

**Entrepreneur**

Foreword by Tracy Stapp Herold,  
Entrepreneur Magazine's Franchise 500® Editor



# Franchise Bible

How to Buy  
A Franchise Or Franchise  
Your Own Business

N I N T H  
E D I T I O N

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# Dedications

## **Rick Grossmann**

I dedicate this book to my beautiful wife Kathy, who has put up with my many crazy franchise adventures over many years, and my four awesome kids: Hannah, Sam, Olivia, and Adeline. I am proud of you and love you all!

## **Michael Katz**

I dedicate this to my dear wife Barbara and our son Noah. Thank you for supporting me over the years. I love you both very much.

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so no issues there. Practical implementation proves that it make the most sense to phase this is by having all new owners start with the new equipment and give the existing owners a ramp up timeline so not to overwhelm your corporate resources. You decide to set up a franchise owner survey process to gather information to make the best Political choice and find that the franchise owners are in favor but agree that a ramp up period of 18 months makes the best sense.

In the example above you can see that a sudden decision based only on the legal lens could have resulted hardship on the franchisee and backlash for your corporate team.

## Franchise Marketing Strategies

by guest author Michael L. Hutzal, Jr.

CEO, EagleONE

There are numerous schools of thought around franchise marketing. Some industry experts would support the idea that the franchisor should be responsible for all the marketing, including for the brand as a whole as well as for every franchisee. Others would suggest there is validity in shared responsibility, that the franchisor should distribute some of the responsibility to the franchisee. Still others suggest that the franchisor is responsible for the brand and the system that provides the product or service, and the franchisee is wholly responsible for the marketing efforts that drive sales.

Countless hours could be spent supporting each of the opinions, but they all share one common thread: No matter the approach a brand chooses, marketing should be a system, like every other component of the franchise world.

In a perfect world, the marketing would begin and remain as a part of the whole investment for a franchisee. Franchisees bring a varied background of business acumen, and while some may prove to be brilliant marketers or salespeople, others simply will not. Most franchisees are investing in the brand, the concept itself as it relates to the product or service, as well as the appeal of business ownership. They are not necessarily signing on for the necessary efforts and expertise that are going to ensure they are generating revenue.

Regardless of what approach towards marketing a franchisor decides upon, it should always include the following: data, discipline, technology, subject matter expertise, quantifiable metrics, scalability, specific KPIs that are tied to specific strategies, and the flexibility to respond to the evolution of their prospect population. In short, no matter how the brand chooses to deploy the efforts required for effective marketing, there should be nothing left to chance as it pertains to the system itself.

### MARKETING B2B FRANCHISES

Most business-to-business (B2B) franchisors recognize that they are outnumbered by the business-to-consumer options that are available in the marketplace to potential candidates. In addition, B2B brands tend to be service-oriented (versus product-oriented) and attract certain kinds of candidates in terms of skillsets and personality. B2B candidates tend to be corporate executives who are used to big business support systems and infrastructure.

Both franchisors and franchisees understand that one of the biggest challenges facing the brand and the individual owners is knowing from where the next opportunity is going to come. In short, the challenge of consistent lead generation for the franchisees impacts the buying decision of the candidates as well as their ability to own and operate a successful franchise.

The decision to address the challenges of lead generation should start with the franchisor. A good brand will address this challenge early in their development and decide to build a system of their own or explore outsourcing options that will be serve the brand in a franchisee-first capacity. Good franchisors know that if the franchisees are succeeding the brand will inherently benefit.

A scalable lead-generation system should include:

- *Data.* At the heart of every sound lead generation strategy is data. Data should be considered the core and should be used in the building of the system as well as the evaluation of its' results. Some data points to consider are quality leads to be contacted, Key Performance Indicators (KPIs), dispositions of the outreach efforts, and any metrics associated with the daily activities that are associated with results. Consistently monitoring and evaluating these points will allow for meaningful adjustments to the approach to improve results.
- *Discipline.* Like with anything else worth doing well, the lead generation approach should be disciplined. It should be deployed daily and be a regular part of the daily course of business. Along with the consistency of the outreach, it should also have discipline in the messaging, with the prospect population in mind when communicating the value proposition. Lastly, there should be predetermined cadence, sequence, and marketing venues. This will ensure that both the “numbers game” and the preference of the prospect population for communication are being addressed.
- *Scalability.* A good lead generation system should be initially designed to be scalable. That means that as the ROI is assessed, the system can be scaled in a way to feed more and more franchisees. This will likely mean an investment in technology and people.
- *Flexibility.* Not all franchise territories are the same because not all metropolitan areas are the same. Considering the U.S. for example, metropolitan cities that are located in the southeast portion of the country are going to have a different look and feel than those in the midwestern portion of the country. As such, a good lead generation system will have the flexibility to make adjustments to best suit the needs of the prospect population and any relevant cultural differences in the city. Having the flexibility to adjust messaging, specific verbiage, technological platforms, and the like will be key to ensure all franchisees can find success in their respective territory.
- *Measurability.* In any lead generation system worth deploying, Return on Investment (ROI) must be the primary evaluator of the system. Both the franchisor and the franchisee should have a financial vested interest in the system, for mutual accountability, and should have the same goal in terms of return. ROI should be assessed in advance with both the franchisor and the franchisee so that both parties have an agreed upon understanding of the goal. Periodic evaluations are also crucial,

to ensure a system is on track to deliver. Reviewing the data created by the system should happen regularly, as frequently as weekly, and no longer than monthly assessments.

- *Creativity and continuity.* Like with any solid marketing approach, your lead generation system should have both creativity and continuity. On the creative component, your focus should be on extracting what is most meaningful to your prospects and crafting your messaging, including good “Yes” questions, into your verbiage. If you take a prospect-centric approach to the way you explain your value proposition, your messaging will resonate with them. As for the continuity, the word to always remember is, consistency. Regardless of how many marketing venues you choose to use or what kind of system you choose for lead generation, a consistent message and image is paramount to building trust with your prospects.
- *Support.* This last component can sometimes prove to be difficult. Lead generation systems require ongoing support from the brand. This can come in the form of needing to adjust or grow particular components of the systems (like evaluating and changing technology as the system scales) or ongoing team support of the franchisees as they encounter new challenges or are new in the program as a new owner. Regardless, any good program will have dedicated, on-going support, including team members who dedicate themselves to the system and the franchisees in the system.
- *Multiple channels.* A sound lead generation system will take into account the important factor of meeting your decision makers in the marketing venue they like to meet. Factors like demographics, target size, decision maker title and geographic region should all influence the venues you choose. Consider using traditional methodologies like phone calls and emails, and more modern venues like LinkedIn. Bare minimum, you should be looking for your prospects in 3 channels or more, so you are leaving no doubt your prospects are hearing from you and learning about your value proposition on a regular basis.

## TANGIBLE BENEFITS FOR A SOUND LEAD GENERATION PROGRAM

A franchisor that implements a sound lead generation strategy and insists that the entire brand participate will reap quantifiable benefits. There are three areas to focus on here, two of which are franchisee-centric, the other the benefits to the franchisor: franchisee benefits, candidate benefits, and franchisor benefits.

As for franchisee benefits, business to business franchisees are passionate about your brand, not necessarily seeking out net-new business. The lead generation program, if built properly, will be a continual source of new opportunities for the franchisee to close new deals. It will also allow the franchisee to focus on closing deals and nurturing relationships, which is more in line with their vision of business ownership. It should also assist with new revenue for the franchisee, allowing them to grow and meet the goals they have for their business. Helping them to earn well is in everyone’s best interest.

Then there are candidate benefits. As referenced at the beginning of this section, the number one challenge for candidates considering your brand is also their number one fear: “Where is my new opportunity coming



from?” Not only having an answer to that question but being able to demonstrate a proven lead generation system is paramount when explaining your brand to a candidate for consideration. Helping them to understand that you have a system in which you are both mutually vested will influence their decision-making as they consider your brand in comparison with others.

Finally, think about franchisor benefits. Having a franchisee-first mindset with implementing your lead generation system will lead to positive results for the entire brand. There are distinct benefits to your brand to have a sound lead generation system in place. They are as follows:

- *Increased royalties.* If your lead generation system is doing its’ job properly, it means your franchisees are busy managing the top-end funnel results of your system. They are spending their time in front of the next opportunity, and working the executive functions as a business owner (analyze, propose, negotiate, and close), closing more deals. Their revenue continues to grow because the system creates an ongoing flow of activity. The natural results then is an increase in the royalties received from each franchise owner, increasing the brands ability to grow and continue to invest in its owners.
- *Better validators.* Every franchise brand knows how important good validators are for the growth of the brand. Having happy and healthy franchisees is the first step. Your lead generation system, when deployed using the considerations above, will help your franchisees to earn the revenue they need to continue to grow as business owners. If the franchisees are earning well, they will be much more inclined to serve as validators for the brand when a new candidate is considering coming on board.
- *Brand differentiation.* Last, but certainly not least, is the brand differentiation for your brand. This component alone is worth the time and investment for your long-term growth. Many brands choose a more “independent” approach to lead generation. They believe that giving the new franchisee the business model is sufficient, and lead generation is just an inherent part of the responsibilities they take on as a new owner. The reality is that lead generation is difficult and it can be daunting. Having a proven system in place will not only help your owners, but it will help your brand to stand out in comparison to those who have nothing in place.

It will also help your cause when you consider the various channels you have available for franchise sales. Franchise consultants, for example, will gravitate to brands that have systems in place because they want to be sure that their candidates succeed in their new business venture.

## BUILD IT OR BUY IT? A TOUGH CHOICE

The “right” answer to this question depends on the business model and budget, so you will have to take into account a number of factors. There are pros and cons to each approach. For example, if you build it, you will have “in-house” control and could develop something you consider proprietary. You would also have the ability to make adjustments internally and initially the costs may be lower. However, you will be investing in people, various types of technology, and it will require ongoing management.

In contrast, if you partner with an outside firm to help build your system, you would be getting technology, subject matter experts, and scalability that wouldn't impact your internal infrastructure. You may also get executive advice and management experience for a fraction of what it would cost you to have the appropriate executives needed on staff. However, you would lose some of the internal control and it may not be as cost-friendly in the initial stages until you reach a certain economy of scales.

Whatever you decide, weigh your options and the economics involved. Consider the necessary components outlined in this section and ask yourself honestly which fits your model and growth plans the best. Either way, arming your franchisees with a proven lead generation system is one of the best things you can do to ensure their success and yours.

### **B2B CASE STUDY: CULTIVATING FRANCHISEES PAYS DIVIDENDS**

In 2019, a forward-thinking B2B services brand decided they wanted to invest more in the future and financial wellbeing of their franchisees. Already an international brand, with more than 180 franchisees in the U.S., they knew it was time to take the next step. As they evaluated their options, they decided partnering with an outside company would be best for their brand and their franchisees. After 3 months of building and preparation in Q4 of 2019, they were ready to launch their multi-faceted lead generation program in January 2020.

Over the course of 2020, more than 50 franchisees entered the lead generation program. In one of the most unprecedented years in recent history because of the impact of COVID 19 in the U.S., the franchisees who entered the program recognized an increase in sales of 18% over those who were not enrolled in the program. In short, because they had more top-end funnel activity, their closure rates and associated revenue were significantly higher than those not enrolled in the program.

In 2019, the franchisor awarded a total of six new franchises. In 2020, they awarded 43 new franchises. The president of this brand attributed the success in the awarding of franchises to the lead generation program. They were able to differentiate themselves from the other business to business brands being considered by the candidates. They had a proven system and could demonstrate their willingness to invest in their franchisees.

In addition, they eliminated the concerns of the franchise candidates about how they would create legitimate new business for themselves. Recognizing and addressing this in advance of the franchisees joining the brand was pivotal in the discovery day process and helped the candidates to feel comfortable about investing in the brand as the brand was vested in their long-term success.

### **MARKETING & CUSTOMER EXPERIENCE CHALLENGES OF BUSINESS-TO-CONSUMER FRANCHISES**

Business to consumer (B2C) franchisors recognize that their franchisees are competing for discretionary income. This means that they are not only competing against other "like" concepts (i.e. two different brands of hair salons or pizza restaurants), but they are also competing against all other concepts for the discretionary spend. Franchisors should also recognize and educate their franchisees on the importance of the three touch

points they have with their consumer customers: Pre-Unit, In-Unit, and Post-Unit. These three points are all critical in running a successful franchise and building customer loyalty. Because of their unique importance, they deserve being discussed separately. It is also important to consider what options are available to franchisors and franchisees to capitalize on each point.

### **Pre-Unit**

This touch point is every franchisees' first chance to make a good impression. There are two main components to this touch point: the customer experience and digital media. The customer experience usually comes in the form of email support, live chat, and phone conversations. The customer usually has questions about the product or service and needs clarification before making a buying decision. They need to interact with the staff directly in this case. It is critical to create the very best experience possible as it influences the buying decision.

Digital media is also an influence on the consumer and their choices for discretionary spend. Most consumers will visit channels like Facebook, Twitter, and Snap Chat, as well as search the mainstream search engines like Google and Yahoo to educate themselves before they make a buying decision. The consistency on the message, the original content, and the current offers will all impact the consumers impression of a brand.

Good franchisors will recognize and address the need for having a good system in place to address this touch point. Some of the core components of the system will include: A Customer Experience Team, A Digital Marketing Team, and technology to support both. The franchisor can decide to build these systems internally or partner with outside firms to build them. It is important to recognize the use of subject matter experts who are focused on these specific tasks. As well, investing in technology to maximize the impact of these strategies is key. Ultimately, it should be a part of the brand, not something tasked to the franchisee, as they are busy running the day-to-day of their business.

### **In-Unit**

This touch point is the one that most franchisees are passionate about and the reason they chose to invest in the brand in the first place. In addition, most franchisors have placed a great deal of focus on giving the franchisee "the kit" to properly deliver the product or service to their consumer customers. At this point, the consumer has made the decision to spend money on this particular product or service and it is the franchisee's responsibility to meet or exceed expectations.

Most of the focus here will be on cleanliness, friendliness, quality of the product or service and ensuring that the consumer receives the kind of customer experience that will make them a raving fan, willing to return time and again. It requires an internal focus, including properly training staff, to deliver a consistent, quality product or service.

Good franchisors will deliver a quality, end-to-end approach to the franchisees. This will include all the training materials, quality assurance manuals, product or service quality standards, branding, and a list of approved vendors that supply various components to make sure the franchisee is uniform with brand standards. Usually, this

will also include on-going support that ranges from training updates, product and service updates and the like. The franchisee should be as well-versed in these materials and the franchisor should place a concerted effort to maintaining the quality of the experience from the time the customer enters the location until the time they leave.

### Post-Unit

This touch point is influenced by the previous two. The expectations and experience that were established in the pre-unit touch and the quality of the experience while receiving the product or service inside the unit will determine how much influence this third point will have in bringing customers back. Equally important, the franchisee wants to create external champions, customers who will rave about their product or service and bring their friends and family back with them. In addition to getting the first two points right, the franchisee needs to constantly encourage them to come back. That means a mix of customer experience outreach and digital efforts.

Just like with the pre-unit touch point, a good franchisor will emphasize and employ both customer experience efforts and more digital marketing. Once again, it can be an internal build or built with an outsourced partner. It requires both technology and subject matter experts focused on the efforts. And, it should be a part of the brand, not something tasked to the franchisee as their focus should be 100% on the 2nd touch point, while they have the customers experiencing the product or service real-time.

### BUILD IT OR BUY IT FOR B2C MODELS?

There are pros and cons to building these systems internally or partnering with an outside firm. This is a matter of focus, however, and should be a major consideration in the equation. The franchisor wants the franchisee focused on touch point two, the in-unit experience. The same kind of focus should be placed on the pre-unit and post-unit touch points.

Building systems internally will mean the franchisor will control the experience in all 3 points. They should plan to have a centralized team for calls, emails, and live chat as well as outreach for customer satisfaction and feedback. They should plan to have a focused digital marketing team and be prepared to invest in technology to support both teams. They should also plan to scale as the brand grows to properly service each franchisee properly.

Partnering with outside firm is also an option. The franchisor could leverage the existing infrastructure, technology, and scalability instead of investing it internally. A partnership would also mean access to subject matter experts both at the deployment and the management levels. It may not be as cost-effective in the initial stages of the partnership and would mean conceding some of the control of the customer experience.

Regardless of the choice to build it or partner with an outside firm, it is best practice to have these systems in place for the franchisees. Many young brands make the mistake of leaving this to the discretion of the franchisee and the results are usually mixed at best. It's not that franchisees don't have the business acumen to work on some of this themselves, they do. However, their passion, and their focus is on what happens inside the unit, in the delivery of the product or service. It's not on the pre-unit and post-unit activities, and in many cases, they don't have the staff or the bandwidth to put proper systems in place.

## B2C CASE STUDY: FOCUSING ON FRANCHISEES PAYS DIVIDENDS

In 2019, a well-known, child entertainment brand recognized the difficulties their franchisees were facing trying to do their own digital marketing and handling all of their customer experience solutions internally. With over 400 units in their portfolio, they recognized that the customer experience was inconsistent and that the digital marketing efforts were yielding lack-luster results. This realization was a result of analyzing the discrepancy between the top-producing units and the lowest-producing units. The conclusion was simple: there was discretionary spend being left on the table. Opportunity costs and inconsistency messaging was having a significant impact on all the franchisees, regardless of where they fell on the internal leader board in terms of revenue.

Forward-thinking management decided to act and investigated partnering with an outside firm who had the expertise, technology, staff, and management personnel to help all of the franchisees in their brand. Here's a look at the results:

- Customer experience.* The corporate office made the decision to have a centralized customer experience department. This team would focus on emails, live chat, and phone support, inbound and outreach. It was a technology-enabled team of subject matter experts who focused on white-glove customer experience as well as monetizing the engagements with the consumer customers via up-sell and cross-sell opportunities. The increase in customer satisfaction in timely response to inquiries or complaints relieved the franchisees and their staff. There was less animosity in the units and the customer – staff engagements were considerably more positive because the pre-unit experience set very positive expectations with eh customers. From an ROI perspective, the franchisees (and the brand as a whole) saw a 28% increase in revenue in the first year from an increase in birthday party bookings, additional memberships, additional food sales, and additional group parties, including local company outings. The focus on the customer and the expertise in handling the customer experience properly had lasting economic impact.
- Digital marketing.* The digital marketing team was also a partnership decision. Corporate wanted to ensure they were developing a national message that was tailored to the regions in the specific franchisee territories. The strategy was to include social media channels, SEO, and SEM with a specific focus on customized content as the first priority and the ad spend as a secondary one. The franchisees saw a lift in sales of 17% in the first year as well as additional organic traffic from loyal customers who brought friends and families into the parks.

## THE MARKETING CHALLENGES OF FINDING NEW FRANCHISEES

Anyone familiar with the franchise industry knows that one of the most coveted acquisitions for a brand is a new franchisee. Paramount to the success and growth of a brand, franchisees represent the foundation, adding breadth and depth to the influence and reach of the brand itself. Often referred to as the “Golden Goose,” franchisors are in constant search of the next best franchisee candidate. Good franchisors will take steps to ensure

that the new franchisee is a good fit for the brand. It is important to both the franchisee and to the brand that there is a good match.

Finding these candidates, however, is often easier said than done. And many young brands make the mistake of taking the approach that “more is better” and focus on the “sale” instead of the “fit” and they often find themselves with disenfranchised franchisees who no longer want to be a part of the brand any more than the franchisor wants them to be a franchisee.

In short, a good franchisor will not only establish clear guidelines on the ideal candidate for their brand, but they will also control as much of the recruiting process as possible.

There are two primary ways to recruit candidates for your brand:

1. *Marketing and lead-generation firms.* There are firms that are experienced in helping generate candidates for your brand. Like with any others method you choose, not all will be created equal. A good marketing firm should be experienced with finding candidates, should work collaboratively with your brand and your management personnel, and you should offer you some semblance of control over the process. Like with any marketing strategy, this should also be data centric, have discipline and flexibility, and represent your brand properly in the marketplace.
 

Most marketing firms will operate on a subscription basis. This has mitigated risks. If they can produce good, quality candidates, it is likely to cost you less in the long run, in comparison with the consultant commissions. However, the subscription approach usually implies you are paying as you go for marketing efforts, and depending on your sales cycle, it may take some time to recover your investment.
2. *In-house systems.* In the early stages of a franchisor’s development, there is probably no one more qualified to help a candidate understand the value of investing in the brand than the founder. After all, it is the passion for the product or service that the franchisee is investing in anyway. However, founders are usually busy running their business and managing the locations in some day-to-day capacity. So, for an in-house system to work properly, the franchisor is going to need internal talent who can represent the brand with the same passion as the founder. What’s more, they will need to have both client services and sales business acumen, and the franchisor will have to provide them with tools to properly seek out and engage candidates. These systems will likely include email efforts, calling, social media efforts like LinkedIn, mailing efforts and the like. The executives will be responsible for helping develop the system as well as keeping up with the candidates in their various stages of development.

Regardless of the methods you choose, begin with the “fit” first. Making sure that your candidates are a good match for your culture and your brand is critical to the long-term success of your franchisees and, ultimately, your brand. Happy franchisees who are financially healthy will serve as good validators and will make your brand more valuable. In contrast, unhappy franchisees, or franchisees who are not financially successful

can cause long-term problems, and worse yet, end up a failed owner. That isn't good for the owner, and it's a permanent detriment to the brand as it needs to be disclosed on your FDD.

## Franchise Artificial Intelligence Technologies

by guest author Rob Gandley, ScaleSpark AI

Many would instantly think of artificial intelligence as the rise of machines over man conjuring images of the classic movie the Terminator. However, no matter who you ask you'll get many different kinds of answers ranging from technical to conspiracy theories as you try to zero in on it. But what is artificial intelligence, really. Is it good or is it bad? I would suggest it's certainly like any powerful technology that should be built and used for good but constrained for bad. That all said, what is it then. One simple definition is that artificial intelligence is the science of making machines or computers smart. You might have heard of the phrase machine learning algorithms and deep learning. These refer to Artificial Intelligence driven software applications and platforms. Popular well-known platforms like Google and Facebook use machine learning to deliver our search results and news feeds each day. We make our machines smart by giving them access to massive amounts of data and the ability to write, see, hear, talk, move, and even understand on some level. But never fear you will always be needed and there will be plenty of opportunities for humans to work with machines to produce better results for both themselves and others. In fact, many view AI as a way to access super human powers to augment their daily work tasks and help them accomplish their goals cheaper, faster, and more efficiently.

### THE ESSENTIAL DIFFERENCE BETWEEN AI TECHNOLOGY AND TRADITIONAL TECHNOLOGY

You might be thinking, *Why make computers smarter?* Essentially artificial intelligence driven technology is about helping you make better decisions and predictions about the future. These machine learning algorithms (sets of rules in programming) are actually adapting as they learn. The first point to look at in that last sentence is that these rules are built to evolve as the computer learns by the data it's receiving. But keep in mind, we have to tell it what to look for and what the rules are. We humans provide the starting point by trying to solve a particular problem in our business. But more on our role later. We talked about the computer actually "seeing" earlier. As an example, Facebook can process images and be taught what to look for. The Facebook algorithm is trained to keep you engaged and so it will work to serve pictures of friends or brands you engage with. The difference in AI driven technologies is the computer coding algorithm is changing as it learns but in traditional information technologies the coding is static until a human changes it. Advances in mobile technologies like Wi-Fi and 5G coupled with lower data storage costs, computing speed and other information technologies have paved the way for AI based applications, business models and services to grow exponentially in the coming decade. Buckle up because we're in for quite a ride over the coming years. It will feel normal for future generations but the speed of change will pass many by in the coming years.