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Harnessing the Power of AI for Franchisors

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Ryan Palmer
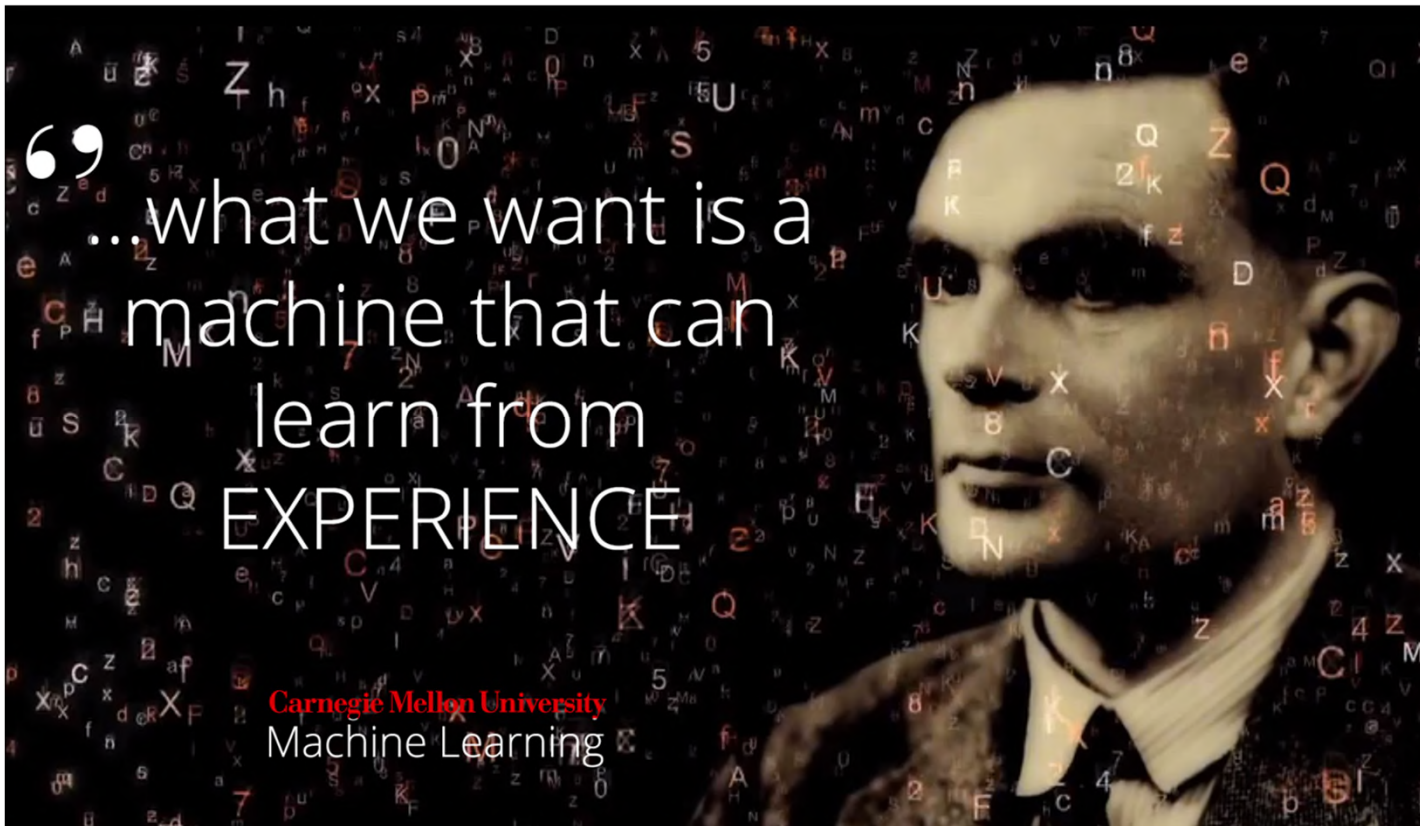**Dale A. Werts**

Lathrop GPM

Garbage In, Garbage Out?

"Computers are useless. They can only give you answers."
— Pablo Picasso, 1968
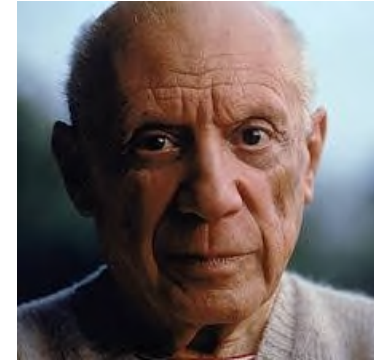
"Can machines think?"
 — Alan Turing, "Computing Machinery and Intelligence," 1950

> "...what we want is a machine that can learn from EXPERIENCE

Carnegie Mellon University
Machine Learning

Roadmap

- Understanding Data Ownership and Data Flows

- What is Artificial Intelligence?

- Use Cases and Case Studies of AI Implementation

- Practical and Legal Pitfalls Unique to AI

Understanding Data Ownership & Data Flows

Q: **Who owns the customer data?**
A: Start with your franchise agreement.

Q: **How does your franchise agreement define "Customer Data"?**
A: The definition may include name, postal address, email address, mobile number, demographics, transaction history, buying habits and other individual and group analytical data. Map the data collected by you and franchisees, and identify what is yours.

Q: **Where is the Customer Data located?**
A: Consider where the data is stored, who has access to it, and whether backups or copies exist. It is often embedded in third-party CRM, POS and other programs, maintained on premises or in the cloud. Franchisees should not be squirreling Customer Data away on their own, and franchisors should know how all Customer Data is put to use.

Understanding Data Ownership & Data Flows

Q: What rights does your franchise agreement give you to Customer Data?
A: Some franchisors claim all rights to Customer Data, declaring it a proprietary, confidential trade secret integral to its trademark and goodwill. Others may license certain data rights to franchisees. Still others may give franchisees most of the rights to Customer Data.

Q: What happens to Customer Data upon termination?
A: The franchise agreement should permit the franchisor to transfer the Customer Data to a successor franchisee. Otherwise, the terminating franchisee may sell it or use it to compete.

Q: What about Customer Data held in third-party programs?
A: Third party program licenses (*e.g.*, Salesforce) may play a key role in determining who gets the data. If a franchisee pays and signs for the program, then it may claim possession and use of the Customer Data, absent a license provision to the contrary.

What is Artificial Intelligence?

- It "is the science and engineering of making computers behave in ways that, until recently, we thought required human intelligence." – Andrew Moore, Former Dean of Computer Science at Carnegie Mellon University.

- It "refers to the simulation of **human** intelligence in machines that are programmed to think like **humans** and mimic their actions." – Investopedia

- It "is a set of algorithms and intelligence to try to mimic human intelligence." – Venture Capitalist Frank Chen

- It is a wide-ranging, interdisciplinary branch of computer science using machine learning and smart machines "capable of performing tasks that typically require human intelligence." -- Built-In

- It "is a computer system able to perform tasks that ordinarily require human intelligence... Many of these artificial intelligence systems are powered by machine learning, some … by deep learning and some …. by very boring things like rules." – DataRobot CEO Jeremy Achin, Japan AI Experience 2017
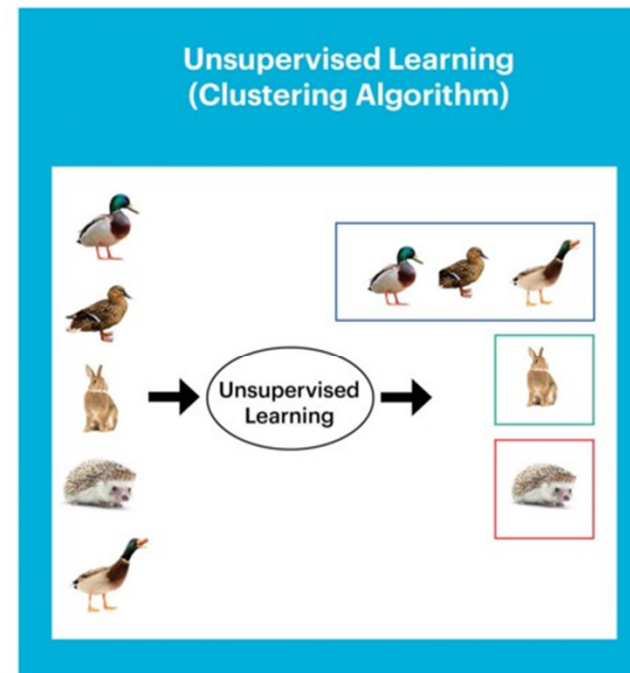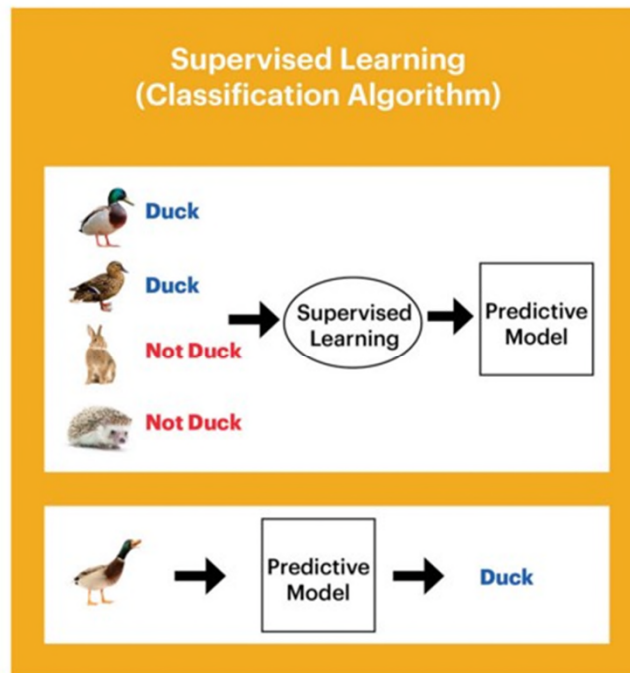
Related AI Terms

- Algorithms

- Computer vision

- Deep learning

- Generative adversarial networks

- Machine Learning

- Natural language processing

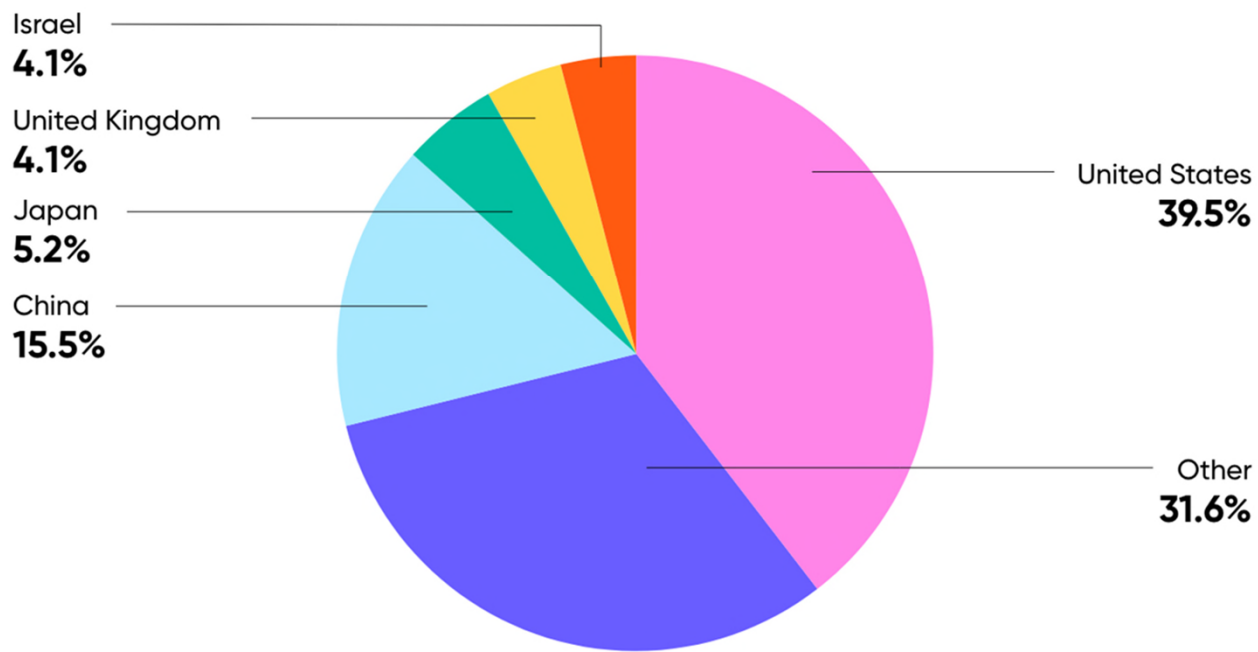- Neural networks

Predicting from Past Experience

Where Do I Get Artificial Intelligence Tools?

Where's the Investment Flowing?

Global AI VC deals from April 1, 2020 – June 30, 2020

Israel
4.1%

United Kingdom
4.1%

Japan
5.2%

China
15.5%

United States
39.5%

Other
31.6%

EMERGING TECH BREW
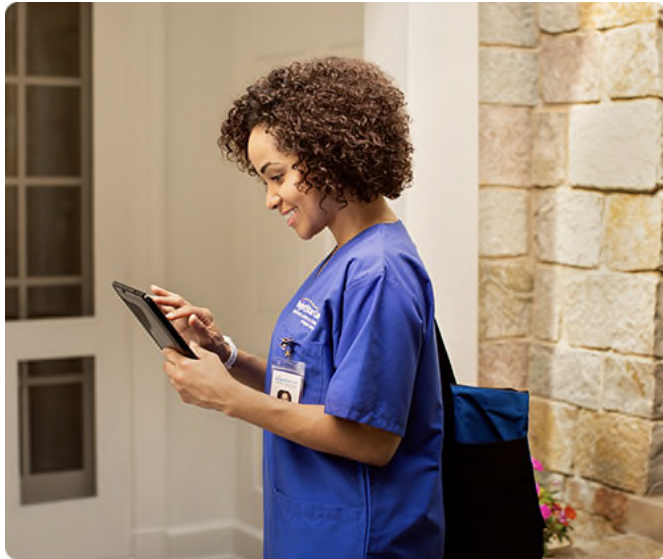
Use Cases for AI Implementation

- Site Location

- Speech Recognition

- Lead Generation

- Advertising and Sales

- Customer Care/Service

- Merchandising and Logistics

- Health Care

Food Service Case Studies of AI Implementation

Health Care Case Studies of AI Implementation

Capturing Business Intelligence
Our proprietary technology platform is also designed to parse through the massive amounts of data generated by franchisee operations and spot key performance indicators, trends, and opportunities. "We're really just starting," [CTO Jim] Kearns says. "We are continuing to evolve and take this system to the next level, including a more recent addition that made the system easy for caregivers to use on their mobile devices, which will make it easier for them to manage their work lives and take advantage of earning opportunities."

Financial Case Studies of AI Implementation

Reimagine the customer experience.
Reinvent how you work.
Rethink your capabilities.

Practical Pitfalls of Artificial Intelligence

- Cost

- Errors

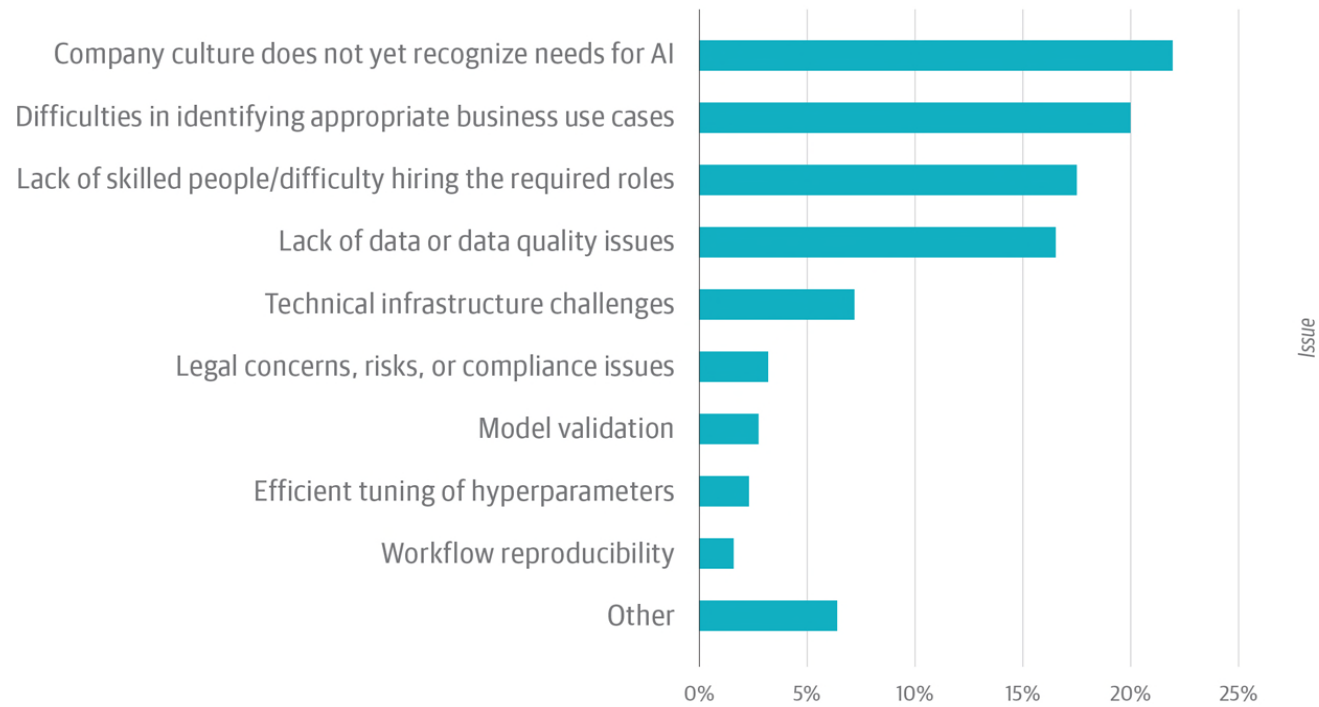- Bias

- Misunderstandings

- Hacking

Legal Pitfalls of Artificial Intelligence

- Data Ownership

- Privacy

- Acquisition/Licensing of AI products

AI Obstacles

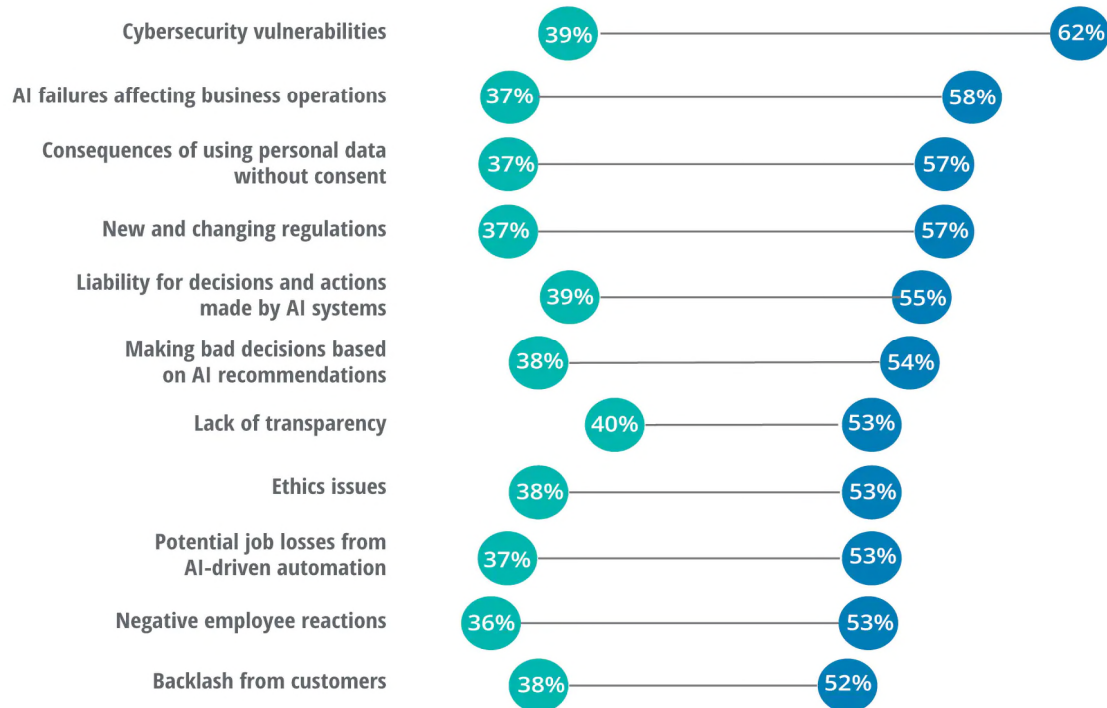What is the main bottleneck holding back further AI adoption?

Source: https://www.oreilly.com/radar/ai-adoption-in-the-enterprise-2020/

AI Risks

Adopters face gaps between their concern and preparedness for AI risks

■ Fully prepared   ■ Major/extreme concern

Risk	Fully prepared	Major/extreme concern
Cybersecurity vulnerabilities	39%	62%
AI failures affecting business operations	37%	58%
Consequences of using personal data without consent	37%	57%
New and changing regulations	37%	57%
Liability for decisions and actions made by AI systems	39%	55%
Making bad decisions based on AI recommendations	38%	54%
Lack of transparency	40%	53%
Ethics issues	38%	53%
Potential job losses from AI-driven automation	37%	53%
Negative employee reactions	36%	53%
Backlash from customers	38%	52%

Source: Deloitte, *State of AI in the Enterprise, 3rd Edition,* 2020.

A Road Well or Less Traveled?
Takeaways and Unanswered Questions

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Contact Information

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