Hedonic vs. Utilitarian Goods

The result of a shopping experience is, according to Babin, Darden, & Griffin (1994), valued in two ways. That means the products one buys can be either utilitarian or hedonic. They are utilitarian when the product purchased results from a “conscious pursuit of an intended consequence”. That is, the product bought is used for practical reasons and responds to a specific need. The purchase of an hedonic good happens when actions are more spontaneous, related to emotional and entertainment worth of shopping. In simple words, the authors distinguish between buying products for practical or fun reasons (Babin et al., 1994).

In terms of validating the purchases, utilitarian ones are easier to justify than hedonic ones because they are associated with virtues and necessities. They “are functional, sensible, and useful” (Botti & McGill, 2011).

Previous research has shown that products or brands that are highly valued on the hedonic dimension (rather than the utilitarian dimension) are better able to charge a price premium or engage in sales promotions (Voss et al., 2003).

The decision between buying a more hedonic or a more utilitarian product can change with the situation. Dhar & Wertenbroch (1999) claim that the choice for hedonic will be weighed more heavily, in relative terms, when one is deciding which one of two options to give up (forfeiture choices) as opposed to which one of two options to acquire (acquisition choices). “If you tend to elaborate on what might have been, choosing the more hedonic option may make you happier. However, if out of sight is out of mind for you, the more utilitarian option may be the better choice.” (Dhar & Wertenbroch, 1999)

When studying shopping and possible motivations behind it, Botti & McGill (2001) note that hedonic and utilitarian purchases are driven by different aspects. In sum, they realise preferences for hedonic tasks and goods are emotionally driven, whereas those for utilitarian are cognitively driven (Botti & McGill, 2011)

Understanding what motivates customers to buy online is crucial for any e-tailer. Consequently, understanding motivations for online shopping may lead to important conclusions to understand (even if indirectly) how these general motivations can impact and be applied in the sale of hedonic or utilitarian products.

Toa and colleagues (2007), compiled some ideas on motivations behind online shopping. They determine that convenience, information, customization, interaction and time efficiency are the primary motivations for Internet shopping.

Ultimately, their researches show that utilitarian purchases are influenced by convenience, cost saving, information availability, and selection. Oppositely, adventure, authority and status influence the purchase of hedonic goods. In the end, researchers show that utilitarian values are the major reasons for people shopping online (Toa, Pui-Lai, Chechen Liaob, 2007).

However, motivations for hedonic purchases can also have a strong role on online shopping. Falk (1997) states that sensual stimulation and the freedom to search are the primary shopping motivations for consumers, both in storefront shopping or Internet shopping. This proves the importance of the customers' primary interaction with the store, whether it is online or in the 'real world'.

“People will be more likely to consume hedonic goods when the decision context allows them the flexibility to justify the consumption.” Consumers have the need to justify their choices and how hedonic and utilitarian consumptions affect their decisions is what Okada puts up to test. Between hedonic and utilitarian goods, however, there is no superior choice, even after all the costs are considered. Therefore, justification arises as possible explanation for different preferences across different contexts.

But can hedonic and utilitarian motivations impact one another? Okada (2005) proposes and analyses two effects:

- 1) When a hedonic and an utilitarian alternatives of comparable value are each presented on their own for evaluation, the hedonic alternative tends to elicit a higher rating. However, when the two are presented side by side, the utilitarian alternative is more likely to be chosen.

- 2) The difference in the need for justification also affects the combination of time (effort) and money that people choose to expend to acquire hedonic against utilitarian items.

Overall, there are many aspects and variables that can be used to improve the communication of a product or brand. With the introduction of the online came even more tools and more opportunities, but also the need for new methods and evaluations, where the importance of hedonic and utilitarian is just a small part.

## **2.7 E-commerce Performance Metrics**

The key to understand how an e-business is doing is having data that clarifies where the online store stands today and how to achieve greater success tomorrow. Companies such as Amazon or Ebay have been using these practices and prove their ability to produce high ROI. Therefore, it is pivotal to have a solid understanding of what to measure and how to use the data in decision-making (Wallace, 2015).

For every business activity, where online is included, it is vital to understand what brought positive results and what had the opposite effect. Therefore, it is important that the e-tailer has the appropriate tools to best measure the results obtained. In this day and age, with the advances in computing and technologies, e-tailers are offered an unprecedented opportunity for the systematic tracking of effectiveness (Beard & Yang, 2011).

Although there are many Web analytic metrics that capture what users do both before and after they arrive at a Web site, they fall generally into three categories: (a) Web impressions (e.g., hits, page views, unique visitors), (b) clicks and (c) conversions (the number of visitors who convert into customers, subscribers, contributors, etc.) (Page, 2008). Moreover, other performance indicators can deepen the knowledge and facilitate the decision-making process. Some of them are client acquisition cost, click-through rate, and conversion rate, among others. A deeper understanding of these measuring tools, as well as realizing their interconnection is vital for the development of any e-business (“Imavex.com,” n.d.), as it allows to predict revenue and, most importantly, flag potential problems as soon as possible (Traxler, 2013).

## **2.8 Conclusions and Research Hypothesis**

The digital world has an unprecedented presence in people’s lives, However, there is still a lot of space to grow. In recent years, the ability to do shopping online has revolutionized the way customers see and do purchases. E-commerce has brought a great deal of benefits for both retailers and consumers (Kotler, 2000).

Any consumer can divide its purchases into two kinds of products: hedonic and utilitarian (Babin, Darden, & Griffin, 1994). When a retailer wants to engage the consumer to buy one of these categories of products, he/she has to know how make the appeal. More and more tools are used to persuade and convince the online user to choose a certain product or choice path (Muller et al., 2008). Emails and newsletters are some of the most commonly used.

However, with so many players, it reveals necessary to be able to differentiate. From the e-tailers eye, having a distinguishing feature that captivates more (potential) customers than the competition is key.

From all the researches and studies previously done, it is yet to be understood the impact hedonic and utilitarian products can have in advertising e-newsletters. That is, how that categorization of products can be used in the ad to encourage action from the consumer.

In line with investigation made by Okada (2005), with this present research I try to explore one of the aspects that can affect in a differentiating manner the online shopping advertising. That is, understand the impact hedonic and utilitarian products can have on each other when influencing consumer decisions in the online commerce sphere.

Using Revshare's e-commerce website *PixBrasil* and the promotional newsletter they send by email as the main data source, I define two main hypothesis that I will test out and try to build knowledge to give answer to the research questions (defined in chapter 1).

The hypothesis 1 focus more on giving an answer to the first research question, that is, to understand if the goods being considered hedonic or utilitarian have an impact in the final choice. The second set of hypothesis aims strongly to clarify if the confront hedonic/utilitarian influences the purchase decision (research question 2).

**H1:** Hedonic goods appeal more when advertised on their own.

If presented with only hedonic goods, consumer will not be reminded of other goods that have a more functional use and may be more necessary at the time of the decision. Therefore, consumer is more likely to choose (and click on) hedonic products when there isn't another influence in the advert.

**H 1.1:** Utilitarian goods appeal more when advertised on their own.

If consumer is not distracted by goods that are not so necessary but will bring more emotions, he/she may be more likely to chose the goods actually needed and that was looking for in the first place. Consequently, consumers are more likely to choose (and click on) utilitarian products when there isn't another influence in the ad.

**H2:** Hedonic goods appeal more when mixed with utilitarian goods.

If faced with an ad portraying both hedonic and utilitarian products, consumer may be tempted to incur in impulse buying. He/she was not thinking about buying the hedonic good,

but when it is presented among the functional good, he may be tempted to choose the one promising fun and excitement.

**H2.1:** Utilitarian goods appeal more when mixed with hedonic goods.

When presented with the two kinds of products simultaneously, the consumer may be reminded of the utilitarian good that is necessary and was meant to buy. Such actions may reveal that, when confronted with products from both categories, the customer is more likely to click and choose the utilitarian one.

## CHAPTER 3: METHODOLOGY

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In this chapter I present and explain the methodology used to study the subject at hand and to reach conclusions about the hypothesis formulated in chapter 2.

### **3.1 Research Approach**

Three kinds of methods are commonly used when performing research: exploratory, descriptive and explanatory. Exploratory research corresponds to the initial investigation of a hypothetical or theoretical idea. Its purpose is to understand what is already happening and if there are already theories that could explain what is being observed (Saunders, Lewis, & Thornhill, 2009). Most often, exploratory research, which can consider a new topic or angle, lays groundwork for subsequent descriptive or explanatory studies (Study, n.d.).

Descriptive research is when the researcher is trying to describe and explain what is happening in more detail, filling in the missing parts and expanding understanding about a topic. (Study, n.d.) At this stage, is mostly about collecting information to understand the “whats” and the “hows”.

Lastly, explanatory research is the connection of both previous steps. In order to explain the situation, researchers try to connect ideas and establish a cause-effect relationship between variables. It is about looking at how things come together and interact (Saunders, Lewis, & Thornhill, 2009).

In this thesis, my goal is to understand how do hedonic and utilitarian products can influence consumer choices, when are presented in a newsletter. In other words, what could be the best arrangement of hedonic and utilitarian goods in a newsletter in order to increase interest (generate more clicks) and, therefore, potential sales.

For that, I started by applying descriptive research to understand what has already been done in the area, including results recent Revshare’s campaigns have registered and where new options exist. At this stage, I intended to get a deeper understanding of how newsletters can be persuasive and how they can be improved to increase interest and sales. After, it is necessary to introduce explanatory research, which happens with the testing of primary data: spreading of newsletters with different combinations of hedonic and utilitarian

products. The respective results allow to draw conclusions and explain the findings. Overall, the aim is to understand how PixBrasil's newsletter should have the products arranged in the ad so that it can bring the highest engagement levels.

### **3.1.1 Primary vs. Secondary Data**

Primary research is the research made in the first person for the research at hand. It's generated by asking questions, conducting experiments and drawing results, and can either be quantitative or qualitative.

Secondary research is the collection of previous researches made by other authors. This information is intended to result in evidence to support the conclusions of one's own research.

For this dissertation, I use information and data from Revshare's e-commerce website, *PixBrasil*, a recently launched online shopping platform and their promotional newsletters. I use the results from their previously sent newsletters as secondary data, to give me a perspective of the current situation. When some conclusions have been drawn, I am able to test different assortment options of the products on the newsletter, combining different arrangements of hedonic and utilitarian products. The results of these tests became the source of my primary data.

## **3.2 Research Strategy**

To differentiate hedonic and utilitarian goods from *PixBrasil's* assortment, I launched a survey (Annex 1), presenting four of the products available in *PixBrasil*, in order to understand how each of the products was seen as either hedonic or utilitarian. The four products featured were an ice-cream machine ("YoFruit"), a Sofa Cover ("Protetor de Sofa"), a Mini Fridge ("Mini Geladeira") and Lamps ("Lampadarios").

"In most situations, utilitarian consumption and hedonic consumption are both discretionary, and the difference between the two may be a matter of degree and perception" (Okada, 2005). For this reason, it was important to have a representative sample to allow me to distinguish which products are considered hedonic or utilitarian.

From the total of responses, I was able to conclude that the Lamps and the Ice-cream maker were considered hedonic whereas the Sofa Cover and the Mini Fridge were considered utilitarian. Further analysis is present on chapter 4. With these results, I got a basis to fundament my primary data. From here, I paired the products into two perspectives: newsletters with just hedonic (utilitarian) products and newsletters with one hedonic and one utilitarian product. The combined newsletters featured the Ice-Cream Machine & Sofa Cover in one and the Lamps & Mini Fridge in the other. Newsletters with these pairings were then sent to the mailing list. The results of these tests are my primary data and will also be further analysed in chapter 4.

### ***3.2.1 E-newsletter Performance Metrics***

To evaluate the results and be able to give an answer to the research questions (chapter 1), several metrics were used. The most direct and objective ones are impressions, clicks and conversions. Impressions correspond to the number of people who opened the e-mail containing the promotional newsletter. Clicks is the number of people who, after opening the e-mail, decided to click on it; this means they either wanted to know more about the product or buy it. Conversions are the number of people who actively decided to buy the product advertised on the newsletter. For this specific analysis, in which I aim to know which combination of hedonic and utilitarian products appeal more to customers, clicks appears as the most important metric. When clicking on the product advertised, the consumer is already interested and actively choosing it. Even if, by any chance the purchase is not concluded, the customer was already exposed to the ad and made a choice on it.

For a more thorough and complete understanding, some ratios were also calculated, which includes conversion rate (CR) and click-through rate (CTR).

## **3.3 Secondary Data Analysis**

### ***3.3.1 Population***

The representative population for this research is defined as

*Email newsletter promoting PixBrasil's products, sent to a mailing list of Brazilian consumers in the first semester of 2015.*

One of the most used advertising tools on an e-business is the newsletter, which is exemplified in figure 2. Periodically, a database of *PixBrasil*'s customers receives an email advertising new products and/or current promotions and those are the population under study.

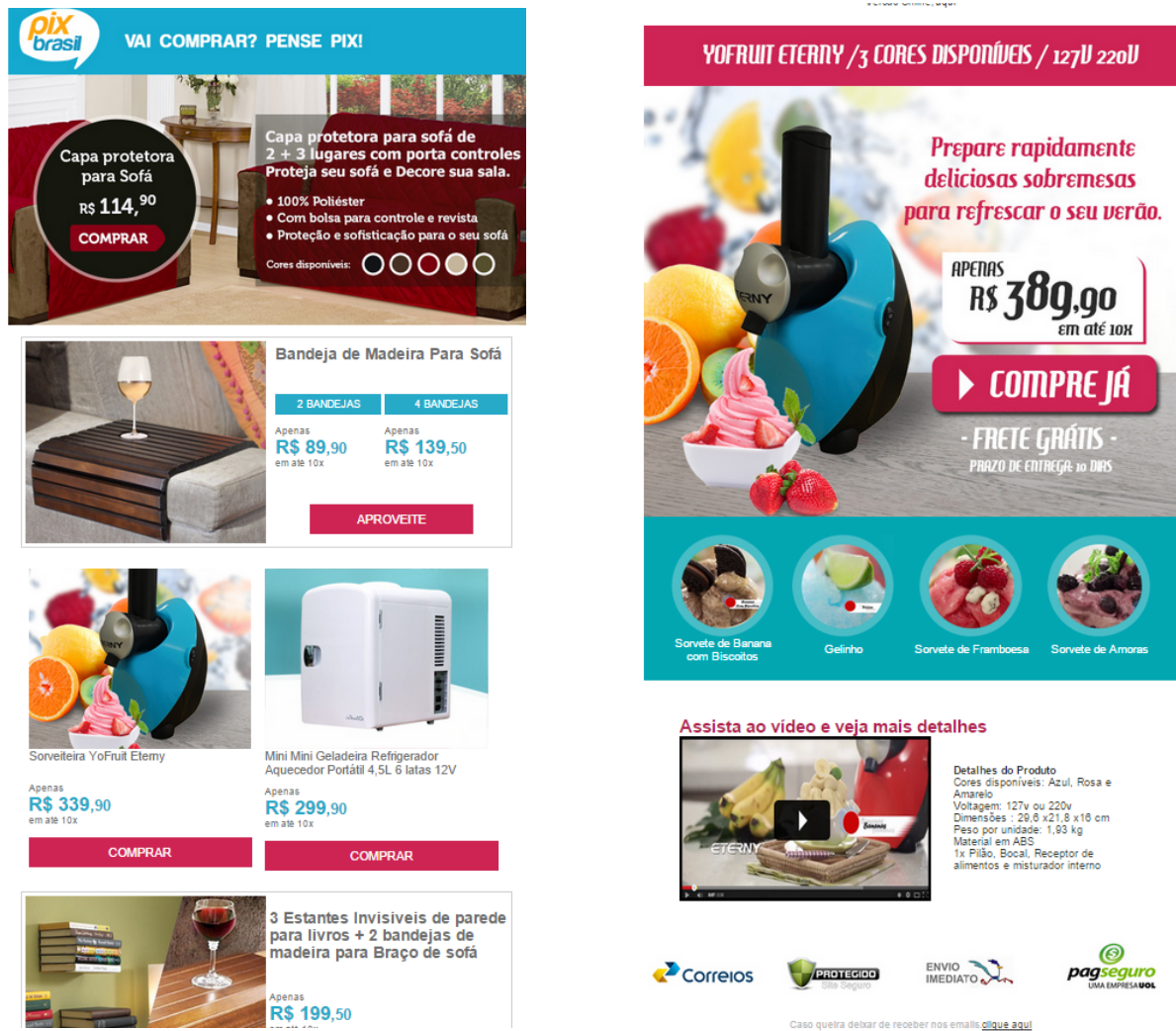


Fig. 2 Examples of Revshare's Newsletters: with several products (left) and one single product (right)

The newsletters under study are the ones sent between January and April 2015. Two kinds of newsletters can be distinguished: newsletter of just one product or newsletter featuring several products. (Figure 2).

The ones used for secondary data are the ones advertising only one product. This allows for a deeper understanding of how consumers react to stimulus of hedonic and utilitarian goods, when they are advertised on their own, that is, without the influence of any other product.

### ***3.3.2 Data Collection***

The secondary data that sources this dissertation comes from the results obtained by the individual newsletters (with just one product) sent to a mailing list of Brazilian consumers on the first quarter of 2015 by Revshare. Those were four newsletters, each depicting only one product, the same products that were classified (in the survey) as either hedonic or utilitarian and, consequently, also the ones used in the primary data testing.

### ***3.3.3 Data Analysis***

The analysis of the secondary data, which can be further seen on chapter 4, was done using the metrics presented in 3.2.1. The most relevant one are the clicks, because they correspond to all the people who, after seeing the ad, actively chose it. That is, the customer made the conscious decision of clicking on the product to act on his/her decision. For a more clear understanding it was also analysed the impressions and conversions, as well as CTR and CR.

In the end, it is noticeable a big decline between people who open the newsletter they receive in their email inbox and the actual choice (clicks) and final sales. This reveals the importance of understanding how to optimize the e-mail newsletter, in order to make prospective consumers (at the time they open the email) make the decision to actually choose and buy one of the products advertised.

## **3.4 Primary Data Analysis**

Following the information gathered from secondary data, it is possible to prepare an experiment to test the relationship and impact of hedonic and utilitarian products on each other and how (if) they affect final consumer choice.

### ***3.4.1 Data Collection and Strategy***

Firstly, it is necessary to understand which of the four products chosen are considered (more) hedonic and which are considered (more) utilitarian. For that purpose, a survey was designed and launched.

To classify the products, like in Okadas's (2005) study, "a composite hedonism rating was calculated as the difference between each subject's hedonic rating less the utilitarian

rating”. Following this method, I subtracted the utilitarian value given (on the scale from 1 to 7) by each respondent to the value attributed in hedonism, for each product. In the end, the average and a t-student’s test was plotted to assert if a good was perceived to be more hedonic or utilitarian. Confidence intervals with positive results correspond to products seen as hedonic and negative as utilitarian. The results made it then possible to construct four new newsletters, with different combinations of hedonic and utilitarian products.

Using the current mailing list used by *PixBrasil*, I sent newsletters designed to fit the purpose of the test and compared the results brought by the different newsletters’ combinations. One with just hedonic products, one with just utilitarian products and two with a combination of both. In the beginning of May, each of the four newsletters was sent to the e-mail of 100.000 potential clients. Newsletter 1 advertised only the hedonic products (“YoFruit” and lamps). Newsletter 2 advertised just the utilitarian products (sofa cover and mini fridge). Newsletter 3 and 4 both advertised one hedonic and one utilitarian products (sofa cover & “YoFruit” and lamps & mini fridge, respectively).

In the end, I can compare which (if any) option brought more interest (clicks) and understand how future newsletters can best be constructed to achieve the best possible results.

### **3.4.2 Results**

The conclusions and results gathered from all the newsletters under analysis are presented in chapter 4. A thorough analysis of the results obtained by the sofa cover, the mini fridge, the ice cream maker and the lamps when they were e-mail advertised on their own can be seen in 4.2.

The next step is to pair these four products to make four newsletters, two with an utilitarian and an hedonic good combined and two with just hedonic (or utilitarian) products alone.

The metrics used in the analysis of secondary data are also the ones used to comprehend primary data. Again, the main focus is on the clicks, but impressions and conversions and CTR are also analysed. The statistical analysis used to understand potential differences across newsletters’ results include T-tests, in order to test if there were significant differences between the groups. Results are presented in chapter 4.

## CHAPTER 4: RESULTS AND DISCUSSION

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In this chapter, a thorough statistical analysis of the results obtained by the testing of the newsletters is presented. The objective is to test the hypothesis previously presented (chapter 2) and, consequently, be able to give answers to the research questions formulated in chapter 1.

### 4.1 The Survey

To determine which of the four products were considered hedonic or utilitarian, the survey was launched and answered by a sample of 46 respondents. Demographically, I targeted only Portuguese and Brazilian respondents, which were divided in 74% Portuguese respondents and the remaining 26% Brazilian. The age of the respondents ranged between 20 and 53 years, with average being 28 years old and standard deviation 8,443. There is also no statistically relevant difference ( $p>0,05$ ) between the answers given by brazilian and portuguese respondents.

Results about hedonicity levels can be observed in table 1.

#### One-Sample Test

	Test Value = 0					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
YoFruit	7,353	45	,000	2,39130	1,7363	3,0464
Sofa C.	-12,883	45	,000	-4,04348	-4,6756	-3,4113
Lamps	2,187	45	,034	1,17391	,0926	2,2552
Fridge	-7,892	45	,000	-2,15217	-2,7014	-1,6029

Table 1. T-Students tests for each of the products – determine whether hedonic or utilitarian

In sum, and within a 95% confidence interval, I can claim that the mini fridge and the sofa cover were considered utilitarian products. On the other hand, the lamps and the ice-cream machine were seen as hedonic goods.

Within the hedonicity ratings, even tough some products are seen as hedonic and others as utilitarian, it is also noticeable that the ratings are different and some products are

taken as more hedonic or more utilitarian the other. In specific, the sofa cover is more obviously utilitarian for the respondents, just like the “YoFruit” is more obviously hedonic. Considering motivations behind choice are a personal matter, that is, every person has his own decision-process, it is still possible to comprehend such results. Firstly, the scores achieved by the “YoFruit” and the sofa cover are to be expected. The choice of the ice-cream machine is more obviously motivated by the expectation of fun and pleasure, as opposed to the motivations behind choosing the sofa cover, which is more obviously a functional, daily product. The other utilitarian good, the mini fridge, is also an expected utilitarian product. Although it is not in everyone’s needs, it has a more clear utilitarian purpose, especially for potential niche markets, such as offices or dorm rooms, where a fridge of smaller dimensions is a necessity. The hedonicity result of the lamps is, probably, the most surprising one. For the big majority of people, a lamp is a basic need, used in everyone’s daily life. But the specific lamps advertised are similar to garden torches, which might have conditioned consumers to view it as a more hedonic product, that is, something one is more likely to buy for a party, for instance, that for everyday use.

For further understanding of consumers’ motivations and influencers, I asked on my survey about the frequency of online shopping. The answers allowed me to understand that most people are still infrequent online shoppers (Figure 5). More than 70% of the enquired answered they shop in the Internet one time per month or less.

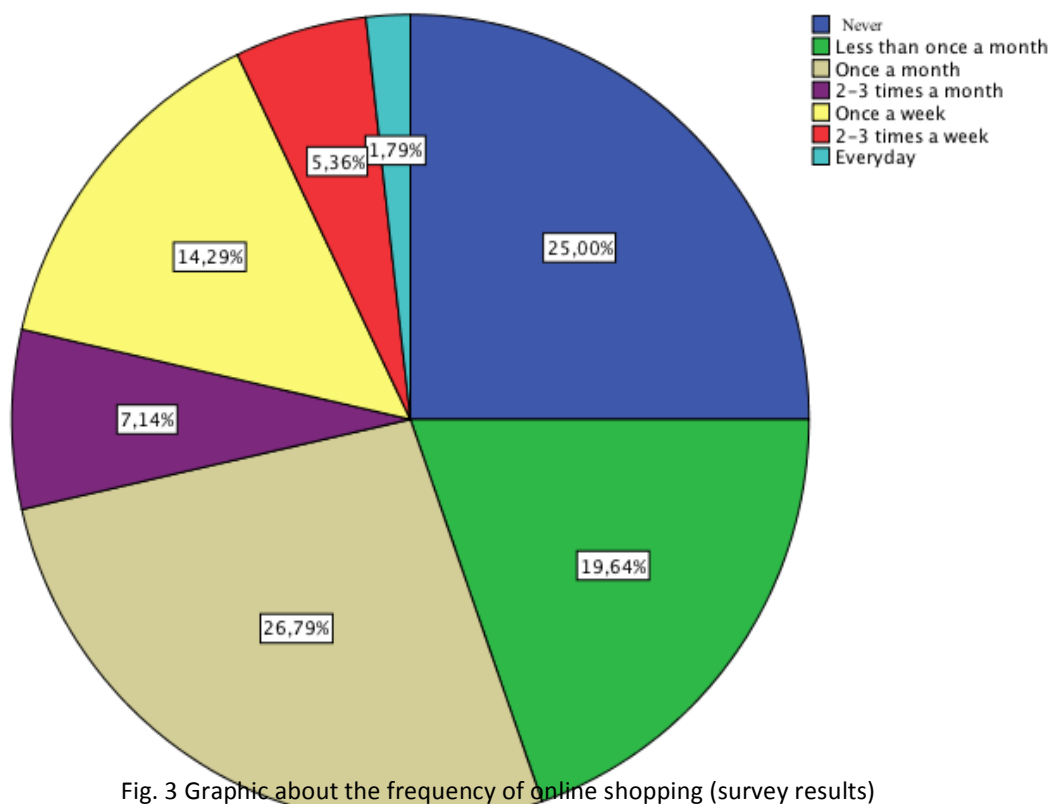


Fig. 3 Graphic about the frequency of online shopping (survey results)

If a gender separation is analysed, it is possible to see that women are more frequent online shoppers (table 2).

		Gender		Total
		Masculine	Feminine	
How often do you shop online?	Never	5	11	16
	Less than once a month	8	7	15
	Once a month	3	1	4
	2-3 times a month	3	5	8
	Once a week	1	1	2
	2-3 times a week	0	1	1
Total		20	26	46

Table 2 Cross tabulation comparing gender and frequency of online shopping

Another set of questions asked were which products they would be more likely to spend more time and more money buying, similar to the studies made by Okada (2005). Results show that consumers tend to spend (more) time and (more) money with utilitarian products. Curiously, the product that people would spend more time and more money buying is the same, the mini fridge. On the opposite, the product respondents spend less money buying is the lamps and the product less time consuming is the ice cream machine, both of them considered hedonic. Percentually, and counting together products of the same category, more than 59% of respondents said to spend more time on the utilitarian goods and almost 67% said to spend more money on them.

It is visible that utilitarian goods are more time and money consuming. One possible justification for these results is that hedonic products are more frequently bought as a result of impulses, implying that less time is spent choosing them (Geoffrey Paul Lantos, 2011).

Doing the correct targeting is crucial, also for e-mail advertising. Therefore, and with the answers from the survey, it was possible to reach some interesting conclusions about different gender behaviours (tables 3 and 4).

		Gender		Total
		Masculine	Feminine	
Which of these products would you be willing to spend MORE MONEY buying?	Mini Fridge	10	18	28
	Sofa Cover	2	4	6
	Ice Cream Machine	6	3	9
	Lamps	2	1	3
Total		20	26	46

Table 3 Cross tabulation comparing gender and willingness to spend money buying a product

		Gender		Total
		Masculine	Feminine	
Which of these products would you be willing to spend MORE TIME buying?	Mini Fridge	10	10	20
	Sofa Cover	5	2	7
	Ice Cream Machine	0	8	8
	Lamps	5	6	11
Total		20	26	46

Table 4 Cross tabulation comparing gender and willingness to spend time buying a product

Doing a comparative analysis between gender and time and money spent on each of the products shown, it was possible to conclude that men tend to spend more time buying products considered utilitarian. Oppositely, women prefer to spend more time buying hedonic goods. Performing chi-square tests to understand if these gender differences are statistically significant, it is noticeable (as  $p < 0,05$ ) that the consumer being a male or a female has impact on the time one spends buying a product. This relationship is not significant when testing for the relationship between gender and money spent on products ( $p > 0,05$ ). The results of these chi-square tests can be seen in Annex 2.

#### 4.2 The Individual Newsletters – Secondary Data

The secondary data that sources this dissertation comes from the results obtained by the individual newsletters (with just one product) sent to a mailing list of Brazilian consumers on the first quarter of 2015. Information gathered from all newsletters sent until April 2015 can be, summarily, seen on Table 5.

	Mini Fridge	Ice Cream Maker	Lamps	Sofa Cover
<b>Impressions</b>	1.095.143	660.644	14785	740.689
<b>Clicks</b>	54.911	37.291	1536	40.588
<b>Click Through Rate (CTR)</b>	5%	5,64%	10,4%	5,4%
<b>Conversions</b>	583	446	47	448
<b>Conversion Rate</b>	1,06%	1,20%	3,06%	1,10%

Table 5: Results from newsletters presenting the product individually – Primary Data

Three criteria are used to analyse the immediate success and return of these campaigns: impressions, clicks and conversions. As I am considering the results that arise from the newsletters alone, I consider visitors the clicks. I am interested in the visitors that arrived at the e-store website through the newsletter, and not those that reach it by change or other search processes. For that reason, clicks are the people who saw the newsletter and clicked on it to get to the website. In the end, they are the visitors who reached the e-store through the newsletter. In this scenario, the products considered hedonic generated more interest, percentually, with a higher CTR. Oppositely, the utilitarian products didn't reach such interest in consumers, not leading them to click as much. Overall, hedonic products generate more interest and lead more customers to act on their choices.

The information in table 6 allows to verify the difference in results between hedonic and utilitarian products when they are advertised to the consumer on a newsletter by themselves. From the products chosen from *PixBrasil*, and as the survey results show, hedonic products are the Ice-Cream Machine and the Lamps. The Mini Fridge and the Sofa Cover are considered utilitarian:

	Impressions	%	Clicks	%	Average	Std. Deviation	CTR	Conversions	%
<b>Hedonic</b>	675.429	27	38.827	29	30,5	130,94	5,75	493	32
<b>Utilitarian</b>	1.835.832	73	95.499	71	34	176,41	5,2	1.031	68
<b>Total</b>	2.511.261		134.326		32,9	162,8		1.524	

Table 6: Results from newsletters presenting the product individually, grouped by hedonic and utilitarian

Up until this moment, utilitarian products have a bigger impact in terms of sales and represent larger revenue for *PixBrasil*, with its conversions representing 68% of the total sales obtained from the four newsletters.

However, when calculating the click-through rate (CTR), which values the real success of a campaign, the hedonic products register higher values and, therefore, raise more of the customers' interest. CTR is the percentage of how many people clicked on the ad, from the whole population who saw it (impressions, as I am only considering the results brought from the newsletters). This is a valuable tool to understand the success of a campaign in capturing people's interest. The higher the CTR, the more successful the ad is.

When considering the newsletters under study, separating between utilitarian and hedonic goods, the CTR values are 5,75% and 5,2%, respectively. This denotes that, even though they register fewer sales, the newsletters advertising hedonic products are more successful in captivating potential customers. In the end, campaigns with hedonic products tend to be more successful.

### **4.3 The Combined Newsletters – Primary Data**

The results of newsletters advertising a combination of hedonic and utilitarian products, designed to source primary data, are analyzed in the following sections. A table compiling all the values and results can be seen in Annex 3.

#### ***4.3.1 Hedonic Newsletter***

The newsletter portraying only hedonic goods (newsletter 1) advertised to the possible consumer the ice-cream maker (“YoFruit”) and the lamps in the same e-mail advertisement. The newsletter sent can be seen on figure 4.

**pix** brasil Vai comprar? Pense Pix!



VÁRIAS CORES

YoFruit Eternity / 3 cores disponíveis / 127V 220V  
Envio Imediato - Frete Grátis!

De: R\$ 399,90 **R\$ 289,90** SAIBA MAIS



FUNCIONA COM ENERGIA "SOLAR"

KIT COM **24** LUMINÁRIAS

Kit com 24 luminárias solares de jardim  
Envio Imediato - Frete Grátis!

**R\$ 179,90** SAIBA MAIS

**pix** brasil Vai comprar? Pense Pix!

**gerencianet**  
Segurança em Pagamento

O Pix Brasil não vende produtos, é um site gratuito para os internautas. Como um agregador de ofertas não podemos garantir o preço e a disponibilidade das ofertas. As imagens são meramente ilustrativas. Caso haja diferença de preço ou descrição do produto entre o site do Pix Brasil e a página da oferta da loja, a condição válida e praticada será a do site do lojista. Sempre confira o preço e as condições diretamente no site da loja. Veja também as regras de entrega gratuita, parcelamento e política de vendas no site do lojista. As ofertas, condições de venda e preços dos varejistas podem ser alteradas ou interrompidas a qualquer momento, sem aviso prévio.

Fig. 4 Newsletter 1 - with only hedonic products (primary data)

The response to this newsletter counted 4344 impressions, 624 clicks and 0 sales. These values reveal a click through rate of 14,4%, which means that 14 people, out of every 100 who opened the promotional e-mail went further and clicked on it to get more information. Once there were no sales from this newsletter, the conversion rate is 0, meaning that there were no visitors who went through and made a purchase.

### 4.3.2 Utilitarian Newsletter

On the newsletter with only utilitarian goods (newsletter 2), the products presented were the sofa cover and the mini fridge, as figure 5 illustrates.



Fig. 5 Newsletter 2 - with only utilitarian products (primary data)

Within the period under analysis, this newsletter did not lead to any sales, despite having 4058 impressions and 1276 clicks. For this newsletter, the resulting CTR is 31,4%. This value shows that more than 30% of target customers clicked on the emailed after making a conscious choice regarding one of the products advertised.

Having no sales resulting from these newsletters is far from being the desired or ideal situation. Whenever a newsletter (or any ad) is showed to the potential customer, its ultimate purpose is to entice people to purchase. With an ad, companies want people to feel moved and engaged by it. When, like in this case, it doesn't happen, it is necessary to understand the

reasons behind such reactions from consumers. Although conversion results are not the most relevant for my research, as I am focusing my study on the clicks, that is, the moment when a customer makes a conscious decision to react and act on the advertise he/she has seen, it is still important to make sense of all of the results. In this case, the lack of sales results from factors that are external to my research, out of my control and out of the scope of my thesis. Many situations may lead a customer to choose a product (click) but then not to conclude the purchase. They are, for example, failure of the internet connection or of the credit card, the product doesn't line with consumers' expectations or the customer is not in a place to buy the product and gives up on it.

However, not resulting in sales does not mean the promotional newsletters were unsuccessful. Despite not buying a product, the number of impressions and clicks shows that over 3000 people were exposed to the ad and at least 600 acted on it. This created value and generated traffic to PixBrasil. Customers might not buy as a direct result of the ad, but they become familiar with the brand and the e-store and is possible that they remember it in a future purchase or recommend the website to others. Increasing the website visits raises awareness of the brand, which is also a goal of a promotional newsletter. Moreover, it is also possible that customers reach the web store through the newsletter but end up buying a product other than the one advertised.

### 4.3.3 Combined Newsletters

The last step was to combine one hedonic and one utilitarian good in the same newsletter. With the 4 products under study, 2 newsletters were formed (newsletters 3 and 4). Each with one product from a different category: ice-cream maker and sofa cover in one (figure 6) and mini fridge and lights on the other (figure 7).

**pix brasil** Vai comprar? Pense Pix!

**COM BOLSA PARA CONTROLE E REVISTA**

Capa protetora para Sofá de 2 + 3 Lugares com Porta Controles - Envio Imediato - Frete Grátis!  
**R\$ 114.90**

**SAIBA MAIS**

**YoFruit Eterny / 3 cores disponíveis / 127V 220V**  
Envio Imediato - Frete Grátis!  
De: R\$ 399,90 **R\$ 289.90**

**SAIBA MAIS**

**VÁRIAS CORES**

**pix brasil** Vai comprar? Pense Pix!

**FUNCIONA COM ENERGIA SOLAR**

**KIT COM 24 LUMINÁRIAS**

Kit com 24 luminárias solares de jardim  
Envio Imediato - Frete Grátis!  
**R\$ 179.90**

**SAIBA MAIS**

**Mini Geladeira Refrigerador / Aquecedor Portátil**  
Envio Imediato - Frete Grátis!  
**R\$ 299,90**

**SAIBA MAIS**

RESFRIA AQUECE

Funciona no carro 12V



Vai comprar? Pense Pix!



Segurança em Pagamento

O Pix Brasil não vende produtos, é um site gratuito para os internautas. Como um agregador de ofertas não podemos garantir o preço e a disponibilidade das ofertas. As imagens são meramente ilustrativas. Caso haja diferença de preço ou descrição do produto entre o site do Pix Brasil e a página da oferta da loja, a condição válida e praticada será a do site do lojista. Sempre confira o preço e as condições diretamente no site da loja. Veja também as regras de entrega gratuita, parcelamento e política de vendas no site do lojista. As ofertas, condições de venda e preços dos varejistas podem ser alteradas ou interrompidas a qualquer momento, sem aviso prévio.



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Figs. 6 & 7: Newsletter 3 (left) and Newsletter 4 (right), both presenting a combination of hedonic and utilitarian

The newsletters combining one product from each category (one hedonic and one utilitarian) include the only one that resulted in sales. In fact, the 4<sup>th</sup> newsletter, with the lamps and the mini fridge registered 2 sales. Two customers converted their visit in a sale, buying one set of lamps each.

The newsletter 3, in figure 6, with the sofa cover and the “YoFruit” had 3510 impressions, 1296 clicks but no sales. This results in a CTR of 37% and, again, there were no conversions, resulting in a conversion rate of zero.

The next one, newsletter 4 (figure 7), presenting the lamps and the mini fridge accumulated 5197 impressions, 1320 clicks and 2 sales. The CTR ratio was, in this case, over 25%, proving to be an appealing newsletter to customers. However, only 2 from the 1320 potential customers that reached the *PixBrasil* website through the e-mail made a purchase. This results in a conversion rate of only 0,15%. In a campaign costing 60€, two sales mean a cost of 30€ for acquiring one customer.

#### 4.4 Conclusions

The results drawn from the four newsletters sent allowed to reach some conclusions I expect to be helpful and serve as guidelines for future e-mail marketing campaigns.

Firstly, to access differences between types of newsletters, a one-sample T-test was performed to test a null hypothesis. Results are in table 7.

**One-Sample Test**

	Test Value = 32.9					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Clicks	2,986	3	,05	442,10000	-29,0794	913,2794

Table 7 T-test analysing clicks across newsletters with just one category of products

H<sub>0</sub>: the mean value of clicks per newsletter with just one category of product is equal. That is, the average number of clicks obtained in newsletters depicting only one kind of product – either hedonic or utilitarian – is the same. With T-test result being significant (p<0,05), it is possible to reject the null hypothesis. Therefore, the mean values of clicks are different across newsletters. This implies that, within newsletters with just one kind of product, customers have different reactions and actions towards them.

To further understand this differences in consumer behaviour I analysed and interpreted figures gathered from the primary data testing. Results obtained by each category of products can be seen on table 8.

	Hedonic Products	Utilitarian Products	Average	Standard Deviation
Impressions	13051	12765	12908	202,233
Clicks	1971	2445	2208	335,169
Conversions	2	0	1	1,414
CTR	11,52	14,88	13,2	2,376
ROI	0,2	0	0,1	0,141

Table 8 Analysis of metrics by product category (hedonic or utilitarian)

Hedonic products had an increase in clicks when paired with utilitarian products. In fact, when the newsletters presented to the consumer had just hedonic products, the results were very weak (newsletter 1 had the lowest results in terms of impressions and clicks). However, when hedonic products are advertised together with an utilitarian good, they conquer a bigger interest from the customer, and even manage to result in a sale. On the other hand, utilitarian products tend to achieve better results by themselves. That means, when the newsletter displays only utilitarian goods, the number of impressions and clicks is bigger than when they were presented alongside hedonic goods. In fact, the sofa cover reduced in half the number of clicks than when it was presented among other utilitarian good. However, the mini fridge had a raise in the number of clicks when it was advertised along side an hedonic product.

These results show that, overall (apart from the sofa cover) the products tend to increase the interest they entice in customers when they are advertised with a good from other category.

As visible in table 9, separating the number of clicks by category of products (hedonic or utilitarian), it amounts to 1971 clicks in hedonic products and 2445 clicks in utilitarian products. In general, utilitarian products seem to have a bigger appeal to customers. The analysis of the CTR by type of products confirms the previous conclusion. In sum, utilitarian products had more clicks overall and appealed to more customers when advertised along other utilitarian.

CLICKS	Utilitarian	% Utilitarian	Hedonic	% Hedonic	Total Clicks Ut.	Total Clicks Hed.	Total Clicks	CTR % Hed.	CTR % Ut.
Nl. 1	0	0	YoFruit: 393 Lamps: 231	YoFruit: 63% Lamps: 37	0	624	624	14,36	0
Nl. 2	Sofa: 906 Fridge: 370	Sofa: 71 Fridge: 29	0	0	1276	0	1276	0	31,44
Nl. 3	Sofa: 583	45	YoFruit: 713	55	583	713	1296	20,31	16,61
Nl. 4	Fridge: 634	48	Lamps: 686	52	634	686	1320	12,20	13,20
TOTALS					2445	1971	4516	11,52	14,88

Table 9 Analysis of clicks by newsletter

Going further with the analysis, the newsletter with higher CTR was the 3<sup>rd</sup> newsletter and the one with the lowest ratio was newsletter 1. This again, proves that combined newsletters bring better results, especially when considering and influencing hedonic products. This proves that consumers reveal a larger interest and their choices are more influenced by combined newsletters: more impressions, clicks and even sales.

In sum, newsletters with a combination of products, especially if including an hedonic one, proves to be more effective in terms of consumers' preferences. With newsletters with just one kind of product, utilitarian ones are able to achieve a bigger interest from consumers. However, hedonic goods and even utilitarian goods tend to experience an increase in clicks (and, therefore, consumers' interest) when the advertising newsletter portrays the two kinds of products.

Newsletter 4 had better results (in absolute values) than all the other newsletters: more impressions, more clicks and, most importantly, it was the only one with sales. Curiously, newsletter 4 was the most expensive campaign but the only one who delivered returns and fulfilled more objectives.

When looking at all the parameters, it is visible that utilitarian products draw more interest when advertised with other utilitarian ones, as the newsletter 2, with just utilitarian products, had higher clicks and CTR. On the other hand, hedonic products registered more interest, and even sales, when they were presented next to an utilitarian product. This conclusions clash with Okada's findings, who claimed that, when side by side, the utilitarian good was more likely to be chosen. However, Okada's tests were not made in the online

sphere, which is definitely influential. However, he reasons such decisions with justification and, with all the information available online it becomes easier to justify the choice of an utilitarian good.

The significantly higher choice of utilitarian products is most likely linked to the fact that online choices tend to be more rational. The consumer has within reach detailed information about the products, prices and possible alternatives. Add to that the fact that, apart from specific products (like a movie or a song), it is unlikely for a customer to buy an hedonic product online. Hedonic products are associated with pleasure and immediate gratification. Consequently, the chances are low that someone is buying something now and delaying the gratification. On the contrary, all these aspects are enticing for the purchase of an utilitarian product: detailed information, easiness of price comparisons and the possibility to have a necessary item bought and delivered with minimal effort.

The majority of the products had an improvement in results when in a combined newsletter fact that might be related to an increased notion of the variety of products offered at the store, which might lead to a bigger interest in acquiring more information about it.

Some other possible explanations or reasons for these results might be linked to targeting, if the advertising e-mails are not sent to the people who would want and need them the most.

Another possible reason for such discrepancies is the assortment of products that are revealed to the potential customer in the e-mail newsletter. There is a chance that the products advertised don't fit the receptors' interests.

In conclusion, newsletters combining hedonic and utilitarian products seem to be the best option, if enough efforts are made to reach the right audience with the right products.

## CHAPTER 5: CONCLUSIONS AND LIMITATIONS

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In this chapter, I try to give an answer to my research questions, using secondary data gathered and the primary data obtained through the testing done and that was previously analysed.

### 5.1 Summary of Conclusions

This dissertation was guided by the research questions and hypothesis I formulated at the beginning.

When more than one product was displayed on the newsletter, which was the main focus of this research, it is possible to conclude that consumers favoured a newsletter combining a product considered hedonic and a product considered utilitarian. In fact, these were the newsletters that managed to engage more customers (higher CTR) and even persuade them to purchase (conversions).

When analysing the secondary data it is noticeable that hedonic products are more enticing for customers. That is, there were more people acting on the hedonic products than on the utilitarian ones, visible in the CTR rates. Comparing primary and secondary data, it is possible to conclude that newsletters with more than one product are more successful, as its click-through rate is significantly higher. The success of a newsletter is even higher when it includes an hedonic product.

The only difference, also due to the fact that secondary data comprises information from a larger period of time, is that the differences in metrics between hedonic and utilitarian products is wider on one-product newsletters.

The most likely reason for the discrepancies between primary and secondary data, especially in terms of conversions, is the time the ads were available and reaching potential clients. Newsletters from secondary data lasted for 4 months while the results from primary data were gathered after a couple of weeks.

All of these data and results prove newsletters are more successful (higher CTR) when there is an hedonic product present. Individually hedonic products engage more customers to click and when paired, the newsletters with hedonic goods are also the more successful ones.

One probable reason for such results is that customers are more attracted to novelty and the promise of fun. When they are exposed to an ad advertising something new and exciting, one is more likely to want to know more about it, opposed to when something more functional is advertised.

In the end, considering the research questions and the respective hypothesis, it's possible to conclude:

- Can a product considered hedonic or utilitarian impact the consumer buying decision?

**H1:** Hedonic goods appeal more if on their own.

**H 1.1:** Utilitarian goods appeal more if on their own.

When advertised by themselves, and in a one-product newsletter, hedonic products were more successful. Without the interference of any other good, the CTR in hedonic product newsletter is higher than the rate achieved by the utilitarian product newsletter. However, none of the products fared better results when in individual newsletters. Even though the newsletters with a combination of products were available less time, they still managed to engage a higher number of customers. Between hedonic and utilitarian goods, the hedonic ones were able to have a stronger influence in consumer engagement, proving true hypothesis 1.

- Do hedonic and utilitarian products have an influence on each other on inducing the purchasing decision process?

**H2:** Hedonic goods have higher consideration when mixed with utilitarian goods

**H2.1:** Utilitarian goods have higher consideration when mixed with hedonic goods.

For this research question, hypothesis 2 is the one proven true. The hedonic products generated a higher consideration and interest when paired with an utilitarian good. Therefore, the presence of both hedonic and utilitarian products in the same newsletter has a positive influence in customer engagement. Newsletters with more than one product were more

successful and, within these, the ones pairing one hedonic and one utilitarian product were the ones achieving better results (higher CTRs and even sales).

As an ultimate conclusion, newsletters portraying hedonic goods are more successful and advertising more than one product in the same newsletter benefits both hedonic and utilitarian products in engaging customers' awareness.

## **5.2 Limitations & Future Research**

This dissertation has some limitations that can be overcome in future researches.

Firstly, the data gathered for the research comprehended results from a short period of time, especially the primary data (tests ran in May 2015). A more intensive and over a larger period of time research can reveal more information and more precise information. The secondary data gathered, which spanned from a larger period of time presented higher and better results than the tests done and used as primary data.

Also, the population under study is limited to the Brazilian market. In this day and age, Internet diminishes distances and differences. However, some of the country's traditions and specificities will most likely shine through. Targeting more markets can allow for a broader understanding of how consumers can be influenced and take decisions when purchasing. Another option is to make a comparative analysis between different markets of different countries.

Some other options of future researches include understanding deeper the (potential) differences between online commerce and traditional retail and how to take advantage of them. Additionally, because in my research the campaign that had more money spent on was also the one that presented better results, it would be interesting to investigate whether the amount of money spent in a newsletter campaign influences the final results.

Lastly, and, for me the most important aspect, to be able to properly further this research is to convince and appeal for more impressions. I mean, it is important that prospective clients

actually open the e-mail and are aware of the webstore (even remember it for future purchases) before delving into what really triggers purchase the product from a newsletter.

We live in an era in which every person is bombarded with advertisements and emails on a daily basis, but they have full control of the destiny of all those appeals. Several of them already fall on the “spam box”, others are automatically deleted, without second thought. In conclusion, our e-mail has to stand out and appeal to the receptor first. When we manage that, we then have to continue unique and manage to lead the customer to a purchase.

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## ANNEX 1 – The Survey Questions

Q1: How often do you shop online?

- Never
- Less than once a month
- Once a month
- 2-3 times a month
- Once a week
- 2-3 times a week
- Daily

Q2: Consumers' choices can be determined by **hedonic reasons**, that is, because the products bring feelings of pleasure and fun, delight the senses or stimulate the interest and imagination.

For example, someone may want to buy a barbeque for the pleasure of inviting friends for dinner.

The value of an hedonic choice is, therefore, related to a *psychological, emotional or affective gratification one takes out of the product..*

According to your opinion, **classify the next products in a scale from 1 to 7**, in which 1 means “choice not hedonic at all” and 7 means “totally hedonic choice”.

- Mini Fridge
- Ice Cream Machine
- Sofa Cover
- Lamps

Q3: Consumers' choices may also be determined by **utilitarian reasons**. That is, because the products bring the feeling of satisfying basic needs, solve a problem or help make a task. For example, someone may want to buy a barbeque to have a place to grill.

The value of an utilitarian choice is, therefore, related to the advantage one takes of the product's functionality, as well as the results got from its use or consumption.

According to your opinion, **classify the next products in a scale from 1 to 7**, in which 1 means “choice not utilitarian at all” and 7 means “totally utilitarian choice”.

- Mini Fridge
- Ice Cream Machine
- Sofa Cover
- Lamps

Q4: From the products, which would you be willing to spend more time buying?

Q5: From the products, which would you be willing to spend more money buying?

Q6: Gender

Q7: Nationality

Q8: Age

## ANNEX 2

### Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	3,564 <sup>a</sup>	3	,313
Likelihood Ratio	3,572	3	,312
Linear-by-Linear Association	2,806	1	,094
N of Valid Cases	46		

a. 5 cells (62,5%) have expected count less than 5. The minimum expected count is 1,30.

Annex 2 Chi-Square test of the Money\*Gender Correlation

### Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	8,743 <sup>a</sup>	3	,033
Likelihood Ratio	11,725	3	,008
N of Valid Cases	46		

a. 5 cells (62,5%) have expected count less than 5. The minimum expected count is 3,04.

Annex 2 Chi-Square test of the Time\*Gender Correlation

### ANNEX 3

	Impressions	Clicks	Conversions	Cost	Revenue	Profit	CTR %	CR%	CAC	ROI
<b>Secondary Data – Newsletters with only one product (averages)</b>										
Ice Cream	660.644	37.291	446	0,29	3,03	2,74	10,54	0,87	0,15	8,45
Mini Fridge	1.095.143	54.911	583	0,77	3,21	2,45	9,54	3,6	0,19	2,18
Sofa Cover	740.689	40.588	448	2,04	4,31	2,27	6,83	11,3	0,18	0,11
Lamps	14785	1536	47				10,39	3,06		
<b>Primary Data – Hedonic, Utilitarian and Combined Newsletters</b>										
NI 1	4344	624	0	32	0	0	14,36	0	0	-1
NI 2	4058	1276	0	36	0	0	31,44	0	0	-1
NI 3	3510	1296	0	16	0	0	36,92	0	0	-1
NI 4	5197	1320	2	60	72	12	25,40	0,152	30	0,2

Annex 3 Results from all the newsletters under analysis (primary and secondary data)

