

The Metaverse Awaits: Using the Newest Technology

Why the metaverse is the best way to set franchise systems apart from the competition. By Jill Klein and Trish MacAskill, special counsels at Akerman

With the proliferation of franchise systems, a great number of franchisors are in ever-sharpening competition with one another. Suppose you would like someone to build you a swimming pool, waterfall or koi pond. Chances are, there's a franchise for that, and probably, more than one eager to beat out the others for your business. In many industries, such as food and beverage, the competition between franchise concepts is out of this world.

Franchise systems compete on every front: for better brand recognition, a greater share of the consumer or B2B market, deeper customer loyalty, more social media engagement, better talent acquisition and retention, better locations, greater operational efficiency, more dependable and affordable sources of supply, to be more sustainable and environmentally friendly, and in the franchise sales arena.

For the most part, franchise development professionals are all using the same sales and marketing tools, lead generation techniques and resources to locate and market their franchise to the same pool of prospects. Finding a way to be – and stay – out in front of trends, particularly in the technology arena, will result in a system rising to the top. And, like other advances in our digital technology, the metaverse is becoming one of the new ways in which franchise systems are setting themselves apart from the competition.

What is the metaverse? As Whatis.com has it: The metaverse is “a virtual world where billions of people [could]live, work, shop, learn and interact with each other -- all from the comfort of their



couches in the physical world. In this world, the computer screens we use today to connect to a worldwide web of information have become portals to a 3D virtual realm that's palpable -- like real life, only bigger and better. Digital facsimiles of ourselves, or avatars, move freely from one experience to another, taking our identities and our money with us."

So what is the point?

Using the metaverse not only for brand promotion, but for the

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actual franchise sales process, as well as for recruiting talent, training and onboarding new franchisees, educating the franchise system with updates, designing the interior and exterior of the store or restaurant, and engaging more frequently with customers, will contribute

to profit, value, and system efficiencies.

While many franchisors and consumers are sceptical about the metaverse and are taking a "wait and see" approach, others are jumping in and already making money at it, mainly through the sale and use of non-fungible tokens (NFT). An NFT, as most readers will know, is a type of cryptographic asset that is unique and used to create and authenticate ownership of digital assets. It is increasingly used as the currency of the digital world.

How does it work?

In February 2022, the franchise Chick'nCone started selling NFTs allowing token holders to share in royalties and fees. The concept is bringing the NFT world together with its real-world restaurants. Each NFT represents ownership of a certain geographic area, typically a real-world county. The token holder will receive 50 percent of the initial franchise fee and a 2 percent royalty on sales at all locations in that territory. If Chick'nCone opens in the territory in which the token holder owns an NFT, he or she gets a share of the proceeds.

NFTs are becoming a popular method to engage the consumer to increase brand recognition and brand loyalty. Before offering the tokens, a franchisor should ensure that the artwork is original, the sale is connected to a "smart" contract to establish ownership, and that the ownership is recorded on a secured public registry created by the token offeror. The sale of NFTs themselves is also profitable, at least in the short term, and can provide a stream of revenue as the tokens are bought and sold.

Another use of an NFT that engenders loyalty is the creation of a unique set of NFTs for a limited-time offer. Proceeds are then used to contribute to a charity. Quiznos engaged in such promotion in late 2021, offering the "Out of this World" sandwich coins, donating proceeds to support a nonprofit organization focused on ending hunger for





communities and countries in crisis.

Creating a brand experience in a completely new way

Then there is Build-A-Bear Workshop, Inc., partnering with Roblox, a global virtual platform and Gamefam, a professional developer and publisher, to launch Build-A-Bear Tycoon into the metaverse. In December 2022, the company released a new kid-friendly, virtual community space in the digital world where users can create and share virtual experiences with friends, and build their own fantastical Build-A-Bear universe, experiencing the brand in an entirely new way. The users build their own workshop, create a community of locations, and explore the town with collectible furry friends. Build-A-Bear also offers special codes for in-experience redemption through their stores and digital currency to Tycoon users, called Bear Bucks. Build-A-Bear Tycoon is the next gen of Build-A-Bear's foray into the interactive virtual gaming world with its launch of Bearville nearly a decade ago. For franchise brands in some

sectors, it looks to be too early to enter the metaverse. In the home services franchise sector, in particular, the metaverse is more of a challenge when the services to be provided require a physical presence and cannot be rendered virtually. According to Ali Tafreshi, Chief Information Officer of Authority Brands, a multi-brand franchisor that offers home service franchises providing pool maintenance, repair and renovation, plumbing services, cleaning services, painting, pressure washing, dog waste clean-up, in-home caregiver services and more, there nevertheless are opportunities for service brands to use the metaverse. Tafreshi says, "The metaverse could provide a virtual view of equipment needing repair, or access to maintenance and repair instructions to pinpoint and troubleshoot a piece of faulty equipment."

Tapping into a younger demographic

For these brands, developing and leveraging digital technology advances in machine learning and AI in ways that improve the performance of services in real

life is taking precedence over the need to immediately enter the metaverse. Entrepreneurs are using these technologies to develop chatbots for online customer service, service offer pricing, preventative service maintenance; scheduling apps, and route optimization. Franchisors' investments in machine learning and AI are having a positive impact by enhancing the customer experience, saving on fuel costs, allowing technicians to service more customers in a day, and cutting down on supply waste.

Most franchisors entering the metaverse do so to create interactive experiences whereby the consumer plays a game and earns points, and theoretically, becomes more bonded to the brand. The consumer redeems those points to buy food or products. Very few are following Chick'nCone into actually integrating franchise sales into their offerings. Some, like McDonald's, are incorporating the capability of ordering food at a metaverse McDonald's to then have the food physically delivered to the users' homes. They are hopeful that this will entice the younger demographic to frequent their restaurants. Some brands are also offering branded merchandise that you can have your avatar wear to help promote the brand.

Aside from the business-to-consumer brand promotion, many franchise systems are using the metaverse platform to provide a 3D experience for training and product development. During the pandemic lockdowns of the last two years, innovative companies found many creative ways to continue business, including the use of video communication platforms, such as WebEx and Zoom. We are now seeing companies take it beyond 2D and into 3D for an enhanced experience.

A restaurateur can create a "digital twin" of a restaurant, and that space can be a site for hands-on training. These digital

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twins can be incorporated into a franchisor’s operations manual, enhancing the onboarding and training experience without the expense of workers having to travel to a franchisor’s site for training.

What should franchisors consider?

For those franchisors who are considering moving into the metaverse, there are many components to consider such as protecting your trademark; compliance with cyber security and privacy laws; and compliance with franchise laws if the franchisor is delivering products or services in the real world. Franchisors should partner with a consultant, and experienced franchise counsel to create a strategy for the most effective way to enter the metaverse, yielding the highest return while complying with the relevant standards and regulations.

As franchisors embark on the campaign to use and capitalize

on the metaverse, still other issues should come into focus: Should national advertising money be incorporated into the metaverse efforts, or be treated as a separate marketing tactic or strategy? What contract provisions need to be adopted or modified in franchise agreements and in the franchise disclosure document, given the impact the metaverse may have on protected territories in the real world and how revenues generated in the metaverse are shared with the system?

While entering the metaverse might seem daunting, vetting a qualified team of consultants to assist with developing a well-thought out strategy, a “small-step approach,” can be full of opportunities. Creating a metaverse presence with a “WOW” factor can yield a positive financial return and provide the competitive edge to set your franchise system apart from all the others.

At a Glance Akerman LLP

Year Established: 1920

Number of locations: 24

Size: 700+ lawyers

Franchise clients: Franchise Clients: 150 brands, 20+ states domestically, 80+ international markets entered into

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