



Let's Chat Snacks

The Rise of Ghost Kitchens: What to Know

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The challenges of 2020, including business closures and social distancing guidelines, catapulted the demand for takeout and delivery to new



heights over the past year—and may have forever changed consumers' relationship with the foodservice industry. Indeed, more than half (53%) of consumers surveyed by the National Restaurant Association say takeout and delivery have become "essential to the way they live."¹

To accommodate increased consumer interest in off-premises dining without creating additional overhead, many operators turned to a virtual restaurant model. Some began experimenting with "ghost" kitchens, as they're known, to introduce a new dining concept or to produce their current menu remotely in a commercial kitchen space (rather than opening another brick-and-mortar location).

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Virtual kitchens aren't an outgrowth of the pandemic, but the pandemic most certainly elevated their profile within the restaurant community. Technomic data shows that, pre-pandemic, 15% of operators had used a commercial ghost kitchen; by May 2020, that number had jumped to 51%.²

The ghost kitchen model is “a totally different way of doing business” and a means for operators to expand their reach—both physically and creatively—in areas they're not known for, says Joe Pawlak, a managing principal at Technomic. For independent restaurants in particular, he adds, ghost kitchens have been a lifeline.

That lifeline can deliver a variety of benefits. Commercial ghost kitchen facilities that provide dedicated space for multiple restaurants to cook under one roof allow individual operators to experiment with new dishes and cuisines, increase their delivery range or even test out a new market without the expense involved in opening a physical location. Participating tenants also enjoy cost-efficiencies by sharing equipment and ingredients that are purchased in bulk, like frying oils and pantry staples such as salt and pepper. Delivery drivers, meanwhile, appreciate the convenience of picking up orders from multiple operators in a single location.

Expanding Service Without Walls

Kitchen United is among the companies helping restaurant brands expand virtually. Founded in 2017, the company currently operates virtual kitchens in five cities (with more to come later this year). Participating operators employ their own staff to cook the food, while Kitchen United provides onsite staff to help distribute orders to guests and delivery personnel, clean, and perform other operational tasks.

The company's proprietary platform, **dubbed MIX**, lets consumers order food from any of its tenants on the same bill, allowing families and other groups to satisfy a variety of tastes and dietary needs. Such flexibility has significantly helped the company's restaurant partners grow their business, says Chief Business Officer Atul Sood. “If one person in the household wants sushi and another wants pizza, we can easily accommodate that,” he says.

Some operators looking for ways to increase orders during the pandemic launched entirely new dining concepts that were prepared in their preexisting kitchen space (alongside items from their main menu) but promoted and packaged differently, Sood continues. For example, a full service Italian chain with multiple physical locations could develop and sell a new Mexican menu available exclusively online. The move not only helps that operator “serve unmet demand for Mexican cuisine in their market,” he explains, but also ensures that the operator's physical dining rooms still cater to guests seeking

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the Italian fare for which the chain is known.

Other virtual operations have emerged from well-established restaurant groups. When tourist and office worker foot traffic fell dramatically last spring, Washington, D.C.-based Clyde's Restaurant Group began brainstorming what to do with the company's underutilized kitchen space in its restaurants throughout the metro area. That led to the conception of [Clyde's Kitchens](#), a collection of virtual concepts offering carryout-only menus. The first concept, a grilled cheese sandwich shop called District MeltHouse, launched last fall.³ Today, Clyde's Kitchens includes sweet-and-savory handheld pie provider DC Street Pies, as well as sushi, fried chicken and burger concepts.

The range of options has helped encourage repeat business, according to Kevin Keller, director of operations for Clyde's Restaurant Group. "People who ordered food from us might order two days a week [from one restaurant] and then get MeltHouse another night," he says. Having multiple concepts serving the same neighborhoods gives customers the variety they crave, he adds.

Yet another variation in the ghost kitchen category: the celebrity-focused virtual brand. Singer Mariah Carey and chef/TV personality Guy Fieri both have made news recently for food concepts produced via ghost kitchens. (Other celebrities that have worked with [Virtual Dining Concepts](#)—the company behind [Mariah's Cookies](#) and [Flavortown Kitchen](#), respectively—include actor Mario Lopez and the rapper Tyga.)

In these arrangements, Pawlak explains, operators license the concept from a third-party company (like Virtual Dining Concepts), which provides them with the ingredients, branded packaging, and other elements they need to produce and distribute a celebrity-backed product. Then, when a customer orders through one of the virtual concept's third-party delivery service partners, the operator fulfills it.

"In most cases, operators already have the equipment to do it," Pawlak adds. "It helps generate business for them, and the consumer doesn't know [where the food originated]."

Establishing and Operating a Virtual Kitchen: What It Takes

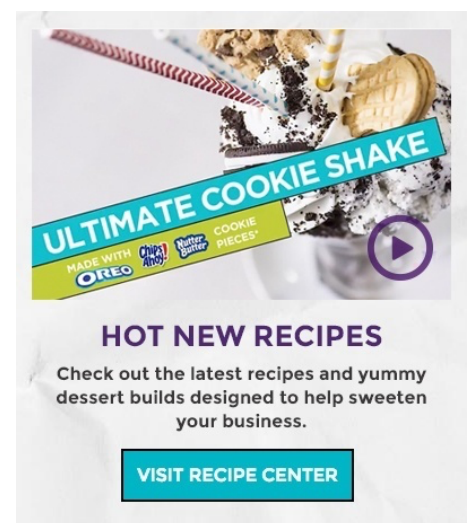
The inherent flexibility of ghost kitchens—being able to quickly roll out, test and tweak new concepts as needed—may be their best attribute, Keller says. If you want to change a physical restaurant's name, for instance, there's a litany of hurdles (and expenses) to manage. But doing the same for a virtual concept might just involve updating social media handles and the packaging, he adds.

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That said, introducing a new brand that's essentially functioning as a sight-unseen restaurant requires a strong digital presence. To help build a following for its virtual concepts, Clyde's engaged with food bloggers and local food-focused groups on social media. "That was a big step in the right direction for us from a marketing perspective," Keller says. "If you're building a digital brand, you need to live in a digital world and advertise in a digital world."

Before deciding to reposition internal space or rent a kitchen in a new region, Sood advises doing an assessment of the area's current offerings. "If the local market is already saturated with Asian fusion restaurant options, for example, it's unlikely we'd partner with a similar concept," he says.

Operators also need to ensure they'll have enough production control when using a remote space to ensure consistent food quality and safety. And, of course, it's important to consider how a virtual brand could affect their original, physical venture.

"You have to understand what impact the ghost kitchen brand, if it's developed as a separate business, will have," Pawlak says. "If it's a category you're already in—and doing well in—you don't want to cannibalize your own business."

For more insight into what the post-pandemic market will look like for operators, download Mondelēz International's [2021 Foodservice Trends: A Look at the Road Ahead](#) report.

¹ [2021 State of the Restaurant Industry Report](#) (National Restaurant Association, 2021)

² ["Can Ghost Kitchens Bring Restaurants Back to Life?"](#) *Restaurant Business*, Sept. 20, 2020

³ ["Clyde's Restaurant Group Creates Virtual Kitchen Group,"](#) *FSR*, Feb. 19, 2021

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Coronavirus, Curbside Pickup, Fast-Casual Restaurant, Off-Premises, Consumer Behavior, Ghost Kitchens, Design, Digital/Online Ordering, Signage, Shareables, Third-Party Delivery (3PD)

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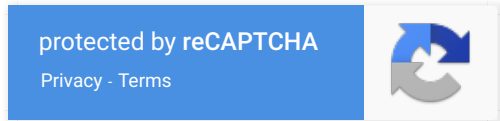
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