

# MISQ Archivist

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

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### Abstract

In recent years, billions of dollars are being spent, by both online and offline retailers, on website designs 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 provides first evidence of a causal effect of online engagement on offline sales, with the high-engagement website leading to a decline of approximately 12% in car sales. This negative effect is due to substitution between online and offline engagement, as evidenced by high-engagement website visitors' decreased tendency to seek out personal contact with a car dealer and proceed to offline engagement—a necessary stage in the car purchase funnel. An analytical model of the online-to-offline sales funnel is developed, generalizing our findings and highlighting the conditions under which online engagement will substitute for offline engagement, and may decrease offline sales. Taken together, our findings suggest that while online engagement serves as a means for both product information provision and consumer persuasion, it may fall short in achieving the latter goal compared to the offline channel. 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.

**Keywords:** Online engagement, e-commerce, online-to-offline, sales funnel, quasi experiment