Stuck Online: When Online Engagement Gets in the Way of Offline Sales

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Abstract: In recent years, billions of dollars are spent, by both online and offline retailers, on website design aimed at increasing consumers' online engagement. We study the relationship between online engagement and offline sales, utilizing a quasi-experimental setting whereby a leading premium automobile brand launched a new interactive website gradually across markets, allowing for a treatment-control comparison. The paper finds surprising evidence that increased online engagement reduces (offline) car sales. Comparing markets where the website was launched to control markets, we find that the high-engagement website led to a decline of approximately 12% in car sales. This negative effect is due to substitution between online and offline engagement, as the high-engagement website decreased users' tendency to submit online requests that lead to personal contact with a car dealer. We further show that the result is not due to decreased website usability or efficiency, and perform robustness tests to establish our main result. For pure offline products, hands-on engagement is a necessary step toward purchase. Thus, increasing consumers' online engagement may not be an optimal strategy if it has the potential to halt progression down the sales funnel and reduce offline engagement.