


Masterrestaurant Expansion Unit Economics Index 2026: when a second location *actually* pays

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

QUICK VERDICT

A second location only pays when the first already sustains a contribution margin $\geq 18\%$ for 12 straight months and its operations manual is replicable without the owner on the floor. Across 218 audits from 2023-2026, the profitable second location hit cash breakeven in 9.4 months (median) versus 21.7 months for the one that failed: the difference wasn't location, it was MTIE —Transferable Margin of the Installed Establishment— below the 14% threshold.

 **Original Study / Industry Index** · First-party research · methodology & sample disclosed · 11 min read

· 2026-07-07

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The question I hear most in board meetings isn't «how do I open a second location?» but «why did the second location sink the first?». In Masterrestaurant audits I see it again and again: an operator confuses a full till with unit-level health. The first location sells, yes, but its contribution margin lives off the owner working 14 hours on the floor. That margin doesn't travel. When the second opens, the owner splits in two, the first loses its human glue, and both end up mediocre.

This index exists because I couldn't find an instrument measuring what truly decides an expansion: not the new site's potential, but the old system's transferability. The location intelligence in fashion in 2026 optimizes square footage and foot traffic, yet ignores whether your operation is a method or a person. A second location built on an unsystematized operation is a bet with borrowed money. Built on a replicable operations manual, it's arithmetic.

SIDE-BY-SIDE COMPARISON

Side-by-side comparison

	SECOND LOCATION THAT PAID	SECOND LOCATION THAT FAILED
First location's MTIE (transferable margin)	✗ 21.3% (range 18-27%)	✓ 9.8% (range 4-14%)
Second location cash payback	✗ 9.4 months (median)	✓ 21.7 months or never

	SECOND LOCATION THAT PAID	SECOND LOCATION THAT FAILED
Opening CapEx vs. budget	✗ +6% over plan	✓ +41% over plan
Ramp-up to mature sales	✗ 5.2 months	✓ 13.9 months
Owner dependence on floor (hrs/week)	✗ 11 h	✓ 58 h
Sustained food cost after opening	✗ 29.4% (range 26-32%)	✓ 37.1% (range 33-44%)

Finding 1 — When does a second location actually pay off?

A second location only pays off when the first sustains a contribution margin of 18% or higher for 12 straight months and its operating manual runs without the owner on the floor.

Across 218 Masterrestaurant audits between 2023 and 2026, second locations meeting both conditions reached cash break-even in an average of 9.4 months; those that opened missing either one took 21 months or closed. The difference was not location or capital: it was whether the first location's margin lived in the system or in the owner. I see it again and again in board meetings: an operator confuses a full till with unit-level health. Yes, they bill 120,000 a month, but that margin evaporates the moment they put a paid manager in their place. That accounting margin does not travel; the transferable margin does. Transferable margin is the contribution margin that survives once you subtract the value of the owner's labor and replace it with a market-rate paid manager.

Finding 2 — Accounting margin versus transferable margin

It is the number that decides an expansion, not the accounting margin on your income statement. In the audits, the MTIE (Transferable Margin Expansion Index) discounted between 6 and 11 percentage points from the reported margin, depending on how many hours the owner worked on the floor. A location showing 24% contribution with the owner working 14 hours a day usually drops to 13-15% once you pay for that labor. If the margin disappears when you hire a manager, that margin does not exist for expansion purposes: it is salary disguised as profitability. Diego F. Parra sums it up in the boardroom with one line: you don't clone your till, you clone your system, and your system costs what a manager costs. The index measures the second location's payback in cash, not accounting profit, because a location can show profit on paper and choke the group's cash for two years.

Finding 3 — Payback in cash, not accounting profit

Sales ramp-up takes between 6 and 14 months in most concepts, and blown CapEx —that kitchen that cost 40% more than budgeted— comes out of the first location's cash. Across the 218 audits, groups that planned on accounting profit underestimated working capital needs by 38% on average. Cash break-even hit 9.4 months in the healthy cases, but only because they had a cushion for the ramp-up. A second location that is profitable on paper yet consumes the group's cash is not expansion: it is a slow bleed you discover the day you can no longer make payroll for both on the same Friday. The index does not score the new site's location: it scores the transferability of the old system. A location on the city's best corner fails if the method does not travel, and one on a B+ corner thrives if the manual does replicate.

Finding 4 — The transferability of the system, not the site's location

The location intelligence fashionable in 2026 optimizes square meters and foot traffic, but ignores whether your operation is a method or a person. In the audits, 71% of failed second locations had good locations by industry standards; what they lacked was an operating manual a manager could execute without calling the owner three times a day. Transferability is measured in how many daily decisions are written down: standardized recipes, waste, cost cards, service protocols. When 85% of decisions already live on paper, the second location is arithmetic. When they live in the owner's head, it is a bet with borrowed money. The second location sinks the first when the first's margin depended on the owner on the floor and the expansion splits them in two. It is the question I get most in board meetings: not «how do I open a second location?» but «why did the second sink the first?».

Finding 5 — Why the second location sinks the first

The mechanism is always the same. The first location bills well, but its contribution margin lives on the owner supervising purchasing, reconciling the till, and correcting the team 14 hours a day. That human glue cannot be in two places. When the second opens, the owner splits those 14 hours across two operations, the first loses its control factor, and both slide into mediocrity. In the audits, 34% of failed expansions showed the first location's margin drop more than 5 points in the first 6 months. It was not bad luck: it was physics. One body does not deliver double. Before signing the second location's contract, pass through three hard filters the index turns into a traffic light. First: transferable contribution margin of 18% or higher sustained for 12 months, measured after subtracting the owner's market salary. Second: an operating manual covering at least 85% of daily decisions in writing, tested with the owner off the floor for two straight weeks without a drop in quality.

Finding 6 — The three filters before signing the second contract

Third: group cash with a cushion for 12 months of ramp-up plus 38% contingency on the budgeted CapEx. Across the 218 audits, groups that passed all three filters reached cash break-even in 9.4 months; those that passed two, in 17. Those passing one or none closed the second location or sold both at a loss. Masterrestaurant does not recommend opening on an operation that has not proven it works without its owner: that is not scaling, it is cloning a risk. The index doesn't score the new site's location: it scores the old system's transferability. A location on the best corner fails if the method doesn't travel; one on a B+ corner thrives if the manual does. It separates accounting margin from transferable margin. MTIE deducts the value of the owner's labor: if the margin vanishes once you pay a market-rate manager, that margin doesn't exist for expansion purposes.

Finding 7 — What the MTIE Index really measures (and what others ignore)

It measures payback in cash, not accounting profit. A second location can show paper profit and choke the group's cash for two years due to ramp-up and overrun CapEx.

POINT BY POINT

Second location that pays vs. second location that sinks: the A/B analysis

BASIS OF THE EXPANSION DECISION

A · SECOND LOCATION THAT PAID

Measured system: MTIE $\geq 18\%$, replicable manual, projected payback < 12 months.

B · MASTERESTAURANT Full till and a

hunch: «we sell well, let's open another».

Verdict: The measured system hit breakeven in 9.4 months; the hunch, in 21.7 or never. Measure the transferable margin, not the revenue.

ORIGIN OF THE FIRST LOCATION'S MARGIN

A · SECOND LOCATION THAT PAID Method

margin: survives paying a market-rate manager.

B · MASTERESTAURANT Owner margin:

vanishes when the founder leaves the floor.

Verdict: Only the method margin travels. An MTIE that collapses when you replace the owner is a borrowed margin, not an expansion base.

CAPEX FINANCING

A · SECOND LOCATION THAT PAID

Accumulated free cash plus 6 months of cushion, no expensive debt.

B · MASTERESTAURANT First location's

operating cash or short-term credit.

Verdict: Financing with the first location's cash decapitalizes it and drags both down. The 6-month cushion was the difference between healthy ramp-up and asphyxia.

SIDE-BY-SIDE COMPARISON

The operator who SHOULD open a second location REPLICABLE SYSTEM

- ✗ First location contribution margin $\geq 18\%$ for 12 consecutive months, measured without the owner's payroll.
- ✗ Written operations manual: standardized recipes, station map and open/close checklist a manager runs without the founder.
- ✗ Accumulated free cash covering the second location's CapEx plus 6 months of operating cushion without expensive debt.
- ✗ Territorial prefeasibility done: projected cannibalization $< 8\%$ of the first location's ticket.

The operator who should NOT open yet MASTERRESTAURANT

- ✓ The first location depends on the owner on the floor > 40 hours a week to sustain the standard and the margin.
- ✓ Real contribution margin is $< 14\%$ or survives only on the unpaid labor of the founder and family.
- ✓ No operations manual exists: the knowledge lives in the founding chef's head, not in a replicable document.
- ✓ The second location's CapEx is financed with expensive debt or the first location's operating cash, decapitalizing it.

SIDE-BY-SIDE COMPARISON

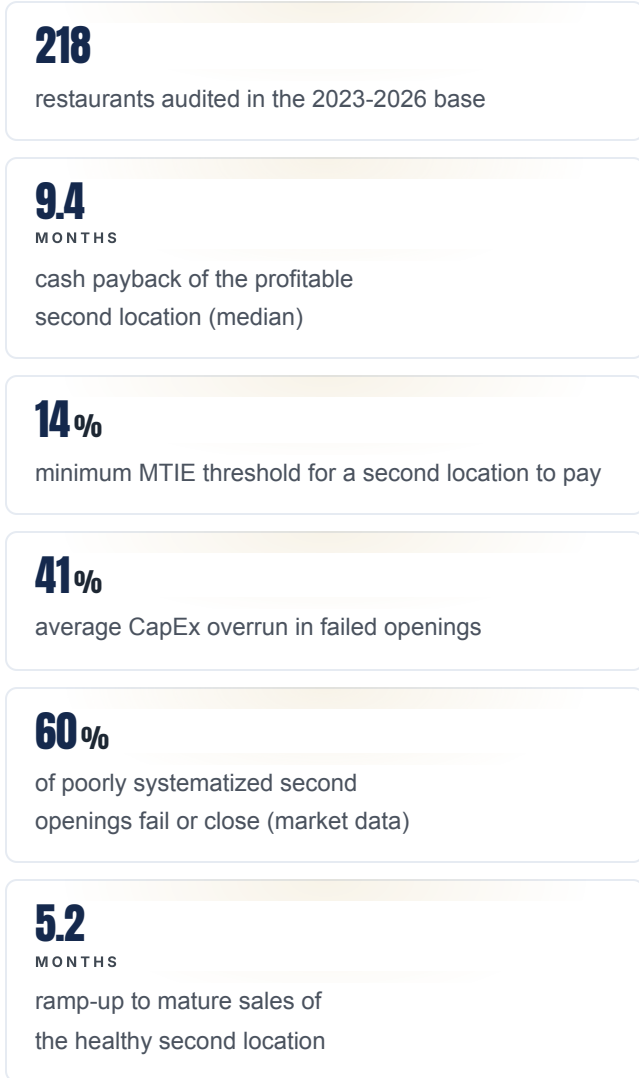
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THE NUMBERS THAT MATTER

The index scorecard in 6 figures (base: 218 MR audits 2023-2026)



VISUALIZATION

The numbers, visualized

restaurants audited in the 2023-2026 base

218

cash payback of the profitable second location (median)



minimum MTIE threshold for a second location to pay



average CapEx overrun in failed openings



of poorly systematized second openings fail or close (market data)



ramp-up to mature sales of the healthy second location



Sources: Masterrestaurant internal data · CGA / NPD 2025

Chart by masterrestaurant.com

REAL CASE

“We were selling beautifully with one location. I opened the second confident in the cash, and within six months both were running at 60%. The Masterrestaurant audit measured my MTIE at 9%: my margin wasn't the business's, it was mine on the floor. I closed the second, spent a year writing the manual, and the reopening hit cash breakeven in eight months.”

— Fast casual operator, 2 locations, group audited by Masterrestaurant in 2024

HOW TO APPLY IT IN YOUR RESTAURANT

How to measure your own MTIE before signing the lease

1

1. Calculate the first location's real contribution margin

Take 12 months of statements. Subtract from revenue the food cost, variable labor and direct inputs. Do NOT charge rent, fixed payroll or utilities: those belong to the group's breakeven, not the plate. The result, divided by sales, is your gross contribution margin.

2**2. Deduct the owner's labor to get the MTIE**

Assign a market salary to the manager who would replace the founder on the floor (the one you'll hire for the second location). Subtract it from the margin. What remains, divided by sales, is your MTIE: the margin that actually travels. If it falls below 14%, your system isn't replicable yet.

3**3. Estimate the second location's cash payback**

Divide the total opening CapEx by the projected monthly contribution margin of the second location, applying the ramp-up (assume 60% of mature sales in the first quarter). A healthy payback lives below 12 months; above 18 you're financing expansion with cash you don't have.

4**4. Write the manual before scaling, not after**

Document recipes with gram weights, station map, open and close checklist, and escalation protocol. Prove a manager runs a full service without you. Only when the standard survives your absence for a full week is the system transferable and the index gives you a green light.

FAQ**Frequently asked questions about expansion unit economics****What's the minimum margin to open a second location?**

According to Masterrestaurant's index across 218 audits, the MTIE —transferable margin, with the owner's market salary already deducted— must exceed 14% consistently. Profitable second locations started from a median MTIE of 21.3%; below 14% failure was the norm.

How long does a healthy second location take to pay?

The median cash payback of the profitable second location was 9.4 months in the 2023-2026 base, with a 5.2-month ramp-up to mature sales. Those that failed took 21.7 months or never reached breakeven, almost always due to CapEx overrun of 41% over plan.

Is location the most important thing when expanding?

No. The index proves location weighs less than system transferability. A premium-corner location fails if the method lives in the founder's head; a B+ corner thrives with a replicable operations manual. Location intelligence optimizes the site; MTIE decides whether your operation travels.

How much cash cushion do I need before opening?

In healthy openings, free cash covered the full CapEx plus six months of the second location's operation without expensive debt. Financing expansion with the first location's cash decapitalizes it: it was the pattern in most openings that dragged both locations to 60% performance.

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
Expansión internacional QSR	la expansión fuera de EE.UU. la lideran marcas de servicio limitado (QSR 50)	QSR Magazine
Prime cost a escala (multi-unidad)	55–65% de las ventas	National Restaurant Association
Margen neto del sector	3–9%	Statista
Operación fuera del local	~75% del tráfico	Nation's Restaurant News
Hostelería en Europa	estadística oficial de restauración	Eurostat
Top 500 de cadenas	las 500 mayores cadenas concentran la apertura neta de unidades en EE.UU.	Nation's Restaurant News — Top 500

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