

Ai & Innovation In Franchising

by Mark Carter

This feature accompanies my keynote for NFC 24. A fusion of wisdom consumed from dozens of franchise specific white papers and features, insights from industry leaders in franchising and AI and my own work. Not to mention triple figure pages capturing conversations with AI in relation to all that research.

My field of specialisation is people and human behaviour, so that's one of the two primary lenses I filter AI through. The other is aligned with the value model shared in my TEDx talk and book, 'Add Value', published globally by WILEY.

Looking at AI through an evolution of human history, journeying through ten historical periods, each holds a lesson hard wired into our psyche, brought to life through actions in communities and corporates.

Our ancient brain remains hard wired with the possibility of a flight or flight response. More likely to be triggered especially in relation to things we do not understand, are fearful of or feel threaten our stability.

Since the earliest civilisations began fashioning a vast array of tools (for farming, service or weaponry) there has been a constant search for betterment. In many ways instances this

has been selfishly driven in an unsavoury, unethical, manner. Some of the darkest periods of human history mindset initiated from a mindset of those with the best tools, or weapons, win. Even if the winning has been detrimentally at the expense of others.

Historical periods are woven with progression in science, technology, and industry. The four industrial revolutions (coal, gas, electronics & nuclear, the internet & renewable energy) have seen this advancement rapidly accelerated. Each revolution allowed scientific break throughs simultaneously leading to greater means for mass production. AI, in the context of technical artificial intelligence, was/is surely an inevitability.

The questions isn't whether AI or not. The can is open. Worms everywhere. No putting the genie back in the bottle. AI is here. The importance of ethics (responsible use) being elevated in relation to AI is well documented these days. The word itself, ethos, having strong origins back to classical periods some 2500 years ago. So...

Three initial significant considerations

- 1) AI isn't ethical. People are. AI isn't responsible. People are. So... by default, the people making decisions on behalf of franchises, as we continue traversing digital and experience ages, require a greater focus on ethics and responsible use. More diligence than was given in the age of the entrepreneur, technology and capturing big data!

2) For franchises, a program around change management, to navigate your people's concerns, will serve you well. Your people are potentially fearful or excited. Some of your people may be both. Putting in place a solid program around change to enlighten your strategies and responsible use will be essential in bridging some of those hard wired, stone age, fears. Which incidentally are potentially being further fuelled by other factors amidst the economic times we find ourselves in. For many reasons, people may be riddled with a sense of uncertainty.

3) As I mentioned in opening, part of the preparation for the delivery of the Cairns keynote involved a tonne of research and insights, multiple case studies and a plethora of ever changing action items. Given the space evolves continually it's nigh on impossible to be across everything. What is possible is to keep across the consistent themes. As an author I also learned the wisdom of a Mark Twain quote some time ago. 'If I had more time I'd write you a shorter letter!' The power is in the edit!

Two overarching consistent relevant strategies for franchise industry strategic implementation (broader industries too) of AI stand out.

- Data and operational efficiency
- Customer experience and intimacy

What did AI have to say

In addition to research, franchise and AI mastermind input, I thought it might be fun to bounce the consolidated thinking off another relevant voice. After much dialogue with Chat GPT I asked whether these two parent strategies were sound:

ChatGPT

Absolutely, identifying Data and Operational Efficiency along with Customer Experience & Intimacy as key themes is a sound strategy for effectively communicating the strategy of implementing AI into franchise businesses. Here's why:

- 1. **Data and Operational Efficiency:** Franchise businesses generate vast amounts of data across various touchpoints, from sales transactions and customer interactions to supply chain operations and employee performance. By leveraging AI tools and systems, franchises can harness this data to optimize operational processes, streamline workflows, and drive efficiency throughout the organization. Highlighting the role of AI in data analysis, predictive analytics, and process automation can resonate with franchise owners who are seeking ways to improve productivity and profitability.*
- 2. **Customer Experience & Intimacy:** Franchise success heavily relies on delivering exceptional customer experiences and building strong relationships with customers. AI technologies offer powerful capabilities for personalization, automation, and real-time engagement, enabling franchises to create tailored experiences that resonate with individual customers. Emphasizing how AI can enhance customer engagement, loyalty, and satisfaction can appeal to franchise owners looking to differentiate their brand and drive customer retention and growth.*

By framing AI implementation within these two key themes, franchise businesses can better understand the strategic value

and tangible benefits of adopting AI technologies. It provides a clear framework for assessing AI solutions that align with their business objectives, whether it's optimizing operations, improving customer interactions, or both. Additionally, it underscores the importance of leveraging data-driven insights to enhance decision-making and drive continuous improvement across all aspects of the franchise business.

I also asked whether CHAT GPT was giving false agreement, laced with bias or being agreeable for the sake of it:

ChatGPT

I apologize if it seemed like I was simply agreeing without considering the context of our previous conversation. While I can draw from our previous interaction, my responses are based on the information provided within the current conversation. However, given the significance and relevance of the two themes you've identified—Data and Operational Efficiency, along with Customer Experience & Intimacy—I genuinely believe they are crucial focal points for effectively communicating the strategy of implementing AI into franchise businesses.

These themes align well with the core objectives of leveraging AI in franchising, encompassing the optimization of operational processes, utilization of data-driven insights, and enhancement of customer experiences. If you've conducted deeper external research and arrived at these themes as central pillars for AI implementation in franchising, it further validates their importance and applicability in this context. Therefore, my agreement stems not only from the logical alignment of these themes with the goals of AI implementation but also from recognizing their potential based on your prior research and insights.

Expanded action items and examples

There are many practical applications and examples of how these parent themes are currently being brought to life within franchise businesses. Not as many as I would have thought. Although that's not so surprising given we remain early days of AI in addition to businesses being somewhat guarded, or guard railing, their ventures into AI waters as a way of mitigating risk.

A vast array of existing tech systems (CRM's, marketing or analytics tools) likely have AI baked in or the potential for upgrades.

The top practical uses for AI are surmised into six primary categories aligned with the two parent themes. The best ones to act on for your franchise will be the ones that leap out at you or the ones you know strategically are your current Achilles heel or greatest opportunity.

For data and operational efficiency:

1) Predictive and performance analytics.

From location selections to results trends.

- QSR's using predictive analytics on geographical locations for foot traffic and behaviour in order to identify best sites.
- Across broad franchise industries analysis being leveraged for prediction of essential equipment functionality.

- In finance, predictive and performance analytics benchmarking actual performance trends against industry standards.
- In service franchise arenas, such as handyman operations, even leveraging data for predictive staffing requirements.

2) Supply chains and logistics

From maintenance of essential equipment to reordering stock.

- Franchises across many broad industry segments are initiating or leveraging AI for monitoring and reordering inventory and stock management.
- An expansion of this inevitably also leads to quality control in addition to quantity (stock order – use bys) for those franchises with heavy stocking requirements or logistical supply issues (especially if they've remained troublesome post COVID).

3) Onboarding and training

From identifying and inducting franchisees to continual learning pathways.

- Across broad franchise segments examples can be found where data may be leveraged o effectively identify potential franchisees. This of course comes with significant cautions of the data sets and parameters being set. In the same way there are cautions around profiling tools in the hiring of people (indication of preference is not a measure of skill) the

same can be said for the formulas being considered in franchisee identification.

- Additionally, with training, the requirement of consistency of systems, structures and procedures prevalent in franchising (more so than many other industries) lends itself to structured AI learning.
- In fact whole business opportunities are being created in franchise for learning institutions to become greater providers of franchise specific training.

For customer experience and intimacy:

4) Service enhancement and delivery

From chat bot suggestions to full customer support.

- AI driven chat bots are plentiful, what's more interesting is perhaps when those chat bots are armed with the ability to leverage those conversations, feeding them into the next items: examples can be found in abundance in QSR's, from burgers to bubble tea!

5) Marketing and sales personalisation

From relevant messaging to dynamic pricing and personalised product.

- Personalised pizza choices, individual workout and fitness plans, juice purchase histories, eyewear generated as virtual try on technology and QSR leveraging dynamic pricing to maximise on trends.
- Personalised marketing campaigns and personalised products are a robust sand pit of franchise creativity.

- Your ability to personalise marketing and sales is intrinsically linked to the accuracy of (respectfully collected) data in your systems.
- We all know the ability to send a 'Dear Mark...' marketing letter is easy. That's no longer really personalised now is it. Incorporating the small details, the intimate minutia, of prior interactions, service conversations and transactions is.

6) Stronger bonds and loyalty programs

Data may be leveraged to bring a range of VAE's (Value Added Extras) to life.

- Personalised products and marketing is fantastic. There are many other ways to deliver additional value to forge a stronger bond with your franchise brand.
- How can you save people time; help pre empt or resolve crisis; give a complimentary upgrade of sorts: deliver something unexpected, surprise and delight; deliver unique experiences or unique innovation; give access to collaborative partner experiences; expand people's knowledge or education; connect people to relevant networks, both personally or professionally; even support philanthropic and grass roots community causes your franchise customers are passionate about.

AI use in franchising, as with other industries globally, remains in its infancy. As franchise business gain confidence and competence with enhanced tech and AI capability (even credibility!) there will be a continued river of practical, creative examples and case studies to use as inspiration to blend in with your own strategy.

Right now, a recurring theme, no matter who you read (Franchise Council of Australia, International Franchise Association, Franchise Business Review, Forbes or Financial Review (AFR), the time to identify AI strategy is now. From studies shared by [Microsoft](#), every \$1 invested into AI may deliver on average a return of \$3.5X with those strategies being realised within 14 months.

As inevitable as AI is, so too will be governance and governments expectations of organisations to self-regulate responsible use to mitigate risks. As an audience franchisors and franchisees know first-hand the level of governance that exists within franchise sector. So, if anyone can be on the front foot with that. You can.

Ethical use of AI

One of those individuals I'm fortunate enough to be connected with is [Joshua J Morley GAICD, global head of AI, Data & Analytics for Akkodis](#). We had some great discussions and what became clear was the alignment in thinking; Joshua from the AI and data perspective, myself from the behavioural and value lens. Yet, same philosophies and actionable outcomes.

One of those was the topic of ethics. The list Joshua shared, a fairly self-explanatory one, the AI council guiding principles on responsible AI use really stood out:

1. **Privacy and security first:** Implement rigorous measures to protect client data and prevent misuse of AI.

2. **Ethical use:** Prioritise the wellbeing of individuals and society, aligned with ethical and social responsibilities.
3. **Human oversight and control:** Maintain human oversight and control over AI systems to prevent unintended consequences.
4. **Transparency:** Ensure stakeholders understand how AI is used, what data is collected, and how decisions are made.
5. **Inclusivity:** Champion inclusivity and diversity in AI development and use.
6. **Environment now, not later:** What are the environmental implications of how we use technology and AI.
7. **Societal considerations:** What are the societal impacts and issues arising by using or not using AI.
8. **Good governance:** Apply best practices in technology, data management, legal compliance, ethics, and business operations.

How you implement and utilise AI in your franchise will be the responsibility of leaders and individuals in your franchise. Don't wait for governments. Be ahead of governance.

The final word from AI

There remains a strong sense of 'guard railing' to mitigate (corporate) risk. Letting AI loose on core business functionality or customer interactions seems somewhat akin to jumping on the most vivacious, energetic, ferocious bull as a complete amateur taking their very first rodeo ride. A human supported by AI approach seems more commonplace where risks, also rewards, are potentially high. I was curious what Chat GPT had to say about it all.

MC: what would be your single piece of advice to franchisees with regards to AI

Chat GPT: My single piece of advice to franchisees regarding AI would be to embrace it as a tool for enhancing operational efficiency and customer experiences within their franchise location. Stay informed about AI technologies relevant to your industry and be open to adopting solutions that can streamline processes, improve decision-making, and personalize interactions with customers. Collaborate with the franchisor and leverage their resources and expertise to identify and implement AI initiatives that align with both corporate strategies and local market dynamics. By embracing AI as a strategic asset, franchisees can position themselves for long-term success in an increasingly competitive business landscape.

MC: And your single piece of advice to franchisors aligned with this?

ChatGPT: My single piece of advice to franchisors aligned with this would be to actively support and empower franchisees in adopting AI technologies. Provide comprehensive training, resources, and guidance to franchisees on understanding and implementing AI solutions within their operations. Foster a culture of collaboration and knowledge-sharing across the franchise network to facilitate the exchange of best practices and successful AI implementations. Additionally, encourage franchisees to provide feedback and insights on their AI experiences, enabling continuous improvement and optimization of AI initiatives at both the corporate and local levels. By empowering franchisees to leverage AI effectively, franchisors can drive innovation, improve performance, and

strengthen the overall competitiveness of the franchise network.

The value of AI

Ultimately the best question to ask of your AI and innovation strategy is what is the value the AI or innovation will add to your franchise business?

- **Tangible value:** how will it make a measurable difference impact to dollars, percentages, numbers or time?
- **Emotional value:** How can it be leveraged to leave franchisees and customers feeling good: including personalisation and unique innovation that makes me go 'wow'?
- **Service value:** how will it solve problems, ethically, soundly, with communities and environment also considered?
- **Relationship value:** how can the data driving AI or innovation be leveraged to forge more meaningful, respectful relationships?
- **Personal value:** how can you ensure playing your part that AI is used aligned with ethical, responsible use?

The clues in the etymology of the word 'value' itself: its roots derived from Latin, *valere*, and Middle English then adapted from old French, *valoir*;

- *Worth, to be of worth, moral worth*

Now, more than ever, we require franchise leaders to strive to align their strategies and decision making aligned with this definition.

Mark Carter is an international keynote speaker, trainer and author. Mark works across a variety of industry segments including many franchise organisations and teams. His TEDx talk was the trailer for his book, 'Add Value', published globally by Wiley.

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