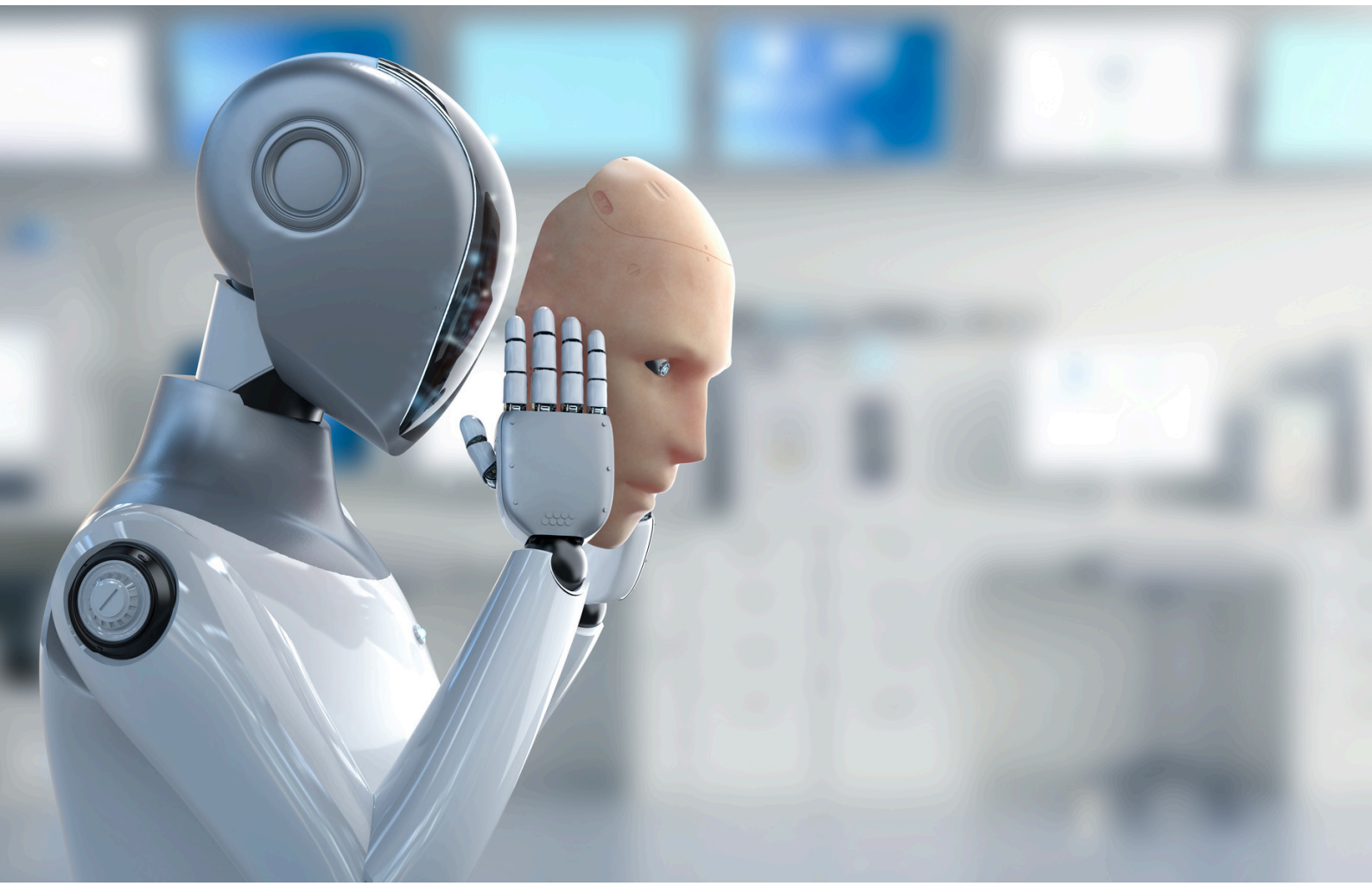
Coconut.

AI AND FRANCHISING REPORT

APRIL 2025

WHY WE NEED TO EXERCISE CAUTION WHEN USING AI IN FRANCHISING MARKETING

Steph Gutmann



When it comes to making life easier, I'm all for it... but as a professional copywriter and marketer, I do have my boundaries; especially when it comes to being transparent and authentic in my work. The more I see of AI generated content and activity, the more I feel like we could be sleepwalking towards losing the USP of franchising: the authenticity of person-to-person connection.

Which is why I've been researching the capability of AI. Franchising is all about operating a proven business, built around people-to-people relationships and engagement; we must ensure this authenticity remains central to any support systems and how we market them.

We already know of businesses which have stopped paying humans, using instead quicker, cheaper AI. In December, fintech company, Klarna, announced it had stopped hiring staff at the beginning of 2024, and has been using AI to do the work of around 700 people: its workforce is down by about 1,000 people[1]. This may be progress for its business, but I wanted to find out more about how it may impact our franchise world – because, let's face it, Klarna doesn't sell anything as important as a franchise!

A few years after founding DeepMind in 2010, Mustafa Suleyman, CEO of Microsoft AI, found himself, and his warnings about the future of AI, being largely dismissed. In a meeting of the tech industry's most influential founders he "argued that AI… might lead to massive invasions of privacy or ignite a misinformation apocalypse… I also underscored AI's potential to put large numbers of people out of work. I asked the room to consider automation and mechanisations long history of displacing labour."[2]

It seems like his predictions were uncannily accurate, in many respects. So, is there a danger of a massive rise in unemployment? Two independent surveys into the impact of AI on the UK's workforce, published in 2024, aren't too dissimilar as they discuss the loss of jobs, and the rise in unemployment.

The Institute for Public Policy Research (March 2024)[3], using three illustrative scenarios they modelled around the adoption of AI, found:

- Up to 8 million UK jobs are at risk
    - Back office, entry level and part-time jobs such as secretarial, customer service and administrative roles, are most exposed to AI automation
    - Meaning women are significantly more affected

While The Tony Blair Institute for Global Change (November 2024)[4] stated: "In all our scenarios we expect unemployment to rise initially as some firms choose to bank the time savings from AI and reduce the size of their workforce. Based on historic rates of labour shedding, we estimate 1 to 3 million jobs could ultimately be displaced by AI. Crucially however, these job displacements will not occur all at once, but instead will rise gradually with the pace of AI adoption across the wider economy."

[1] As reported on multiple sites, including Bloomberg for Fortune.com
[2] Suleyman M. "The Coming Wave: AI, power and our future", Vintage – part of Penguin Random House, 2024
[3] Jung C. & Desikan B.S., "Transformed by AI: How generative AI could affect work in the UK – and how to manage it", IPPR website, March 2024
[4] Sharps S. et al, "The Impact of AI on the Labour Market" Tony Blair Institute For Global Change, November 2024

How will this affect franchising?

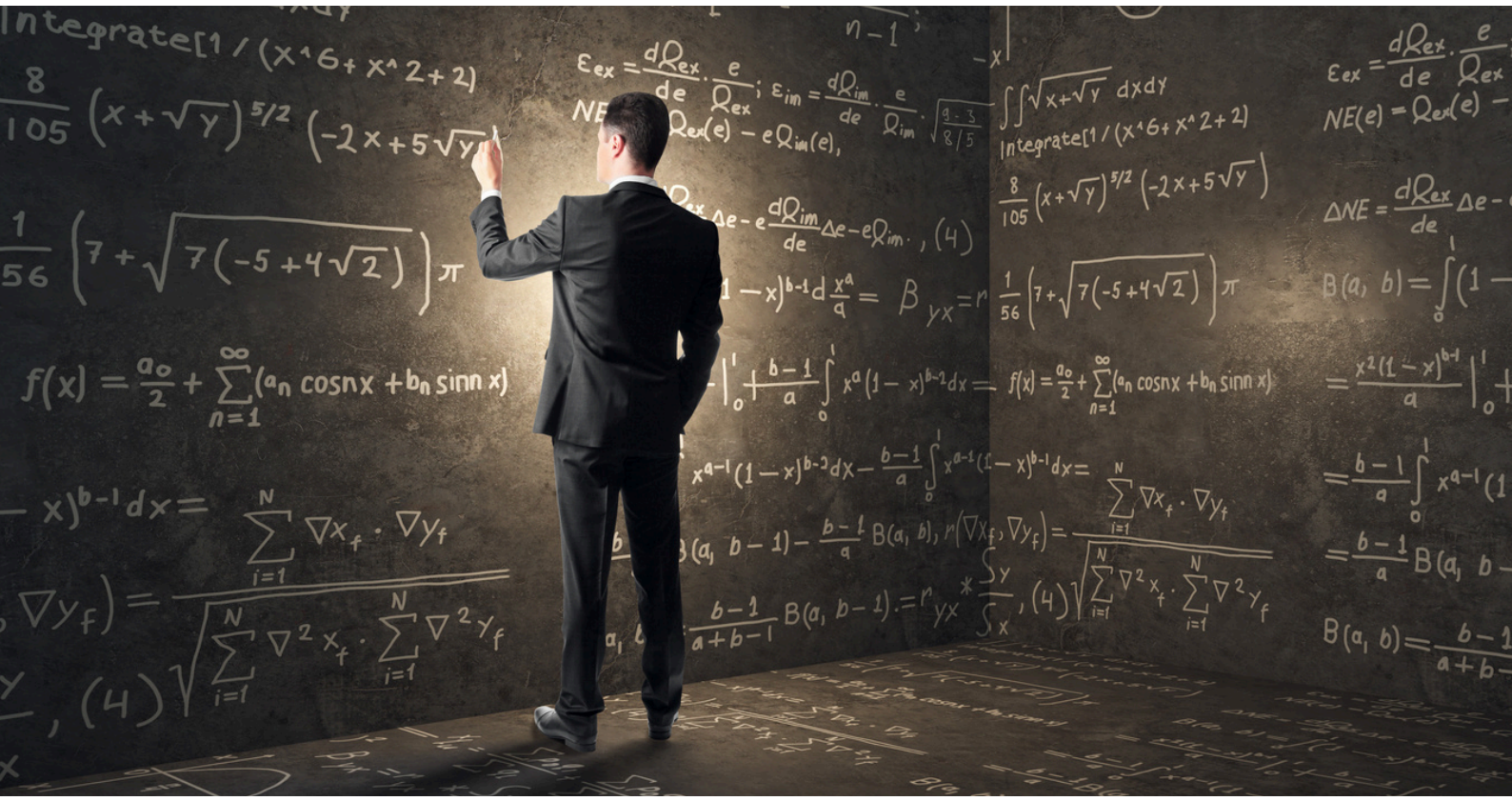
We convince them all to buy a franchise!! With all the will in the world, there are only so many franchise territories which can be sold to those who face redundancies… and only so many customers your network can cater to, if suddenly more people find themselves unemployed. And, Suleyman argues, "In the past, new jobs were created at the same time as old ones were made obsolete, but what if AI could simply do most of those as well?" How will the franchising sector adapt to these changes? Time will tell.

One of the IPPR report's authors, Bhargav Srinivasa Desikan, said, "We could see jobs such as copywriters, graphic designers and personal assistants' roles being heavily affected by AI. The question is how we can steer technological change in a way that allows for novel job opportunities, increased productivity, and economic benefits for all."

And this is the crux of the issue – can we steer technology, or is technology steering us? With this in mind, I'm advocating for authenticity and people-to-people engagement which, I argue, are the foundations of franchising, recruitment, and marketing. If we're going to keep attracting people to the industry, we must remember the old sales adage – people buy from people. The fact is there's already a disquiet amongst brands struggling to recruit franchisees into their networks, over the last few years. I'm not saying AI-generated content is contributing… But we wouldn't want to add AI to this existing issue, AI should assist our personal engagement and not replace it.

There is a place for AI in many areas of running a business, a franchise, or across a sector. I actually use a couple of AI tools for work!! That's probably shocked a few people!! I use a couple to analyse my headlines to ensure they're as impactful for client content as I can make them; and I use Otter when conducting an interview, as it massively reduces the time to transcribe the call, giving me more time to create.

In this report, I'm going to focus on the use of AI specifically around marketing, copywriting, and those legal documentations franchises need to produce. I also want to bring in ethical considerations for identifying how and when AI is used or useful in franchising. Not just in terms of franchise recruitment, but in terms of ongoing franchise network support. I'll highlight some areas of caution, as well as the types of AI tools which are proving effective; I'm not a complete Luddite!



The history of AI in a nutshell

When we think of AI, we know in and of themselves machine learning, or Large Language Models (LLM), aren't intelligent, per se. They merely imitate what they've been programmed to learn. So, how did they gain the label of intelligent? In 1943, Turing proposed, "'The Imitation Game'… if a machine operated so proficiently that observers could not distinguish its behaviours from a human's, the machine should be labelled as intelligent." In 1956, this test of machine intelligence was taken a step further when John McCarthy suggested, "machines that can perform tasks that are characteristic of human intelligence" should be seen as AI[5]. If either were around, I wonder if they would set human intelligence against machine intelligence? But that's a thought for another day!

AI uses algorithms to observe data, identify patterns, and make inferences, in order to draw conclusions; sometimes good (such as surveying 61,000 molecules, medications, and natural products to discover a new antibiotic[6]), sometimes bad (such as antisemitic deepfakes[7]). The type of data observed, depends on the goal and learning instructions given, meaning it can often be imprecise as much as it can be timesaving, hence why we have so much misinformation and deepfake… but again, that's a thought for another day!

[5] P56, Kissinger H., Shmidt E., & Huttenlocher D. "The Age of AI", 2021, John Murray Publishers
[6] Trafton, A., "Artificial Intelligence yields new antibiotic" MIT News, February 2020
[7] Sellman, M., "Antisemitic AI deepfakes with hidden hate symbols on the rise", The Times, December 2024

How prevalent is AI already?

According to Dell CEO, Michael Dell, "AI is on course to be bigger than the internet."[8] But how true is this, for the UK?

A 2022 Government report[9] into AI activity amongst the 2.8 million private UK businesses, found:

- 15% of UK businesses had adopted at least one AI tool – around 432,000 in total
- 2% were piloting AI
- And 10% planned to start using something in the future

However, the survey also found the size of the business impacted the likelihood of a company using AI:

- 68% large companies use at least one AI tool
- ·34% medium sized companies use at least one AI tool – and were mostly likely to develop an in-house AI solution
- ·15% of small companies use at least one AI tool

The most common AI tools used by businesses in the UK were for data management and analysis (60%), followed by natural language processing and generation (49%)[5].

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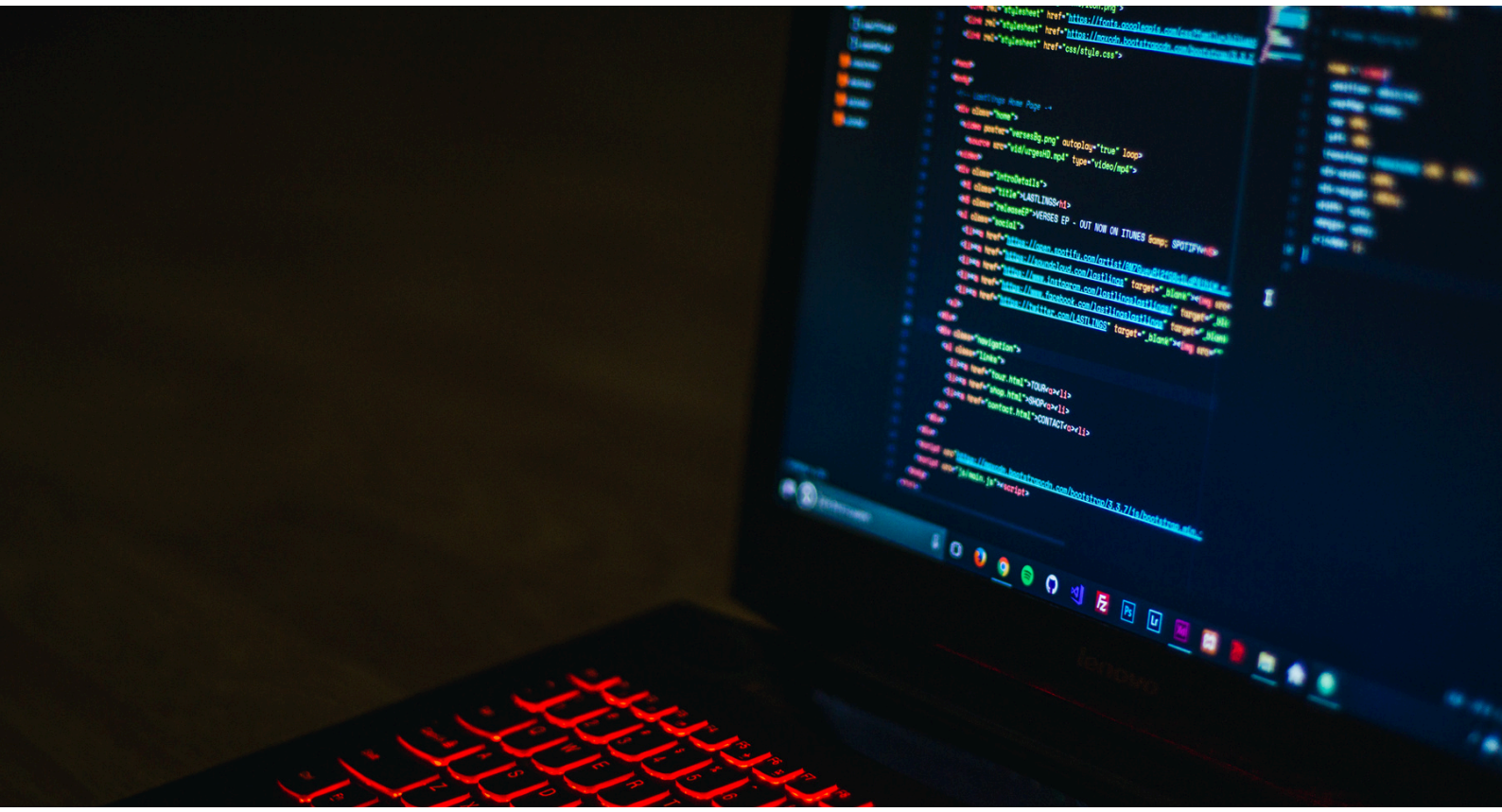
Researchers studying ChatGPT adoption in Denmark found half of those surveyed have used the generative AI tool (see section on "How AI works for Content Creation"). Typically, the survey found, "Younger, less-experienced, higher-achieving, and especially male workers were leading adoption".[10]

So, what does this mean for older workers or female workers? A report published by the Organisation for Economic Co-operation and Development in October 2024[11] across 22 Countries, found "strong positive relation between AI exposure and workers' education level. The main risk for those without tertiary education, female, and older workers is that they lose out due to lower access of AI related employment opportunities." The report also cited a survey across the financial and manufacturing sectors which found, "41% of male workers were using AI, compared to 29% of women."

[8] Fitzpatrick T. "Copywriters: We really need to talk about AI" ProCopywriters, September 2024
[9] Evans A. & Heimann A. "AI activity in UK businesses" commissioned by the Department of Digital, Culture, Media, and Sports, January 2022
[10] Lukas M., "AI won't take your job – but that doesn't mean you should ignore it", The Conversation Academic Journal, December 2024
[11] Lane M. "Who will be the workers most affected by AI: A closer look at the impact of AI on women, low-skilled workers, and other groups" Organisation for Economic Co-operation and Development, October 2024



As of the 2022 government report, the IT & telecoms and legal sectors were the biggest users of AI in the UK[9]. However, given the speed at which AI is being adopted, this could have changed – as indicated by a news article in 2025 which in addition to the It & Telecoms and Legal sectors, states, "75% of firms in the financial sector now adopting AI"[12]. It would be interesting to see how this correlates across the various sectors represented in franchising.

And within Marketing? Well, research by the Chartered Institute of Public Relations (CIPR) showed, "Up to 40% of tasks performed by public relations professionals are now assisted by AI tools[13].

So, it's clear AI is very prevalent! And if I was to research the various sectors UK franchise brands represent, I've no doubt our own data would reflect similar trends for using AI. But, just because everyone is doing something, doesn't means it's right for you, or for everything.

[12] Webb E., Exploring AI adoption across UK businesses: Trends and opportunities" OxLEP Business, February 2025
[13] Gregory A., Valin J., & Virmani S., "Humans needed, more than ever" CIPR Report, September 2023

AI and Franchising

In an editorial for Elite Franchise magazine, Pip Wilkins, CEO of the British Franchise Association (BFA), discussed the potential impact of AI on the UK's franchise industry[15]. In it, she highlighted how brands – highlighting the Care sector specifically – who are partnering with developers to enhance their franchise services and systems with bespoke AI programmes. "Whilst AI can streamline processes and assist with tasks, there are countless aspects of a business that only real people can bring to life such as creativity, empathy, and personal connections, which are irreplaceable in most franchise brands. Whilst we thoroughly applaud the early adopters and encourage the use of AI, we'd urge all members to do so in a responsible and measured fashion."

According to a blog post for the Paris Franchise Expo[16], "Franchise owners and operators are leveraging AI technologies… such as implement[ing] an AI system that quickly addresses franchisee queries by navigating its extensive 700-page operations manual"

There's no doubt there is a place for AI in franchising, but there are also ethical and copyright issues, amongst other things, which I will elaborate on later in this report. We also need to ensure we don't lose the heart of who we are in franchising, by replacing people with machines… or expecting AI to be able to connect with people at a human level. It's just not capable. There's nothing better than the human touch when dealing with any kind of business.

And, as the writer of the Franchise Expo Paris editorial states, "Franchise owners must ensure the protection of confidential data when using AI systems… Moreover… its use must align with clear, measurable strategic objectives."

[14] Wilkins P. "Franchising meets the future" Elite Franchise, January 2025
[15] "How AI is transforming the franchise industry" Franchise Expo Paris, February 2025

How does AI work in terms of content creation?

OK… here comes the science!

Far from being "intelligent" – in the true sense of intelligence – AI is an imitator. It's scanned every byte of data available and uses one of two processes – 'sequential dependencies' or 'parallel corpora' – to predict what the next word/s should be in a sentence. You can see these in action when you start typing a search term into one of the search engines, or when typing out a message and you encounter the dreaded "autocorrect" changing a word to altering the meaning of a sentence.

AI also uses 'generative neural networks' to translate the information it's garnered and use it to try and create (replicate) its own versions of imagery and copy – think images of people with six fingers when waving! AI content is created for those who employ it, by using its observations of how you interact with everything you do (thinkMetaAI which watches your every interaction and engagement across all platforms, unless you opted out of your personal data being used for training AI), just on a larger scale, and without your pesky human interference!

However, when it comes to the ongoing development or training of AI, we've a problem. Because training AI involves it analysing human writings and creativity (more on this later), it's reached the point of having scoured everything ever written and, like Johnny 5 in the Short Circuit movies, needs, "more input, Stephanie"! As researchers at the Universities of Oxford, Cambridge, and Tübingen reported, "Our findings reveal that across concepts, significant improvements in zero-shot performance require exponentially more data, following a sample-inefficient log-linear scaling trend".[16]

An article, "AI is cannibalizing itself", written for The Week, identified a potential problem, as AI has consumed all available data, so is on the verge of cannibalising itself. With no human-content left to observe, AI is beginning to learn from other AI generated sources. Quoting a second feature in The New York Time, it says, "'When generative AI is trained on its own content, its output can also drift away from reality.' This is known as model collapse."[17] As AI content is largely just churned out, regardless of how honest or genuine it is, potentially means we're heading toward a feedback loop of AI learning from AI, with the similar feeling of ants being trapped in a death spiral.

[16] Udandarao V. et al, "No "Zero-Shot" Without Exponential Data: Pretraining Concept Frequency Determines Multimodal Model Performance", Academic reports website, October 2024
[17] Rao V. "AI is cannibalizing itself. And creating more AI." The Week, August 2024

As a result, is it fair to say AI has plateaued? The content it creates for everyone using it, currently isn't going to improve anytime soon. Hence why we see so much AI generate content which has the same look, feel, and sound as everything else it creates. And hence why there are ongoing demonstrations by respected authors to protect their published works and creative identity, because AI programmers are looking for yet more existing data to improve their algorithms for machine learning!

What this means, is that content looks and sounds the same, because by attempting to predict the next word or sentence, for your copy, AI can only use what it knows based on what it can emulate of what's already out there. It doesn't know what it doesn't know. When you ask it to market your franchise, for example, it will do that based on what others before you have asked it to do in relation to marketing their franchise.

What impact does AI content have on your target consumer?

I'm a bit of a purist, when it comes to copywriting and content creation. I can – 95% of the time – tell when something has been generated by AI. And, like many others, I'm turned off by it. In fact, we're starting to see an increasingly detrimental effect in response to content which is created by AI instead of a human.

A 2024 survey by Bynder[18] discovered:

- When consumers were asked how they felt reading copy on a website they suspect is AI-generated:
    - 26% felt the brand is impersonal
    - 20% felt it's lazy
    - 18% think it's uncreative
    - Only 17% found them innovative

- While consumers reading social media copy they suspected was AI-generated:
    - 25% felt the brand is impersonal
    - 20% felt they're untrustworthy
    - 20% felt they're lazy
    - 19% thought they're uncreative

The lesson here, for anyone using AI for brand-based content, is to think about your target audience and their preferences. Something we're always advocating at Coconut: Who are you writing for, and what do they want to see? Where you see a timesaving, cost-saving opportunity, your target audience may interpret it differently.

[18] Bynder's Marketing Team, Human Touch Survey, Bynder website, May 2024

AI and Copywriting

Editor and publisher, Cassandra Davies stated[19], "I use [AI] to write ad copy and social media posts. It saves me a good 10 hours a week, which is useful in a small press, where I'm doing a hundred other things."

Another editor, Steve O'Brien, argues[3] the copy generated by AI is massively flawed, "When you ask it to be funny, it can't be. When you ask it to be clever, it's not quite able to be. It tends to write in a very generalised and cliched way. There's nothing distinguished about the writing."

So, if marketing is about the "human connection" – you know, the old saying of humans buying from humans – can we ever expect AI to write content for us, on behalf of our brands, and maintain our uniquely autonomous voice? I would argue not. And, as the Chartered Institute of Marketing asked, "is there a danger we become too dependent on the tool, and how can we as marketers maintain a human touch?"[20]

The beauty of excellent copywriting is in the ability to engage a human connection. Of bringing out emotion, as much as about presenting the facts. There's the whole philosophical debate I remember studying at Uni, about what makes us human. I suspect this question will only become more provocative, as AI is used to do humanlike tasks, and excel past human intellect.

I should, in the interest of fairness, let AI have a say here. When Douglas McPherson asked ChatGPT about the future of writing, for the conclusion of his piece, How to Write Better than AI, in Writing Magazine, it said, "AI can assist with writing but it's unlikely it will replace human writers completely… it lacks the creativity, empathy, and intuition that human writers bring to their work."

I couldn't have said it better myself! Actually… I could have, but this is where humans outclass AI with humour and sarcasm!

[19] McPherson D., "How to write better than AI", Writing Magazine, March 2025
[20] Bracher L., "Can AI make us better marketers?", CIM website, February 2025

AI the legal ramifications for franchise documentation

Obviously, I'm a marketer, not a lawyer… my tentative dip into Law at AS level was quickly quashed! However, given the amount of content written for franchises, I wondered if there were implications on the use of AI in producing these.

Conversations earlier this year indicate many brands are quietly replacing franchise legal experts with AI. Then, when prospective franchisees carry out their due diligence, which includes asking a franchise expert to check the wording of the franchise agreement and other documentation, the extent of how flawed AI is for this purpose becomes clear. Great news for a prospective franchisee if a franchisor omits something. Not so great for the future of the brand.

In January, a report published by LexisNexis, which surveyed 1,200 UK lawyers and legal professionals, found that 26% of legal professionals used AI tools at least once a month.[21] This is typically in relation to analysing documents, researching matters, or drafting documents. However, as one might expect from the legal profession, 91% of those surveyed had concerns over the use of AI:

- 59% had some concerns
- 26% had significant concerns
- 6% had fundamental concerns

COMMENT FROM NATALIA SVARTS & VICKI MITMAN

[21] Greenhill S., "Lawyers cross into the new era of generative AI", LexisNexis, January 2024

With around 91% marketers in a recent survey saying they use AI[22] (when it comes to copywriting or content creation, it's obvious!), I'm not about to start an anti-AI revolution. I'm not a complete luddite!

I know I'm outspoken in my dislike of AI when it comes to my job as a copywriter. But, I know some people/tasks benefit from using AI; I've seen it within the Coconut team, where it has saved the company time. I know, based on the research, there are many tasks where AI excels – as this is what it was designed to do.

One of its biggest advantages is in carrying out research, data analysis and processing. The benefit of using AI shines when used for tasks which are "difficult to do, such as finding patterns in data, or completing comprehensive searches. [AI] allows us to be more effective because it enables us to do things that we would find impossible or too resource intensive to complete." (Gregory, Valin, and Virmani, 2023)[23]

The 2023 Chartered Institute of Public Relations report quoted above also found:

- Data analytics and social media management have a higher average degree of assistance by AI tools, 53.4% and 53.7% respectively
- Whilst managing partnerships has a much lower degree of assistance (13.4%)

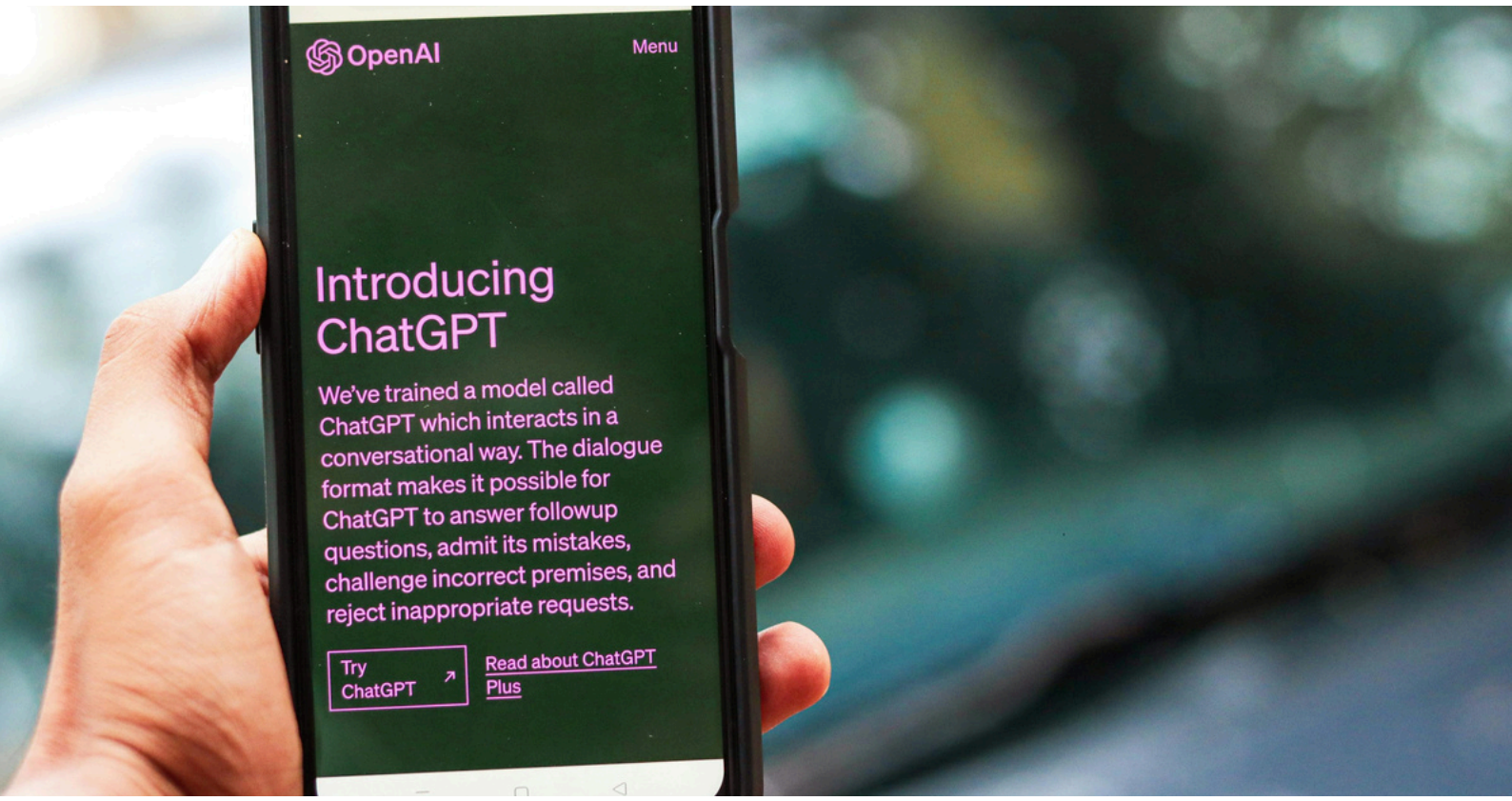
[22] Report by Wakefield Research who surveyed 1200 marketers in September 2023, subsidised and featured on Iterable.com
[23] P3, Gregory A., Valin J., & Virmani S., "Humans needed, more than ever" CIPR Report, September 2023

So, where could AI support franchising?

With the proliferation of AI tools, developments which can – and are – supporting franchisors and their franchisees, include:

- Customer insights: AI analyses data much more quickly than humans, and can churn out reports in next to no time
- Customer relationship management
- CRM systems
- Target audience identification: AI can help you build your target profiles, based on analysing data such as demographics, interests, social media use etc.
- Chatbots: Many businesses use AI to optimise customer experiences online, where humans can't be always available 24/7 – you decide, based on your experiences of chatbots, whether this is a good thing!
- Reputation Management
- Automation with repetitive tasks, like email automation/social media scheduling
- AI removes the tedium such as audience/filter selections or multi-platform posting
- Keyword research for SEO
- Digital marketing campaign development and management: AI can efficiently manage aspects of a business, like workflow and budget
- Campaign insights and performance
- Providing summaries of large documents
- Meeting or calls transcription

I've purposely avoided mentioning tools around copywriting or content creation, for the reasons already outlined. I used to have an ongoing debate with one of our clients around the use of Grammarly… even this isn't always geared to Britishisms given that most of its machine learning is done with American spellings and grammar.



Word of caution

According to Cahill-Davies Publishers, "At the moment, you can't copyright work generated by AI." The implications for this, for any franchisor – or franchisee – is in the ability to protect your brand, brand voice, or any element of your franchise, if you're using AI to generate content within it.

So, if you use AI to generate any part of your franchise materials, e.g.: Prospectus, Franchise Agreement, Operations Manual, Training Materials, or your brand's intellectual property (IP) such as songs, books, etc. you're at risk of it not being copyright protected if you use AI.

And did you know that by using the free version of ChatGPT, for example, you have signed your life – I mean right to privacy – away, as your data is used to continue training.[24]

[24] Turner J. "6 things you should never share with ChatGPT", Tech.co website, October 2023

Ethical issues

Which brings us to the ongoing fight against AI companies violating professional and creative IP rights. The recent launch of the Is This What We Want silent album[25] by over 1,000 British artists and musicians is in protest of government plans, "In late 2024, the UK government proposed changing copyright law to allow artificial intelligence companies to build their products using other people's copyrighted work – music, artworks, text, and more – without a licence…" This essentially means that when AI recreates or copies an artist or their work, they won't be reimbursed. "The album consists of recordings of empty studios and performance spaces, representing the impact we expect the government's proposals would have on musicians' livelihoods."

Having already been duped by a song purported to have been written and recorded by Ed Sheeran, but was in fact 100% fabricated by AI, imitating his voice, face, and writing style, I can already see the ethical dangers of this. In addition to the GDPR risks – as AI "can exaggerate these privacy issues"[24].

I know there are some people who already find the appeal of using AI to imitate themselves attractive – we've had similar conversations amongst the Coconut team. While others are developing AI to act as a 'spokesperson' for a franchise or organisation, EG: Steve Frost of Workbuzz, launched "People Science AI[27]", a platform "trained by over 1 million hours of employee engagement expertise" to analyse data and deliver survey feedback, using an AI-generated video of a woman reading it out.

In terms of content creation, I'm always of the thought that transparency with clients is the best policy. However, a survey conducted in 2024 found:

- 81% of professional copywriters said "no", when asked "Are your clients aware of AI's role in your work?"
- And 51% answered "yes", when asked "Does AI-produced copy ever feature in the finished work you share with clients/stakeholders?"[28]

[25] [24] Turner J. "6 things you should never share with ChatGPT", Tech.co website, October 2023
[26] Gomstyn A. & Jonker A. "Exploring privacy issues in the age of AI", IBN, September 2024
[27] https://workbuzz.com/platform/people-science-ai/#InteractiveDemo
[28] ProCopywriters survey 2024: A Comprehensive Survey of the Copywriters Profession", ProCopywriters website

If you're outsourcing to a copywriter, content creator, operations / legal documents writer, etc., how comfortable are you with knowing whether the content you're paying for is human or AI written?

According to the Bynder survey I've already mentioned:

- 50% of consumers can tell when content is AI generated
- And 63% would prefer transparency about whether content is AI generated

For example, some of the broadband media companies are transparent about when a customer is dealing with AI, with a username having ".bot" at the end of the name of the "person" you're in a chat with – eg: Steph BOT. This brings clarity to who or what a customer is dealing with rather than trying to hide behind AI.

As a result of their survey, ProCopywriters – the association for professional copywriters – has since drawn up a Code of Conduct for its members, such is the seriousness of the impact of AI on the skills of human writers. It includes the point: "Be Real: People buy from people. Copywriters bring their humanity, creativity and originality to client work. If we use generative AI to create copy, we'll explain how and when it is used[29]."

Meanwhile, the Chartered Institute of Marketing has also recently outlined four principles for any of its members who work with AI[30]:

1. Act ethically, responsibly, and with integrity
2. Ensure quality
3. Be transparent
4. Build AI awareness

[29] ProCopywriters Code of Conduct V2, October 2024
[30] CIM website, Four foundational principles for marketers working with AI, July 2023

In conclusion...

Do we, then, need a code of ethical principles for the use of AI in franchising?

If your franchise is going to stand out from the noise, you can't use AI and hope to sound different. YOU are your brand. YOU are your brand's tone of voice. YOU and YOUR NETWORK are your authenticity.

As the BFA's, Pip Wilkins concluded, "AI is a powerful tool brands can use to enhance and complement their businesses, but it should never replace the invaluable human touch."[31]

NB: For the purposes of transparency:

No AI was used in any aspect of researching or writing this report

[31] Wilkins P. "Franchising meets the future" Elite Franchise, January 2025