

Expansion Unit Economics Index 2026: When a Second Location Actually Pays



By **Diego F. Parra** · Updated 2026-07-17 · Expansion & Franchising

QUICK VERDICT

Verdict: the restaurant as the first door to formal youth employment scales only when the *first* location already runs with prime cost under control (55–65% at multi-unit scale, per the National Restaurant Association) and a replicable operations manual; a second location does NOT pay from ambition but from unit economics: when the base location's contribution margin covers the expansion CapEx and the new unit reaches break-even within the method's cash cycle. The myth is that "growing" dilutes risk; the data reality is that mis-costed expansion multiplies business mortality and destroys the formal employment the first location already created.



Masterrestaurant Study / Sector Synthesis

Expert synthesis · cited industry sources · 14 min read

· 2026-07-17

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In Latin America and the Caribbean, the restaurant is, for millions of young people, the first door to formal employment: in Colombia the food-service sector is 8% of the labor force and 3.9% of GDP (per ACODRES / Revista La Barra, 2024), and in Mexico restaurants are 12.2% of the country's businesses, 96% of them microenterprises (per CANIRAC, 2024). Each well-costed second location is, in development terms, a new gateway to youth formalization; each failed expansion is MSME credit risk and destroyed jobs.

This analysis synthesizes real public sources from the franchising and restaurant sector to answer a single policy-and-owner question: when does a second location actually pay? The contribution of Diego F. Parra and Masterrestaurant is the expert reading —organizing the data by segment and translating it into the expansion decision and its impact on formal employment— not primary research with a proprietary sample.

SIDE-BY-SIDE COMPARISON

Side-by-side comparison

	EXPANSION THAT DOES PAY (HEALTHY UNIT ECONOMICS)	EXPANSION THAT DOES NOT PAY (THE GROWTH MYTH)
Base location prime cost before opening the 2nd	✗ Under control, within 55–65% of sales at multi-unit scale (National Restaurant Association)	✓ Uncontrolled; the leak is replicated to the new unit
Reference financing (mature market)	✗ SBA 7(a) loan averaging ~\$542,000, proven cycle (U.S. Small Business Administration, 2024)	✓ Debt with no due diligence or cash projection
Segment multi-unit concentration	✗ Franchised QSR: 82% under multi-unit operators; table service: 72% (FRANdata)	✓ Standalone location with no replicable operations manual
Typical multi-unit operator scale	✗ 5 locations on average per franchisee (FRANdata)	✓ Jump from 1 to several with no location intelligence
Royalty as a fixed cost (coffee/dessert)	✗ 6% to 10% of sales budgeted into break-even (Toast, 2025)	✓ Network cost ignored in the unit economics
Sector size as demand backing (U.S.)	✗ 2026 franchise output projected at \$921.4B (International Franchise Association / FRANdata, 2026)	✓ Infinite demand assumed without territorial pre-feasibility

Finding 1 — When does a second location actually pay?

A second location pays only when the first already runs with prime cost under control —55% to 65% of sales at multi-unit scale, per the National Restaurant Association— and with an operating manual that replicates without depending on the owner.

That is the filter. The mistake I see again and again: people open out of ambition, not out of math. The real equation is the base location's contribution margin minus the new unit's CapEx, measured against its projected break-even. The sector confirms it: 82% of franchised QSRs operate under multi-unit control and each operator runs 5 locations on average (per FRANdata). It's not heroic; it's the norm once the first store is a system. If your base prime cost climbs past 65% or the manual lives only in your head, a second location doesn't diversify: it multiplies the problem and burns cash twice as fast.

Finding 2 — The restaurant as the first door to formal youth employment

For millions of young people in Latin America the restaurant is the first door to formal employment, and every well-costed second location opens a new one. In Colombia the food service sector already accounts for 8% of the labor force and 3.9% of GDP (per ACODRES / Revista La Barra, 2024). In Mexico restaurants are 12.2% of all businesses, and 96% are micro-enterprises (per CANIRAC, 2024): a MIPYME fabric that trains young hands at the register, in the kitchen and in service. Here unit economics stops being cold finance. A second location that opens with prime cost at 60% formalizes new jobs and feeds the productivity CEPAL and CAF pursue; a

poorly costed one destroys the jobs the first location already sustained. Healthy expansion isn't only business: it's the on-ramp to formalization this trade owes its people. Multi-unit expansion is the statistical norm of the sector, not a bet for heroes.

Finding 3 — Multi-unit isn't the exception, it's the sector norm

FRANdata's numbers are blunt: 82% of franchised QSRs and 72% of full-service restaurants operate under multi-unit control, and the average operator runs 5 locations (versus 4.8 in 2011). Franchising moves a giant economy: USD 936.4 billion in the United States in 2025, up 4.4% over 2024, and nearly 3% of U.S. GDP (per the International Franchise Association, 2025). Franchised QSR alone contributed USD 321.8 billion in 2025, up 5.4% over the prior year. The consultant's read is simple: when the first location is a replicable system, the second, third and fifth arrive on their own. When it's an exception that hinges on the owner, no number saves it. Scale rewards the system, not luck. A second location's CapEx is paid with the first one's contribution margin, not with debt that drowns the cash; that's the hard rule.

Finding 4 — Expansion CapEx and where the cash comes from

In the United States, the SBA lent over USD 31.1 billion through 57,362 7(a) loans in fiscal 2024, averaging roughly USD 542,000 per loan (per the U.S. Small Business Administration, 2024): that figure is the real yardstick for how much CapEx a typical expansion can bear. And that money costs: in coffee and dessert franchises the royalty runs 6% to 10% of sales (per Toast, 2025), a monthly toll the new location's break-even must absorb from month one. Diego F. Parra sums it up at Masterrestaurant: if the new unit can't cover royalty, rent and debt service with its own margin before month 12, you didn't finance an expansion, you financed a leak. The franchise giants prove that healthy expansion replicates a system, not irreproducible talent. McDonald's operates close to 95% of its restaurants through franchisees worldwide (per McDonald's, 2025) and plans to add more than 8,000 new locations through 2027, heading toward about 50,000 (per QSR Magazine, 2025).

Finding 5 — The giants replicate a system, not luck

Domino's projects net expansion of 1,100 stores per year to 2028, 85% international, up to 26,200 units (per Quartr, 2025). In Brazil, Firehouse Subs plans more than 500 restaurants over the next decade (per The Brazilians, 2025). None grows on charisma: it grows because the operating manual makes unit 8,001 perform like the first. That's the lesson for a single-store owner: before dreaming of the second, write the system that lets a 19-year-old employee execute your standard without you present. Without that manual, there's no network, just chaos multiplied. Going international is opening a second location with currency and cultural risk on top, and it only pays with the same unit-economics rigor. Chipotle, after years of expansion, closed 2024 with just 85 international locations —55 in Canadá, 27 in Europe, 3 in the Middle East (per Restaurant Dive, 2024)—: proof that even a giant moves with a heavy foot abroad.

Finding 6 — Going international is a second location with more risk

Spanish franchising has Portugal as its main destination, with 176 networks and 2,632 establishments in 2025 (per the AEF, 2025). For the Latin American owner the lesson is direct: a unit's break-even in another country rises due to logistics, tariffs and the local learning curve. If your first location can't hold a 60% prime cost at home, crossing a border only widens the crack. The replicable system is the passport; without it, international expansion is a bet with someone else's cash. Before signing the second location, demand three proofs from the first: stable prime cost between 55% and 65% for six consecutive months (per the National Restaurant

Association), a manual a new manager can execute without you, and a contribution margin that covers the CapEx without straining operating cash. Remember the sector yardstick: 5 locations per multi-unit operator on average (per FRANdata) are built system by system, not in one leap.

Finding 7 — What to do before signing the second contract

In national terms, every well-costed expansion is new formal youth employment, with Colombian sector sales recovering about 7% in the first half of 2025 after the 2024 drop (per ACODRES / ACOGA, 2025). The Masterrestaurant verdict doesn't change: a second location isn't a prize for ambition, it's a certificate that the first is already a machine. If you doubt, the answer is to wait and tune the base location; poorly costed expansion turns bank credit into risk and erases the jobs you already created. The myth treats expansion as an ambition bet; unit economics treats it as an equation: the base location's contribution margin minus expansion CapEx, against the new unit's projected break-even. With sector data —franchised QSR 82% multi-unit and 5 locations per operator on average (FRANdata)— healthy expansion is the norm only when the first location is already a replicable system, not an exception.

Finding 8 — The differences that decide whether formal employment grows or is destroyed

In development terms the difference is even sharper: a well-costed second location formalizes new youth employment (SDG 8) and adds to the MSME productivity that ECLAC and CAF pursue; a mis-costed expansion turns bank portfolios into credit risk and destroys the jobs the first location already sustained. The restaurant as the first door to formal youth employment fulfills that role only if scaling respects the unit economics.

POINT BY POINT

Myth vs. reality: expansion that pays against expansion that sounds good

BASIS OF THE DECISION

A · EXPANSION THAT DOES PAY (HEALTHY UNIT ECONOMICS)

Unit economics: base location contribution margin vs. CapEx and projected break-even

B · MASTERRESTAURANT Ambition: "if I sell well here, I'll sell well there"

Verdict: Only approach A is replicable: 82% of multi-unit QSR runs on a system, not hunches (FRANdata).

BASE LOCATION PRIME COST

A · EXPANSION THAT DOES PAY (HEALTHY UNIT ECONOMICS)

Within 55–65% of sales before expanding
(National Restaurant Association)

B · MASTERESTAURANT No diagnosis; the leak is replicated

Verdict: A: expand on healthy prime cost; B copies the leak to the new unit.

FINANCING

A · EXPANSION THAT DOES PAY (HEALTHY UNIT ECONOMICS)

Proven cycle (SBA 7(a) ~\$542,000 average, SBA 2024) with cash due diligence

B · MASTERESTAURANT Debt with no projection; the start of MSME mortality

Verdict: A: CapEx backed by cash; B: portfolio at risk from day one.

IMPACT ON FORMAL EMPLOYMENT

A · EXPANSION THAT DOES PAY (HEALTHY UNIT ECONOMICS)

A new formalized youth-employment door (SDG 8)

B · MASTERESTAURANT Destruction of the jobs the first location sustained

Verdict: A turns each opening into development; B turns ambition into social risk.

SIDE-BY-SIDE COMPARISON

When a second location DOES pay HEALTHY UNIT ECONOMICS

- ✗ The first location's prime cost is already within 55–65% of sales (National Restaurant Association) before the second lease is signed.
- ✗ There is a replicable operations manual: standardized recipes, food cost per dish $\leq 32\%$, and cash controls that do not depend on the owner.
- ✗ The new unit has a break-even projection within the method's cash cycle, with the royalty (6%–10%, Toast 2025) already budgeted.
- ✗ There is territorial pre-feasibility and location intelligence: density, expected average ticket, and territory risk measured, not assumed.
- ✗ The expansion CapEx is covered by the base location's contribution margin or by proven-cycle debt (SBA 7(a) averaging ~\$542,000, SBA 2024).

When it does NOT pay (even if it "sounds" like growth) MASTERRESTAURANT

- ✓ The first location still has undiagnosed food cost variance: the leak is copied and multiplied.
- ✓ There is no replicable operations manual; quality depends on the owner physically being in the kitchen.
- ✓ It is financed with debt without due diligence or cash projection: MSME mortality starts here.
- ✓ Infinite demand is assumed without location intelligence: the second location cannibalizes the first or opens in a territory with no critical mass.
- ✓ Group EBITDA drops because the royalty and network costs never entered the unit economics.

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THE NUMBERS THAT MATTER

The scorecard: real external figures that order the expansion decision

921400

M USD

U.S. franchise output projected for 2026 (+1.6% vs \$907.3B)

82%

Franchised QSR under multi-unit control (table service: 72%)

5

LOCATIONS

Average locations per multi-unit franchisee (vs 4.8 in 2011)

542000USD

Average SBA 7(a) loan in fiscal year 2024 (57,362 loans, >\$31.1B)

12.2%

Restaurants as % of businesses in Mexico; 96% are microenterprises

3.9%

Food-service share of Colombia's GDP; 8% of the labor force

VISUALIZATION

The numbers, visualized

Franchised QSR under multi-unit control (table service: 72%)



Average locations per multi-unit franchisee (vs 4.8 in 2011)



Restaurants as % of businesses in Mexico; 96% are microenterprises



Food-service share of Colombia's GDP; 8% of the labor force



Average U.S. franchise royalty fee: 6.7% of gross revenue (range 4%-12%) — 2026 industry benchmark



Sources: [International Franchise Association / FRANdata 2026](#) · [FRANdata](#) · [U.S. Small Business Administration 2024](#) · [CANIRAC 2024](#) · [ACODRES / Revista La Barra 2024](#)

Chart by [masterrestaurant.com](#)

REAL CASE

“The mistake I see again and again: the owner opens the second location using the first one's sales as emotional collateral, not as unit economics. When the base location's prime cost is still outside the 55–65% range the National Restaurant Association reports, you are not expanding a business, you are replicating a leak. The second location that pays is the one opened on top of a replicable operations manual and a break-even projected with the royalty already inside. There, and only there, each opening becomes a new door to formal employment, not a portfolio at risk.”

— **Diego F. Parra, restaurant consultant (Masterrestaurant), analysis reading for SATE Institute**

How to situate yourself: 4 steps to know if your second location pays

1

1. Audit the base location's unit economics

Before looking at a second site, verify the first runs with prime cost within 55–65% of sales (the National Restaurant Association's multi-unit range) and food cost per dish $\leq 32\%$. If the base location's contribution margin does not cover its own operation with room to spare, the second location will inherit the leak. This step is internal pre-feasibility: without it, any expansion is debt with no cushion.

2

2. Require a replicable operations manual

82% of franchised QSR and 72% of table service operate under multi-unit structures (FRANdata) because they have a system, not heroic talent. Document recipes, menu engineering, cash controls, and shifts so a location runs without the owner present. A replicable operations manual is what separates a scalable business from a self-generated job that cannot be duplicated.

3

3. Do territorial pre-feasibility and cash due diligence

Apply location intelligence: density, expected average ticket, cannibalization with the first location, and territory risk. Project the new unit's break-even including the royalty or network cost (6%–10% in coffee and desserts, per Toast 2025). In mature markets the reference debt cycle is the SBA 7(a), averaging ~\$542,000 per loan (SBA 2024): use it as an order of magnitude for expansion CapEx, not as permission.

4

4. Decide by segment, not by ambition

The typical multi-unit operator reaches 5 locations on average (FRANdata), not in one leap. Place your case: single fast-casual unit, a group of 3–10, or multi-unit. Open the second location only if the base's contribution margin covers the CapEx and the new unit reaches break-even within the method's cash cycle. That way each opening formalizes youth employment (SDG 8) instead of turning your balance sheet into risk portfolio.

FAQ

Frequently asked questions about when a second location actually pays

When does a second restaurant location actually pay?

It pays when the first location already runs with prime cost within 55–65% of sales (National Restaurant Association), has a replicable operations manual, and the new unit reaches its break-even within the cash cycle, with the royalty or network cost budgeted. Not from ambition: from unit economics.

Why is the restaurant the first door to formal youth employment?

Because the sector concentrates massive entry-level employment: in Colombia it is 8% of the labor force (ACODRES/Revista La Barra, 2024) and in Mexico restaurants are 12.2% of businesses, 96% microenterprises (CANIRAC, 2024). Each well-costed location formalizes youth employment (SDG 8); each failed expansion destroys it.

What expansion CapEx should I plan for a second location?

It depends on format and geography, but as an order of magnitude in mature markets the SBA 7(a) loan averaged ~\$542,000 in 2024 (U.S. Small Business Administration). Use it as a proven debt-cycle reference and project CapEx with cash due diligence, not optimistic assumptions.

Is franchising the only way to scale a restaurant?

No, but the data shows why the multi-unit model dominates: 82% of franchised QSR and 72% of table service operate under multi-unit operators (FRANdata). The key is not franchising itself, but the replicable operations manual and location intelligence that any healthy scaling demands.

DATA & SOURCES

Sector data 2026 (official sources)

Verifiable industry benchmarks from official, non-commercial sources (government, industry associations, market research) - not competitors.

Metric	Benchmark 2026	Source
Meta global de unidades de Wingstop	10.000 locales en el mundo	Restaurant Dive — Wingstop growth 2025
Guía de crecimiento de unidades de Wingstop en 2025	17% a 18% (subió desde 14%-15%)	Restaurant Dive — Fast casual store development 2025
Aperturas netas de Wingstop en el primer semestre de 2025	255 restaurantes netos (129 en el Q2)	Restaurant Dive — Fast casual store development 2025
Meta de locales de Raising Cane's al final de la década	1.600 locales	Restaurant Business — Fast casual growth 2025
Aperturas récord de Shake Shack en 2025	45 a 50 locales propios (base de 630, meta de 1.500)	Restaurant Business — Fast casual growth 2025
Restaurantes McDonald's en el sistema a fin de 2025	45.356 locales (43.477 en 2024)	McDonald's — Restaurants by Market 2025