

Franchise or Grow Company-Owned? The capital decision that defines the decade

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MASTERRESTAURANT®

Executive brief

Franchise or Grow Company-Owned? The capital decision that defines the decade

Method proven in 8,400+ restaurants · 43 countries

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QUICK VERDICT

Straight verdict: there is no universal answer; there is an answer by unit economics. If your average unit volume (AUV) is high and your operations manual is not yet replicable, grow company-owned and capture 100% of the contribution margin. If your AUV is mid-range, your prime cost is tamed below 60%, and you want speed without diluting CapEx, franchise with territory due diligence. The mistake I see again and again: franchising to paper over a model that still loses money per unit. Franchising a weak location only multiplies the problem in 43 directions.

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This executive brief is the written version of a talk I give to boards: the franchise vs. company-owned decision isn't philosophical, it's capital architecture. Each model has a different unit economics, a different risk profile and a different EBITDA curve.

I read it from the table where it's actually decided: CapEx per location, ongoing royalty loads, opening velocity and five-year survival odds. The Masterrestaurant track record —over 8,400 restaurants supported across 43 countries— is the lens I read these figures through; the hard numbers are public and cited to source.

SIDE-BY-SIDE COMPARISON

Side-by-side comparison

	FRANCHISE	GROW COMPANY-OWNED
CapEx per location borne by the group	✗ Near 0 (funded by the franchisee)	✓ 100% of CapEx, USD 250k to 1M+ per location
Ongoing loads (royalty + marketing)	✗ Group COLLECTS 8.5%–11.2% of sales (Toast, 2025)	✓ Group collects no royalty; retains full margin
2025 opening velocity	✗ High: 30 chains opened 100+ units (Technomic/NRN, 2024)	✓ Mid: Chipotle projected 315–345 owned in 2025 (Chipotle, 2024)
Format AUV benchmark	✗ Wingstop USD 2.13M per unit (Wingstop FDD, 2025)	✓ Chick-fil-A near USD 7.5M per unit (Restaurant Business, 2025)
5-year survival	✗ Only 20–25% of franchises close (SBA, cited data)	✓ Up to 50% of independents close (SBA, cited data)
Access to SBA financing	✗ Accommodation & food: 16.5% of SBA 504 loans (SBA, 2024)	✓ Same access, but CapEx falls on the group

1. Franchise or grow company-owned? Your unit economics decides, not your ambition

There is no universal answer to franchising versus company-owned growth: there is an answer per unit economics. If your average unit volume is high and your operating manual is not yet replicable, grow with company-owned locations and capture 100% of the contribution margin. The AUV gap is brutal: Chick-fil-A runs near 7.5 million USD per unit and Raising Cane's around 6.5 million (Restaurant Business, AUV ranking 2025), while Jack in the Box averages 1,913,335 USD (FDD 2025). When one location bills six or seven million, handing 8.5%–11.2% of those sales to a franchisee in ongoing fees (Toast, 2025) means giving away EBITDA you could keep. Deciding this in the abstract—by ambition or by trend—is the error I see over and over in boardrooms. Measure your AUV first; then choose your capital architecture. Franchising fundamentally changes your unit economics: you stop living off the plate's contribution margin and start living off a percentage of other people's sales.

2. Franchising turns your CapEx into the franchisee's CapEx

Combined ongoing fees—royalty plus marketing fund—run between 8.5% and 11.2% of sales in QSR according to Toast (2025). You are no longer an asset owner, you own a system that collects that percentage; the CapEx check for each location is signed by the franchisee, not by your balance sheet. That is why brands scale fast this way: Wingstop opened 255 net restaurants in the first half of 2025 alone (Restaurant Dive), and 30 chains opened 100+ locations in 2024, led by Starbucks, Jersey Mike's and Wingstop (Technomic/NRN). The model's power is speed without burning your own cash. The price is that you capture a fraction, not the whole. Growing

with company-owned locations keeps 100% of the contribution margin, but each opening is a CapEx check of USD 250k to over 1M that leaves your own balance sheet. You scale slower, yet each profitable unit adds whole EBITDA rather than a royalty fraction.

3. Company-owned growth keeps all the margin, but each location leaves your balance sheet

Chipotle illustrates it: it opened its 4,000th restaurant in December 2025 (Chipotle press release) and projected 315 to 345 company-owned locations in 2025, over 80% with a Chipotlane drive-thru (Chain Store Age/Chipotle Q4 2024). Shake Shack holds the same path: 45 to 50 company-owned openings in 2025 on a base of 630, targeting 1,500 (Restaurant Business). This model demands financial muscle: accommodation and food services was the most financed industry in SBA 504 loans, at 16.5% of the total in FY2024 (U.S. Small Business Administration). You keep everything, but you pay for everything up front. The factor that decides franchise versus company-owned is not ambition: it is operational replicability. Without a replicable manual and rigorous territorial prefeasibility, franchising amplifies your defects at the speed of your openings; with those two assets, franchising is the most capital-efficient scaling lever that exists.

4. The deciding factor is replicability, not ambition

Survival data backs it: roughly 20-25% of franchises close within five years versus about 50% of independent businesses (data cited by the U.S. Small Business Administration). That difference comes not from the brand but from the replicable system behind it. At Masterrestaurant—over 8,400 restaurants supported across 43 countries—the first question I ask at the board table is not how many locations you want, but whether your operation runs the same without you present. If the answer is no, franchising is premature; company-owned is too. In the franchise model your real product is not the plate, it is the royalty; and that royalty is only sustainable if the franchisee makes money from the AUV your system delivers. Charging between 8.5% and 11.2% of sales (Toast, 2025) on a location billing 2.13 million USD like Wingstop (FDD 2025) or 2.93 million like Cava (Technomic, 2025) leaves viable unit economics for both parties.

5. The royalty is your product: it only works if the franchisee makes money

Charging that same percentage on a fragile AUV suffocates the franchisee and collapses your network. That is why explosive-growth chains protect volume before flag count: 7 Brew grew sales +267% and units +350% (Restaurant Business/Technomic) while sustaining unit economics. The correct order is proven AUV first, franchised expansion after. Inverting it is the most common ruin I audit. The best model for most groups is not pure: it is company-owned to prove and franchise to scale. Company-owned locations validate the AUV, tune the prime cost and standardize the manual; only when unit economics is replicable do you open the franchised path to multiply without burning your own CapEx. Top 500 fast casual grew +6% to nearly 77,000 million USD in 2025 (Technomic, via Restaurant Business), and that growth is captured by brands combining both architectures with discipline. Starbucks opened 589 net stores in 2024 to reach 16,935 units (QSR Magazine), mixing company operation and license depending on the market.

6. Hybrid models: company-owned to prove, franchise to scale

The FRANdata database records over 4,000 brands and 200,000 franchisees (Multi-Brand 50, 2026): the winning pattern is rarely an extreme. Design the sequence, do not pick a side. The macro context mercilessly punishes anyone who scales without solid unit economics, and 2025 made that clear in emerging markets. In Colombia, restaurants raised prices 9.8% since February 2025 to sustain 98,000 jobs (ACODRES), after a sector sales drop of 24% in the first half of 2024 (ACODRES). Neither franchising nor company-owned growth

saves a model with weak AUV in that environment; they only accelerate it toward the wall. Frisby led the Colombian market with revenue above 1.21 trillion COP and 12% growth (Valora Analitik, 2025) precisely because of disciplined unit economics, not because it chose a magic model. The boardroom lesson is simple: capital architecture multiplies what you already have. If the unit is not profitable, no model makes it profitable; it only scales the problem.

7. The difference a CEO must grasp before signing

Franchising turns your CapEx into the franchisee's CapEx: you shift from asset owner to owner of a system that collects royalties. The unit economics changes entirely: you no longer live off the dish's contribution margin, you live off 8.5%–11.2% of other people's sales (Toast, 2025). Growing company-owned retains all the margin, but each location is a CapEx check of USD 250k to 1M+ off your balance sheet. You scale slower, but every profitable unit adds full EBITDA, not a fraction. The deciding factor isn't ambition: it's replicability. Without a replicable operations manual and rigorous territorial prefeasibility, franchising amplifies flaws. With them, franchising is the most capital-efficient scaling lever there is.

POINT BY POINT

A/B analysis: where each model wins

CAPITAL STRUCTURE (CAPEX)

A · FRANCHISE Franchise: near-0 CapEx for the group; funded by the franchisee.

B · MASTERRESTAURANT Owned: USD 250k–1M+ per location borne by the group.

Verdict: If capital is your constraint, franchise; if you have capital access and high AUV, grow owned.

RETURN PER UNIT (UNIT ECONOMICS)

A · FRANCHISE Franchise: 8.5%–11.2% of others' sales (Toast, 2025), without absorbing operating costs.

B · MASTERRESTAURANT Owned: 100% of contribution margin, but you absorb all prime cost.

Verdict: With high AUV, owned maximizes absolute EBITDA; with mid AUV, royalty leverages better.

SCALING VELOCITY

A · FRANCHISE Franchise: high; 30 chains opened 100+ units in 2024 (Technomic/NRN, 2024).

B · MASTERESTAURANT Owned: mid; Chipotle projected 315–345 owned in 2025 (Chipotle, 2024).

Verdict: To cover territory fast without diluting CapEx, franchise with territory due diligence.

RISK AND SURVIVAL

A · FRANCHISE Franchise: higher survival (20–25% close within 5 years, SBA), lower capital risk.

B · MASTERESTAURANT Owned: full brand control, but ~50% of independents close (SBA).

Verdict: Franchising mitigates capital risk; owned protects the brand-execution moat.

SIDE-BY-SIDE COMPARISON

When franchising wins SPEED AND THIRD-PARTY CAPITAL

- ✗ Your operations manual is already replicable and auditable location by location.
- ✗ Your prime cost is tamed (food cost <32%, prime <60%) before you scale.
- ✗ You want fast territory coverage without draining your own CapEx.
- ✗ You have a recommendation and standards engine that guarantees consistency.

When company-owned wins MASTERESTAURANT

- ✓ Your AUV is high and per-unit contribution margin is outstanding.
- ✓ Your competitive edge lives in execution, hard to transfer to a third party.
- ✓ You have capital access and prefer to retain 100% of EBITDA per location.
- ✓ Brand and experience control is your moat; you won't delegate it.

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THE NUMBERS THAT MATTER

Real 2026 unit economics

11.2%

ceiling of ongoing loads (royalty + marketing) on QSR sales

2.13

M USD

Wingstop AUV per franchised unit (FDD 2025)

7.5

M USD

Chick-fil-A AUV per unit, strict-control model

16.5%

of SBA 504 loans went to
accommodation & food (FY2024)

30

CHAINS

opened 100+ units in 2024, led
by Starbucks and Wingstop

25%

max franchises closing within 5
years, vs. ~50% of independents

VISUALIZATION

The numbers, visualized

ceiling of ongoing loads (royalty + marketing) on QSR sales



Wingstop AUV per franchised unit (FDD 2025)



Chick-fil-A AUV per unit, strict-control model



of SBA 504 loans went to accommodation & food (FY2024)



opened 100+ units in 2024, led by Starbucks and Wingstop



max franchises closing within 5 years, vs. ~50% of independents



Sources: Statista/Toast (via OysterLink), 2025 · Restaurant Business / Wingstop FDD 2025, 2025 · Restaurant Business 2025 · U.S. Small Business Administration 2024 · Technomic / NRN 2024

Chart by masterrestaurant.com

REAL CASE

"I worked with a group of four company-owned locations and a very healthy AUV that wanted to franchise 30 units in 18 months. Before selling a single territory, we froze the plan and audited the manual: prime cost varied 9 points across locations in the same group. We tamed operational variability first —standards, costed recipes, territorial prefeasibility— and only then opened the model. Franchising a system you don't yet control is signing 30 problems."

— Diego F. Parra, founder of Masterrestaurant

HOW TO APPLY IT IN YOUR RESTAURANT

Strategic roadmap: the decision architecture in 3 phases

1 Phase 1 — Unit economics due diligence (0–60 days)

Deliverable: a per-unit P&L with real contribution margin, prime cost and break-even by location. Success metric: food cost $\leq 32\%$ per dish and prime cost $< 60\%$ across 100% of locations before considering any expansion. If your operational variability exceeds 5 prime-cost points across locations, you're not ready to franchise.

2**Phase 2 — Territorial prefeasibility and capital model (60–120 days)**

Deliverable: a location intelligence map with territory risk, projected AUV and a franchise/owned decision by zone. Success metric: projected AUV that sustains the 8.5%–11.2% royalty load (Toast, 2025) with double-digit EBITDA for the franchisee; otherwise, grow company-owned in that zone.

3**Phase 3 — Replicable operations manual and standards engine (120–180 days)**

Deliverable: a replicable manual, costed recipes and an AI recommendation engine that standardizes decisions location by location. Success metric: prime-cost variability <3 points across units. With this asset, every opening —owned or franchised— starts with the proven model, not improvisation.

FAQ**Decision questions a board asks****What does it cost to NOT decide well between franchising and company-owned?**

It costs the whole model. Franchising a location with prime cost out of control multiplies losses per unit; up to 25% of franchises close within 5 years (SBA, cited data). And growing owned without capital drains cash. The cost of deciding wrong is the group's solvency.

Does franchising yield more EBITDA than growing company-owned?

It depends on AUV. Franchising yields 8.5%–11.2% of others' sales with no CapEx of your own (Toast, 2025); owned retains 100% of margin but demands USD 250k–1M+ per location. With high AUV —Chick-fil-A near 7.5M USD (Restaurant Business, 2025)— owned usually wins on absolute EBITDA.

When am I ready to franchise my chain?

When your operations manual is replicable and your prime cost varies less than 3 points across locations. Without that base, franchising amplifies flaws. With it, it's the most capital-efficient scaling lever: 30 chains opened 100+ units in 2024 backed by solid systems (Technomic/NRN, 2024).

Does franchising reduce my expansion risk?

Yes, it mitigates capital risk: CapEx falls on the franchisee and survival is higher —only 20–25% of franchises close within 5 years vs. ~50% of independents (SBA, cited data). But it shifts brand risk: a franchisee who doesn't execute damages the whole network's experience.

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
Inversión en restauración franquiciada en España 2024	2.956 millones EUR	Tormo Franquicias Consulting 2024
Comida rápida en la restauración franquiciada española	24,8% de la facturación y 35,2% de los establecimientos	Tormo Franquicias Consulting 2024
Peso del sector gastronómico en Colombia	8% de la fuerza laboral y 3,9% del PIB	ACODRES / Revista La Barra 2024
Cierres de restaurantes en Colombia en 2023	>1.600 restaurantes cerrados	ACODRES 2024
Caída de ventas del sector gastronómico en Colombia	-24% en el primer semestre de 2024	ACODRES 2024
Restaurantes independientes en el mercado colombiano	95% del mercado	ACODRES 2024

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