# GHOST KITCHENS
## the future of dining

# THE DELIVERY REVOLUTION

Food delivery is exploding and has created entirely new types of business hoping to take advantage of this trend.

Enter the ghost kitchen: a 21st-century innovation that promises to optimize & expand delivery service at minimal cost. But what exactly is a ghost kitchen? And what could it mean for your business?

The United States currently has

## 1,500

ghost kitchens & growing!*

Ghost kitchens will grow to over a

## $1 TRILLION

global market by 2030**

# what is a ghost kitchen?

## delivery-only

In the simplest of terms, a ghost kitchen is a restaurant, minus the dining space and storefront. It is created solely to focus on fulfilling online orders for delivery through online food ordering platforms. The majority, if not all, of the business is conducted via computer, tablet, and smartphone..

The ghost kitchen format can launch more than one brand using the same kitchen infrastructure.

For example, a South Indian restaurant wants to start offering Mexican food as well. But instead of adding Mexican to the menu of its existing brand, the restaurant can begin to operate a different brand that sells Mexican from the same kitchen for delivery only.

AKA CLOUD KITCHENS
AKA SHARED KITCHENS
AKA VIRTUAL KITCHENS

## how it works

| ORDERS ARE PLACED ONLINE ONLY | FOOD IS PREPARED IN A SINGLE KITCHEN, NO STOREFRONT | SELF-DELIVERY OR THIRD-PARTY DELIVERY |



LITTLE BEAST, WASHINGTON D.C.

Detroit-style pizza brand operating from shared kitchen, Ghost Line.
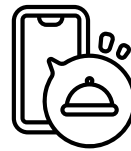
## starting a ghost kitchen

There are two ways to go about starting a ghost kitchen:

**1 Add on a ghost kitchen to your existing restaurant.**

Existing restaurants may open a ghost restaurant to feature food not typically found on the brick-and-mortar menu. The advantage is that the kitchen is already equipped for food preparation.

**2 Create an entirely new ghost kitchen from scratch.**

An independent owner builds a brand from the ground, creating an online platform for customers.

# types of ghost kitchens

**SINGLE BRAND GHOST KITCHEN**

Operates under a single theme and concept and typically offers one cuisine with a smaller menu.
Ex: An artisanal sandwich concept with no storefront.

**MULTI- BRAND GHOST KITCHEN**

A large kitchen infrastructure where multiple brands of the same company operate from using the same equipment and resources. These brands are cuisine specific, catering to different groups.

Ex: An Asian-Latin fusion concept, a fried chicken concept and a NYC deli concept using the same basic supplies in a single location with no storefront.

**VIRTUAL RESTAURANT**

Established restaurants that can offer non-competing delivery only concepts directly inside their location. This approach allows them to squeeze the most out of their existing staff, storage, ingredients and kitchen space.

Ex. A fine dining restaurant can also run a fast-casual burger concept with a delivery only menu in the same location while cross-utilizing product. While the fine dining restaurant has a dine-in experience, the burger concept does not.

**COMMISSARY/ SHARED KITCHENS**

Restaurants rent a space within a larger kitchen facility, often working alongside several others and sharing the location, sometimes equipment included, with other non-competing delivery-only eateries.

Rent is typically much lower than brick-and-mortar locations and these kitchens are already equipped with everything needed to run your restaurant.

**VIRTUAL RESTAURANT**

Top Round Roast Beef, sandwich shop, also operates 3 virtual, delivery-only restaurants: Red Ribbon Fried Chicken, TR Burgers & Wings, and Ice Cream Custard- all from the same kitchen.

**SHARED KITCHEN**

Zuul Kitchen is 5,000 square foot kitchen facility with nine separate kitchens offering space to multiple restaurants as a home base exclusively for deliveries.

TOP ROUND ROAST BEEF, SAN FRANCISCO

ZUUL KITCHEN, NYC

# 60% OF CONSUMERS
Order delivery & takeout once a week.

# 31 % OF CONSUMERS
Say they use third-party delivery services at least twice a week.

According to a study of the food delivery industry prepared by Morgan Stanley analysts, this industry has the potential to be worth seven times more than its current value of $30 billion. That's a

# $210 BILLION POTENTIAL



## 34%
of consumers spend at least $50 per order when ordering online

## DIGITAL ORDERING & DELIVERY HAVE GROWN
## 300%
faster than dine-in traffic since 2014

## 59%
of restaurant orders from
## millennials
are takeout & delivery

"Food service delivery options are especially important to Gen Z (ages 2-20) and Millennials. Currently, these two groups represent 51% of the U.S. population, a large target group who will drive the growth in delivery far into the future."

# should you start a ghost kitchen?

## We've broken it down by where you are in your food business journey.

## new chefs & entrepreneurs

If you have no experience in the food industry, the low cost of a ghost kitchen offers the opportunity to test concepts and build brand awareness without initial start up costs and less ricks than opening a physical location

## owner of a small brick & mortar restaurant

We often see restaurants that open a 2nd or 3rd location relying on the sales of their original space to support the costs of the new restaurant before gaining a following in their new demographic. Using a Ghost Kitchen, restaurant owners can now expand their geographic reach via delivery and create a new following without massive investments.

## food truck owners

A kitchen on wheels gets rid of any boundaries of location, however the small footprint of a food truck often challenges owners to balance in-person orders and delivery. Ghost Kitchens allow food truck owners the opportunity of delivery without sacrificing quality of service for in-person guests and losing orders while in transit.

## large restaurant, chain, or well funded chef

Ghost kitchens can be a great way to scale your brand. Whether you're trying to dominate a food category (like pizza) or trying to be the best in your own niche, the opportunities are real.
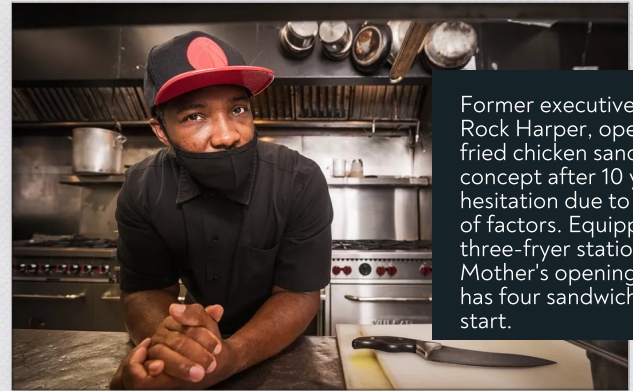


Former executive chef, Rock Harper, opened a fried chicken sandwich concept after 10 years of hesitation due to a variety of factors. Equipped with a three-fryer station, Queen Mother's opening menu has four sandwiches to start.

QUEEN MOTHER'S, WASHINGTON D.C.



## how are chefs currently using ghost kitchens?

**Dominate a food category**: Picking a popular type of delivery food and creating multiple brands that fall under that category. Ex. Different brands of one item like pizza or burgers.

**Focus on a great product in multiple categories:** Several different concepts cross-utilizing the same product while not competing with each other. Ex: an Italian concept, a burger concept, and a salad concept operating as different brands under the same company.

# how to start your own ghost kitchen

## 1. OPTIMIZE YOUR MENU FOR DELIVERY

Time and temperature are huge issues for food quality and are the biggest considerations when developing your ghost kitchen concept. If your food arrives cold, soggy, or messy, you run the risk of killing your repeat customer business, which is the critical component to a local operation. Keep your food costs low by offering a limited menu with items that use similar ingredients and preparation methods.

## 2. SELECT A LOCATION

The greatest benefit of a ghost kitchen is that they can be located virtually anywhere. All you need is a kitchen space in a location where there can be a high demand for the food you'd be offering. However, there is some research to be done. Most delivery platforms allow up to five miles of distance between the kitchen and drop off point, so proximity to a well populated community is needed. Yet considering the low startup costs, ghost kitchen can scale their success with additional locations serving several different publics.

## 3. BUILD YOUR BRAND

Because your whole brand will exist primarily online, you'll want to put resources into developing a logo, menu, and other brand-related assets. Your website will be likely to be your customers' first impression- build a webpage and use it to tell your story: describe who you are and what makes your food unique. Include your contact information for your business and link to your social media sites.

## 4. FIND A COMMERCIAL KITCHEN

In order to legally sell food to consumers, you must produce your food in a licensed commercial kitchen. The last several years have seen an increase in the number of shared-use kitchens or commercial kitchens that rent by the hour, day or month to multiple tenants.

> ⭐ To find a commercial kitchen for rent in your area visit, The Kitchen Door where you can search for rentable kitchens by city or zip code.

## 5. CHOOSE YOUR DELIVERY METHOD

Choosing between in-house delivery, third-party delivery apps or a combination requires an understanding of related costs. Third-party delivery apps such as DoorDash, Grubhub, Postmates and Uber Eats charge a commission in exchange for providing one of the most critical aspects of your ghost kitchen's success. While the fees might be steep, you are leveraging proven technology platforms to connect with customers, receive online orders, and provide reliable delivery fulfillment.

If you choose to handle delivery in house, you'll have to reallocate your labor and add drivers into your scheduling. You'll also need to check with your insurance carrier to ensure that you're covered for off-premise activity.

## 6 .MARKETING

Proper marketing and advertisements are essential to the success of any restaurant. This becomes even more necessary for ghost kitchens as there are no signs and locations to drive by and see accidently. You will need to create a plan that pushes your brand on an array of platforms and connect with customers in creative ways, including flyers, ads, word of mouth, events, etc..

SWEETGREEN, NYC
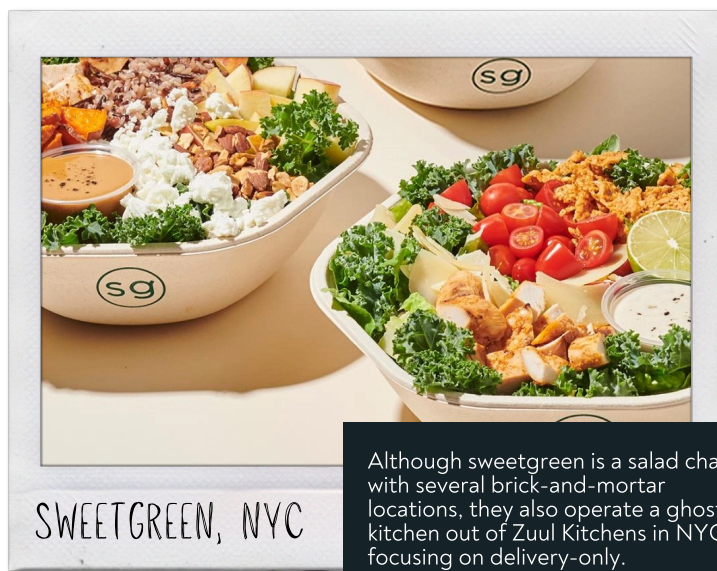
Although sweetgreen is a salad chain with several brick-and-mortar locations, they also operate a ghost kitchen out of Zuul Kitchens in NYC, focusing on delivery-only.

# the ecosystem

## POINT OF SALE

e.g. **lightspeed**

A POS connects to other softwares and forms the center of your stock.

It also has some reporting, inventory management, and staff management features

## DELIVERY PLATFORM

e.g. **GRUBHUB**

These connect you to a food marketplace & fulfill deliveries.

## ONLINE ORDERING SYSTEM

e.g. **flipdish**

This enables you to sell food directly via your website

## PAYMENT PROCESSOR

e.g. **AIB**

If you use an online ordering system, you may need to select your own payment processing.

Think carefully about rates!

## ACCOUNTING SOFTWARE

e.g. **intuit quickbooks**

If you have a full-time accountant, get accounting software. A spreadsheet can only do so much.

## AGGREGATORS & MIDDLEWARE

e.g. **deliverect**

Sometimes your POS and your delivery platform won't connect. "Middleware" is a translator; "Aggregatores" pull data from more than one place to display to you.

## CONTENT MANAGEMENT SYSTEM

e.g. **WORDPRESS**

This organizes the material on your website. Sometimes it will be distinct from your online ordering system; sometimes your OOS will include content management components.

## PAYMENT GATEWAY

e.g. **sage Pay**

This is the checkout, and is likely to come included in an online ordering system - but it's sometimes customizable.

## EMAIL MANAGEMENT

e.g. **MailChimp**

Figure out which emails are effective and keep your database all in one place.

## STAFF MANAGEMENT

e.g. **DEPUTY**

Large merchants may start to want features to keep track of a large workforce with lots of casual hours.

## INVENTORY MANAGEMENT

e.g. **MarketMan**

Large merchants may need to keep track of sell-by dates!

# pros

# cons

## REDUCED START UP COSTS

Opening a typical restaurant is expensive. Rent, construction, equipment & more can cost hundreds of thousands of dollars. Ghost kitchens remove many of these initial costs.

Without the need for a dining room, you are able to rent up to 60% less space. More so, the cost of furnishing and décor is not needed.

Most ghost kitchen spaces have your standard equipment. You will only need to invest in specialized tools needed for your menu

## LOWER LABOR COSTS

A leaner labor force can save time and money.
Operators no longer need a front of house team to serve guests, clean tables, or deal with customer needs. Your entire team can work efficiently in a few hundred square feet of space.

## OPTIMIZED FOOD COSTS

Labor isn't the only leaning down you will do. Ghost Kitchens perform most successfully with limited, niche menus. In fact, a study done by Galley Solutions noted that ghost kitchens that harness technology can optimize food costs and purchasing that can raise their margin 2-4% more than that of a standard restaurant.

## IMPROVE OPERATIONAL EFFICIENCY

Restaurants are able to prepare orders offsite during busy lunch and dinner hours without disrupting the dine-in guest experience.

## A CORE FOCUS

Having a core objective gives you focus on one goal and opens the door for more creativity. Online ordering is your objective and the insights you get from the technology allows owners to maximize workflows, minimize waste, try out new concepts, and find new and quicker ways of solving problems. Plus, you no longer need to deal with juggling in-house and online ordering.

## THIRD PARTY INTEGRATION

One consideration in operating a ghost kitchen is your partnership with third party apps like Grub Hub or Uber Eats. The Ghost Kitchen model requires owners to put their business in other people's hands which can be a complex situation. These apps are a convenient way to deliver to and grow your customer base, but you are not in control of the level of service once the food leaves your door. Poor delivery service, no matter how great the food is, can keep someone from ever ordering from your restaurant again.

Another consideration is that these apps are certainly using the data from their app to, in ways, become your direct competitor. "UberEats recently launched their own 10-week ghost kitchen with dishes created by celebrity chef Rachael Ray, no doubt using years of restaurant data to create a highly-optimized experience. Grubhub recently ran a similar experiment with ghost kitchens powered by Bon Appétit and Whole30." - Galley

However using a direct online ordering system alongside these services can give you more control and offset commission fees.

## MANAGING YOUR BRAND

Ghost kitchens live solely online. The in-person touch and personality of your brand is no longer cultivated within your dining room but on phones, ipads and computers. Managing your reputation is important. Consumers rely on reviews to decide where they order from. Interaction with these reviews is imperative but also a delicate balance.

## ENGINEERING MEALS FOR DELIVERY

Not all meals travel well. And not all delivery containers make sense for every cuisine. It is imperative that ghost kitchen restauranteurs take the delivery aspect into consideration as customers will expect their meals to be as high quality as they would get in a traditional restaurant. We can help you with this! Contact your Driscoll Sales rep to see what works best for you.

## LIMITED AUDIENCE: ONLY TECH-SAVVY CUSTOMERS TO REACH OUT TO

Since placing orders for a ghost brand is done exclusively online, customers who aren't as tech-saavy may not be able to access your restaurant.

## BUILD AN ONLINE PRESENCE

Given that a ghost kitchen model negates any physical presence, you must build a virtual address for your restaurant to enable customers to find you with ease. Mark your business's presence on all major social media platforms such as Facebook, Instagram, Twitter, Pinterest, etc., to increase the reach of your brand

Having a website and multiple social media pages isn't enough if you don't update them regularly and post engaging content that generates business.

- Post pictures and videos of how the food is prepared and packaged for delivery
- Communicate the safety procedures in place to ensure a safe and hygienic delivery.
- Make your social media pages as interactive as possible as this is the only way customers can reach out to you. Talk, participate in comments and address any negative (or positive) feedback.



" Invest in creating beautiful imagery that entices your customers "
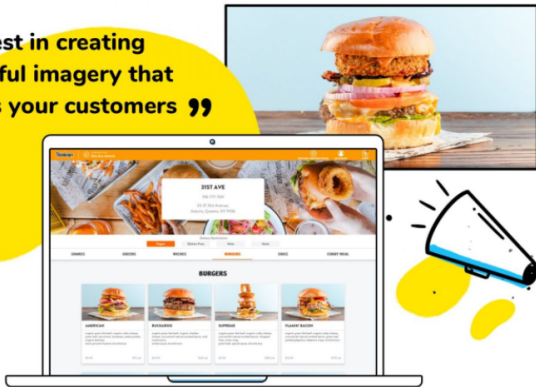
## THIRD PARTY DELIVERY APPS

If you don't have your own delivery staff, integrating with online delivery platforms can help tap on the customers who are looking for home delivery options. Being on platforms such as Uber Eats or Postmates, will make you more discoverable to potential customers.

## INCENTIVE PROGRAMS

Incentivize your customers with different promotional offers such as:

- Loyalty rewards
- Discounts
- Customized offers
- Referral programs

## SMS & EMAIL MARKETING

Sending your customers messages with exclusive deals, new menu additions, or discount codes will keep them updated and keep you on their minds.

## PACKAGING

Allocate extra budget for packaging as it plays a crucial role in creating a brand for your customers. The packaging must be sturdy to preserve the quality of the food during the delivery. Since you are no longer able to provide a physical guest experience, packaging should leave a good impression on the minds of the customer. Ensure that the packaging contains your restaurant's logo and reflects the theme and concept of your restaurant



- ★ Packaging is a billboard for your brand
- ★ "Quality Assurance" stickers give guests confidence in your operations
- ★ Proper packaging for different food; don't put a salad in a burger clam shell case.

## PARTNER WITH COMPLIMENTARY RESTAURANTS

Get into tie-ups with other restaurants who are not your direct competition. For example, if you run a dessert concept, you can partner with restaurants who do not have desserts on their menus with schemes like buy a meal for two and get a free cheesecake.
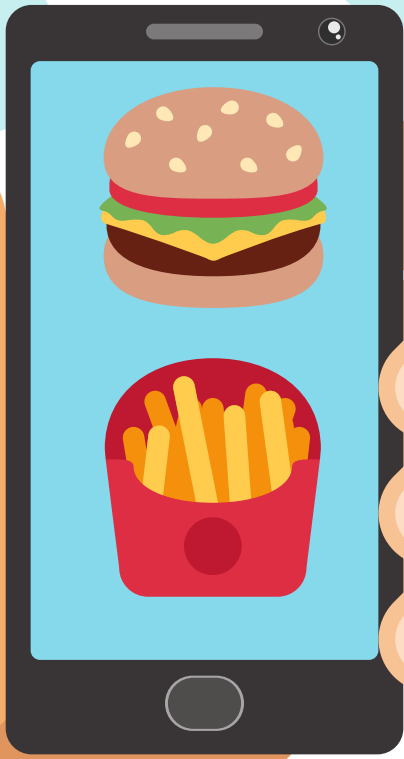
## INFLUENCER MARKETING

Get in contact with influential personalities like chefs or food bloggers to market your restaurant.



KRISPY RICE, LOS ANGELES

A bento box concept created in concert with dine-in sushi restaurant Katsuya.

# BEST DELIVERY APPS

## for your ghost kitchen

## GRUBHUB

**Availability:** 4,000 US Cities = Extensive Reach. Most popular app in Tri State
**User Friendly:** Known for sleek interface & suggestive selling
**Marketing Assistance:** GrubHub offers partners free advertising by sending users email offers and coupons.

## Uber Eats

**Availability:** 500 US Cities
**Delivery:** Ubereats is outfitted with plenty of drivers due to the popularity of their ride sharing app, Uber, decreasing delivery times.
**Advertising:** Ubereats is very good at advertising to diverse customers

## DOORDASH

**Flexibility:** Users do not need an advanced system to use this app. Orders can be received by mobile phone, tablet, or even fax.
**Special Delivery:** DoorDash offers the use of its drivers to partners (who pay a fee of course). That means if you have a large event to cater or have an order that you or your staff can't deliver yourself, you can use one of DoorDash's drivers.

## caviar

**Focus on Local:** Caviar focuses on local, independent restaurants. With little focus on chains or fast food.
**Advanced Logistics:** Caviar ensures smooth operation of order beginning to end with an on-call support staff that help with any issues

## Postmates

**Reach:** Postmates has an extensive customer base as it delivers groceries, clothing, and of course, restaurant quality food.
**Customer Service:** Postmates takes service seriously by vetting all of its drivers and ensuring that all products are delivered in a timely manner.

# NOTES