



BEYOND CHANNEL CHANGE

A New Channel Is Not a New Business: Why Digital Programmes Stall at the Front Door

The 2014 transformation trap: faster websites, mobile access—and unchanged commercial logic

A New Channel Is Not a New Business: Why Digital Programmes Stall at the Front Door

Transformation · No. 231

Originally written April 2014 | Re-edited and re-rendered for the WhereBeyond Edition, 2025

“A digital channel laid over an analogue business model does not create transformation; it merely accelerates the old constraints.”

The polished front door

At 8:05 on Monday morning, a retail bank releases its new mobile application. Customers can check balances, move money and find a branch in seconds. The programme board calls it a digital milestone. By lunchtime, however, anyone applying for a more complex product is being asked to print a form, post supporting documents and wait for an overnight batch to update the account. The front door is new; the institution behind it is not.

This is the central mistake in much of what is currently labelled digital transformation. Organisations are investing seriously in websites, mobile access, electronic forms and social-media teams, yet leaving untouched the decisions, economics and operating arrangements that determine how the business creates value. The result may be a better channel. It is rarely a transformed business.

That distinction matters in 2014 because customer behaviour is moving faster than most operating models. Broadband access is ordinary, smartphones are becoming a primary means of reaching services, and public complaints can gather momentum on social networks before a formal service process has begun. The pressure to respond is real. But urgency has encouraged a dangerous substitution: visible digitisation is being accepted as evidence of strategic change.

A digital channel laid over an analogue business model does not create transformation; it merely accelerates the old constraints.

Why channel programmes feel like transformation

Channel change is seductive because it is legible. A board can see a new home page, hold a new handset and count online registrations. It can place a programme around defined releases, a technology budget and a launch date. Compared with changing product economics, decision rights or the role of the branch network, a new channel appears both modern and manageable.

The measures reinforce the illusion. Programmes report traffic, downloads, registered users and transactions migrated from telephone to web. Those figures are useful, but they answer the narrow question: are customers using the channel? They do not answer the strategic questions:

- Has the organisation changed what it offers, or merely how an old offer is requested?
- Has the cost base changed, or have digital costs been added while branches, paper handling and call-centre capacity remain?
- Can the business learn from customer behaviour quickly enough to alter pricing, service or product design?
- Has authority moved to the people able to respond, or must every change still travel through the old functional hierarchy?

A channel programme can score well on every visible measure while failing all four tests.

Consider a composite insurer with 1.2 million personal-lines policies. Its new online service moves 180,000 address changes and document requests out of the call centre in the first year. The business case assumes each migrated transaction saves £3, creating an apparent annual benefit of £540,000. Yet call-centre staffing does not fall because peaks still require the same coverage; postal volumes fall only slightly because policy documents remain paper by default; and the digital team adds £700,000 of annual support, hosting and release costs. Usage rises, applause follows, and the cost-to-serve quietly increases.

The failure is not poor execution. The application has done exactly what it was designed to do. The failure is that nobody made the business decisions on which the benefit depended: which contacts would be removed altogether, which documents would become electronic by default, how staffing would change, and who owned the resulting savings. Technology delivered a channel; management declined to redesign the business around it.

The decisive unit of digital transformation is not the screen. It is the business decision that the screen makes possible.

The operating model always answers back

Organisations often treat the digital team as a fast-moving exception: a separate floor, a new director, shorter release cycles and permission to recruit scarce design skills. This can create momentum. It can also conceal the reason progress stops.

The new team controls presentation but not proposition. Product heads still own pricing. Operations owns fulfilment. Technology owns the core systems. Risk and legal review changes late. The branch or call-centre director is expected to absorb consequences but is not present when the service is designed. The digital director can improve the first five minutes of an interaction and little beyond it.

The old operating model then asserts itself through familiar mechanisms:

- Fragmented ownership. Each function optimises its component, while no executive owns the complete economic outcome.
- Legacy process made invisible. A clean electronic form feeds the same queues, reconciliations and manual checks as the paper form.
- Benefits without an owner. Savings appear in the investment case but not in any manager's budget or performance measures.
- Release without learning. The launch is treated as completion, so usage data explains what happened but does not govern what changes next.

These are not technical defects. They are strategic choices expressed through structure. If a company sells the same products, through the same economics, governed by the same decision rights and fulfilled through the same machinery, it has not transformed because a customer can now begin on a smartphone.

The strongest case for starting with channels

There is a serious opposing view. Business-model redesign is slow, politically difficult and uncertain. A channel programme can produce early customer benefit, develop scarce capabilities and create evidence for more ambitious change. Waiting for a complete operating-model answer may become an excuse for doing nothing while more nimble entrants win attention.

That argument is right about sequence and wrong about sufficiency.

Starting with the channel is often sensible. Ending there is not. The distinction lies in whether the channel is designed as a self-contained delivery or as an instrument for testing and changing the business. A useful first release should force explicit hypotheses: which demand will disappear, which behaviour will change, which cost will move, which decision will be made faster, and what evidence will trigger the next alteration.

The practical difference can be seen in the governance:

Channel programme	Business transformation
Success means launch and adoption	Success means changed economics or capability
Scope ends at the interface	Scope follows the service into fulfilment
Benefits are estimated centrally	Benefits sit in named operating budgets
Data reports performance	Data changes propositions and decisions
Digital is a specialist function	Digital capability changes every relevant function

This does not require a grand, multi-year redesign before anything is released. It requires each release to carry a business-model consequence. If no consequence can be named, the work is digitisation and should be governed honestly as such.

Four questions that expose the difference

Before approving the next digital programme, a leadership team should be able to answer four questions in plain language.

1. What becomes materially different for the customer?

Not merely faster or more convenient, but different in access, choice, control, price or service. If the answer is only “the same process online,” the ambition is channel improvement.

2. What changes in the economics?

Name the revenue mechanism, avoided demand, working-capital effect or cost that will actually leave a budget. Benefits that cannot be located in an account are aspirations, not a case.

3. Which operating constraint must be removed?

Identify the manual hand-off, product rule, overnight update, approval boundary or duplicated record that prevents the digital promise being fulfilled. Put that constraint inside the programme boundary.

4. Who is authorised to act on what the channel reveals?

Digital interactions create a much faster stream of evidence about abandonment, errors and demand. Unless a named leader can alter the proposition and the operation in response, the organisation will become better at observing its own inertia.

These questions are deliberately commercial and organisational. They prevent the discussion being captured by demonstrations of functionality. They also expose when senior leaders are asking a technology programme to resolve decisions they have avoided making themselves.

Strategy begins behind the screen

The organisations making the most credible progress are not those with the longest catalogue of digital projects. They are those willing to let digital pressure reach beyond the channel: into product simplification, process removal, information quality, incentives, decision rights and the shape of the cost base.

We should still build better websites and mobile services. Customers increasingly expect them, and many existing channels are needlessly difficult. But we should name the work accurately. Digitising a transaction is improvement. Connecting channels is coordination. Redesigning how value is created, delivered and captured is transformation.

That precision is not semantic fussiness. It changes what leaders sponsor, what programmes include and where benefits are realised. It replaces the reassuring theatre of the launch with the harder discipline of changing the institution.

The question for the board is therefore not, “What is our digital strategy?” It is, “What part of our business strategy must change because customers, information and connectivity now behave differently?” Until that question is answered, the organisation may have a new front door. It will still be conducting the old business behind it.