

Ghost Kitchens: Are they here to stay?



M. Colette Gibbons | Thursday, December 10, 2020

Ghost kitchens, also known as virtual kitchens, cloud kitchens or digital kitchens are restaurants without dining space that focus solely on fulfilling online orders for delivery. With a global pandemic limiting indoor dining in 2020 and 2021, a great deal of our restaurant meals will be delivered to homes by in-home food delivery. Research indicates that 31% of us use third party delivery serves at least once per week.

So what is a ghost kitchen and how does it work?

Ghost kitchens – like restaurants – operate using different models, but most share certain characteristics:

- Lease 200-300 square feet of space
- Generally employ 5-6 workers, including chefs
- Can be up and running in a month
- Often use shared food delivery systems such as Uber Eats or Door Dash
- Focus on food – not real estate, accounting or personnel issues
- Share space in buildings with other chefs or restaurants doing similar work with their food concepts
- Lease for about \$200-600 per month to operate. Ghost Kitchens are generally profitable within 3 months because of the low overhead

Let's look at a few of the big players in Ghost Kitchen space:

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Virtual Kitchen -- Founders Fund, the venture firm started by Peter Theil, a co-founder of PayPal, led \$20,000,000 investment in Virtual Kitchen. Virtual Kitchen is a platform that empowers restaurants to take full advantage of the delivery opportunity by leveraging data, on-demand transport infrastructure and strategically placed kitchens. For delivery, Virtual Kitchens works with apps such as Door Dash, Grub Hub and Uber Eats.

Kitchen United -- With a \$10,000,000 investment from Google Ventures, Kitchen United has been one of the fastest growing startups in the Ghost Kitchen space. Founder Jim Collins plans to host chefs in 5,000 kitchens across the globe in the next four years.

CloudKitchens -- Founded by ousted Uber CEO Travis Kalanick, CloudKitchens has raised \$400,000,000. One of CloudKitchen's endeavors is located at 1282 Essex Avenue in Columbus, a mile away from The Ohio State University. The 20,000 square foot building will eventually host 40 kitchens. CloudKitchens provides the basic kitchen equipment and builds out the rest for its tenants. Lessees share coolers, freezers and some supplies. CloudKitchen offers tenants classes on how to drive revenues. Delivery drivers are outside the facility 24 hours a day. According to the Wall Street Journal, CloudKitchens has gobbled up 40 properties across the country, spending more than \$130 million on real estate for its next growth surge.

Food Corridor is an excellent resource to keep current on ghost kitchen development. Recently, Food Corridor listed the top 10 shared kitchens in Ohio; many of the developers of Ghost Kitchens are small, steady operations catering to their local markets and not the behemoths listed above.

There is room in the ghost kitchen space for startups with moderate capital in Cleveland, Columbus and Cincinnati. Billionaire Mark Cuban, who is a regular on the show "Shark Tank," believes now is the time in the middle of a pandemic for businesses to rethink their workflows, specifically citing the restaurant industry:

"If people aren't going back to downtown anymore, the whole ecology of coffee shops, diner – those businesses are really going to struggle," Cuban said during a CB Insight's Virtual Technology Conference earlier this year. "Sustaining a business and trying to retain legacy revenue streams are going to be more difficult for physical businesses, but there will be equivalent opportunities to create now businesses that aren't held back by ways of the past. Existing businesses are going to have to figure out how to continue on, while new businesses may recognize the difference."



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Team member bio