



Recognizing Engagement Levels in Your Franchise System

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As a Franchisor, the following checklist provides you with a definition of the degree of engagement in the majority of franchise systems. If you can move franchisees where you can shift the % of engaged franchisees, your results will provide you with exponentially greater results, profitability, and franchisee satisfaction. Gerson Advisory Services recommends that you use this checklist to review franchisee behaviors against these indicators quarterly, that you track engagement trends over time to identify system-wide patterns, and that you develop targeted interventions for each engagement category. You must create specific strategies to move your franchisees up the engagement scale.

Engaged Franchisees ($\pm 25\%$ of typical franchise systems)

Business Performance:

- Consistently meets or exceeds revenue and performance metrics
- Shows strong unit economics with healthy profit margins
- Maintains exemplary quality and operational standards
- Often operates multiple units or actively plans expansion

Relationship with Franchisor:

- Communicates regularly and constructively with franchisor representatives

- Participates actively in system-wide calls, meetings, and conventions
- Offers thoughtful feedback aimed at system improvement
- Serves on franchisee advisory councils or committees
- Volunteers to pilot new programs or initiatives

Brand Representation:

- Strictly adheres to brand standards in all aspects of operation
- Invests in local marketing beyond required spending
- Serves as a positive brand ambassador in the community
- Willingly shares successful practices with other franchisees
- Represents the brand proudly on social media and in public forums

Future Orientation:

- Discusses long-term goals and planning with franchisor
- Reinvests in facilities and equipment beyond requirements
- Proactively develops staff with system values and practices
- Stays informed about industry trends affecting the brand
- Expresses interest in renewal well before agreement expiration

Not Engaged Franchisees ($\pm 55\%$ of typical franchise systems)

Business Performance:

- Meets minimum performance requirements but rarely exceeds them
- Shows average unit economics with acceptable margins
- Complies with brand standards during inspections but may slip between visits

- Content with current unit count without growth plans

Relationship with Franchisor:

- Responds to franchisor communications but rarely initiates contact
- Attends required meetings but minimal participation
- Provides feedback only when explicitly solicited
- Limited involvement in system initiatives beyond requirements
- Minimal connection with other franchisees in the system

Brand Representation:

- Maintains basic brand standards but may seek exceptions
- Invests exactly the required amount in local marketing
- Neutral representation of the brand in the community
- Limited sharing of best practices with other franchisees
- Minimal presence on brand-related social media or forums

Future Orientation:

- Operates with short to medium-term business horizon
- Maintains facilities and equipment to minimum standards
- Provides basic staff training on operational requirements
- Moderate interest in industry trends
- Undecided about renewal until late in agreement term

Actively Disengaged Franchisees ($\pm 20\%$ of typical franchise systems)

Business Performance:

- Often fails to meet system performance averages

- Shows below-average unit economics with compressed margins
- Requires frequent compliance follow-up and remediation
- Expresses regret about franchise investment

Relationship with Franchisor:

- Communication characterized by complaints or disputes
- Minimal attendance at system meetings or events
- Feedback focused primarily on grievances
- Resistance to system changes or initiatives
- May seek to organize other franchisees against franchisor policies

Brand Representation:

- Inconsistent adherence to brand standards
- Minimal or reluctant investment in required marketing
- May speak negatively about the brand or franchisor
- Withholds successful practices from the system
- May publicly criticize the brand or system

Future Orientation:

- Focuses on short-term results or exit strategy
- Defers maintenance and reinvestment when possible
- Minimal investment in staff development
- Limited interest in evolution of the industry or brand
- Actively explores selling or terminating the franchise agreement

Engagement Movement Indicators

Signs of Improving Engagement:

- Increased voluntary communication with franchisor
- Higher participation in optional system events
- Growing investment in facilities or marketing
- More collaboration with fellow franchisees
- Increasing alignment with brand values in decision-making

Signs of Declining Engagement:

- Decreasing responsiveness to franchisor communications
- Reduced participation in system activities
- Slipping operational standards between inspections
- Withdrawal from franchisee community
- Increasing focus on contractual minimums rather than brand excellence

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