

The Beginner's Guide to Ghost Kitchens

Everything You Need to Know to Start and Run a Successful Ghost Kitchen

Table Of Contents

Table Of Contents	2
Introduction	3
Chapter 1: What Is a Ghost Kitchen?	4
Chapter 2: Who Are Ghost Kitchens For?	7
Chapter 3: The Growing Ghost Kitchen Trend	10
Chapter 4: How Do Ghost Kitchens Work?	13
Chapter 5: Types of Ghost Kitchens	15
Chapter 6: How to Start a Ghost Kitchen	19
Chapter 7: How to Grow a Ghost Kitchen Business	30
Chapter 8: Tips on Ghost Kitchen Marketing	34
Chapter 9: Running a Ghost Kitchen - Pros and Cons	37
Chapter 10: The Future of Ghost Kitchens	40
Conclusion	42

Introduction

Welcome to the Beginner's Guide to Ghost Kitchens! If you're thinking about launching your own ghost kitchen business, you've come to the right place.

Ghost kitchens, aka dark kitchens, have seen a surge in popularity recently. As the demand for food delivery rises, the ghost kitchen concept has transitioned from a novel idea to a trend that's here to stay. The research firm [Euromonitor estimates](#) that they could be a \$1 trillion business by 2030.

Even so, there is a lot of confusion about what ghost kitchens are and what they mean for the restaurant industry as a whole. This guide provides a detailed explanation of ghost kitchens and offers instructions on how to start a successful one.

How Much of This Guide Do I Need to Read?

Although this is a beginner's guide, the information in it is also suitable for people already in the restaurant industry. If you want to get a full understanding of the ghost kitchen concept, we recommend reading the guide from front to back. On the other hand, if you're only interested in specific aspects of this concept, you can skip ahead to the relevant chapters.

The best way to read this guide is by going at your own pace and pausing at the end of each section. Take notes, and be sure to check out the links in each section. If you have any questions, please contact us at marketing@menudrive.com. Our marketing specialists love sharing their knowledge about the ghost kitchen business!

Chapter 1: What Is a Ghost Kitchen?

The term “ghost kitchen” has surged in popularity over the past year. In this first section of The Beginner's Guide to Ghost Kitchens, we outline what a ghost kitchen is and what sets it apart from the rest of the dining industry.

Ghost Kitchens: A Definition

A ghost kitchen is a food facility that operates exclusively for online and delivery orders. Instead of offering seating at a brick-and-mortar restaurant location, ghost kitchens are used for to-go food, cutting out the overhead and expenses of a physical dining location. Orders are placed through online food ordering platforms. The kitchen then prepares the food, which is dispatched to the customer's location.

Ghost kitchens are an example of the food industry's evolution beyond the traditional restaurant. While ghost kitchens still serve food, there is no front of house, waitstaff, or storefront. They allow restaurateurs to diversify through takeout and curbside options, while still giving customers what they want.

Features of Ghost Kitchens

The [basic idea behind the ghost kitchen model](#) is to provide customers with an optimized to-go menu for off-premise consumption. Essential characteristics of a ghost kitchen include:

- No physical presence — customers do not eat on premise
- Less risk than a physical restaurant — startup and operational costs are lower
- Minimal waste — inventory costs and food waste are reduced
- An adjustable menu — menu changes are made on the fly based on demand

KEY FEATURES OF A GHOST KITCHEN



Dual Benefits: Savings and Growth

Because of their simplified operations, ghost kitchens employ only a few chefs. They need fewer tools and resources than traditional dining. There are no chairs to put up; there's no lobby to sweep at the end of the day.

Since the focus is on preparing food, many ghost kitchens operate in areas with lower rent costs. (That said, it's a good idea to find a relatively high-density area to operate in — and deliver to.) Some are located in nondescript factory buildings. As long as they can serve their customers, they can generate a profit.

Ghost kitchens are designed to capitalize on shifting customer behavior. Customers are ordering online more, and restaurateurs are looking for ways to reduce costs. Ghost kitchens are the sweet spot where customer and restaurant needs overlap. They allow entrepreneurs to optimize, while giving customers a convenient way to get the food they love.

The Difference Between a Ghost Kitchen and a Virtual Restaurant

Ghost kitchens are also known as dark kitchens, cloud kitchens, delivery-only restaurants, commissary kitchens, and shadow kitchens. The term is sometimes used interchangeably with “virtual kitchen,” “virtual restaurant,” or “virtual brand,” although there are some notable differences between these terms.

In this guide, we provide guidance on how to launch a delivery-only food business. We’ll refer to that as a “ghost kitchen” for simplicity and consistency.

A **ghost kitchen** is a facility that supports virtual brands — that is, brands that sell exclusively through food delivery apps. Ghost kitchen companies, such as [Kitchen United](#) and [Cloud Kitchens](#), provide kitchen space for rent. For example, Kitchen United has a turnkey model whereby kitchen space is offered with complete cooking implements and appliances. Other companies in the ghost kitchen space include Virtual Kitchen Co. and DoorDash Kitchens.

Virtual restaurants, unlike ghost kitchens, do not rent from third parties. Instead, they have their own established brick-and-mortar locations, where they use their kitchens for delivery-exclusive menus. A virtual restaurant is often tied to a specific restaurant brand. Ghost kitchens can be used for multiple brands.

Chapter 2: Who Are Ghost Kitchens For?

Is the ghost kitchen business model right for you? Find out in this chapter of The Beginner's Guide to Ghost Kitchens.

Who Is Involved in the Ghost Kitchen Trend?

Ghost kitchens are a popular choice for both new and existing restaurants. Since they're easy to start and operate, practically anyone can invest in a ghost kitchen.

Existing Restaurants

Ghost kitchens can help existing restaurants adapt to shifting trends and market dynamics. Restaurants with physical locations can create new revenue streams amid a sea of high rents and saturated markets. The wider a restaurant's delivery range, the more potential customers it can reach.

New Entrants in the Industry

The restaurant industry has undergone significant changes over the past few years. Those wishing to join the industry must adapt to these changes, and they should apply a business model that allows for flexibility. Ghost kitchens fit the bill.

Ghost Kitchens Are Ideal For

- ✓ ENTREPRENEURS AND NEW CHEFS
- ✓ SMALL RESTAURANTS SEEKING TO EXPAND
- ✓ ESTABLISHED CHAINS
- ✓ CONTENT CREATORS AND INFLUENCERS
- ✓ FOOD TRUCK OWNERS
- ✓ CAMPUS-SPECIFIC DINING



Who Can Invest in Ghost Kitchens?

People in the following categories can benefit from starting a ghost kitchen:

- 1. Entrepreneurs and new chefs** – Ghost kitchens let entrepreneurs launch lower-risk, lower-cost restaurant brands. They can try out their idea and gauge interest without the burdens of brick-and-mortar dining. Ghost kitchens are an attractive investment because of their low setup costs. As a new entrant into the market, you may not have the resources to compete with larger brands. Additionally, you may not qualify for bulk order discounts. With a virtual kitchen, you can test the waters as your business grows organically.
- 2. Restaurants seeking to expand offerings** – With the increasing demand for food delivery, many existing restaurants are developing virtual off-premise kitchens to help streamline operations. Some brands embrace [third-party delivery services](#) to increase their visibility and reach. Others use their own staff for delivery. Still others use both third-party delivery services *and* their own commission-free delivery. For instance, they can use a white-label online ordering platform with built-in delivery tools, while also making their food available on platforms like Uber Eats.
- 3. Restaurants seeking to expand reach** – Small restaurants can benefit from opening a ghost kitchen instead of launching a second or third location. A ghost kitchen allows you to expand your geographic reach and grow your customer list without the risks of an expensive buildout. You can still focus on an exceptional dine-in experience, while also connecting with customers who prefer food delivery.

4. **Established chains** – Virtual kitchens give multi-unit chains a simple way to address changing consumer demands. They already have the space and resources; launching a ghost kitchen allows them to tap into new, wider markets.
5. **Content creators and influencers** – Food enthusiasts who are also content creators can use the ghost kitchen concept to launch a business. Chefs, influencers, and digital or print food publications can turn their passion into a new restaurant brand.
6. **Food truck owners** – Food truck owners often face space constraints and can't offer dine-in or in-person food service. It can be hard for food truck cooks to meet the demand – which, in turn, can be frustrating for customers. With a ghost kitchen, food truck owners can deliver food without sacrificing quality. They can also save the order time lost when having to shut off delivery during events.
7. **Campus-specific dining** – Many corporate and university caterers struggle with the demand for delivery in their areas of service. Trying to achieve a balance between dine-in and delivery can put a strain on staff. It can also erode both the in-person experience and the quality of food. A separate ghost kitchen will not only streamline workflow, but it will also alleviate the pain of meeting demand from both ends.

Chapter 3: The Growing Ghost Kitchen Trend

Ghost kitchens are on the rise. What's behind the trend? In this chapter, we consider the key factors.

A Rising Demand for Digital Dining

Recent years have seen online ordering technology revolutionize how restaurants approach food service. [More than 60% of the American adult population](#) now orders takeout at least once a week. Many restaurants are capitalizing on rising interest in at-home dining by offering online ordering and delivery. About [75% of restaurant operators](#) consider takeout to be their best growth opportunity.

The explosive demand for online delivery orders has resulted in the sudden growth of the ghost kitchen model. In 2018, consumers spent approximately [\\$10.2 billion on](#)

[delivery services](#), a 42% increase from the previous year. This upward trajectory continued into 2019 and especially 2020, when Covid-19 rapidly changed the dining landscape.

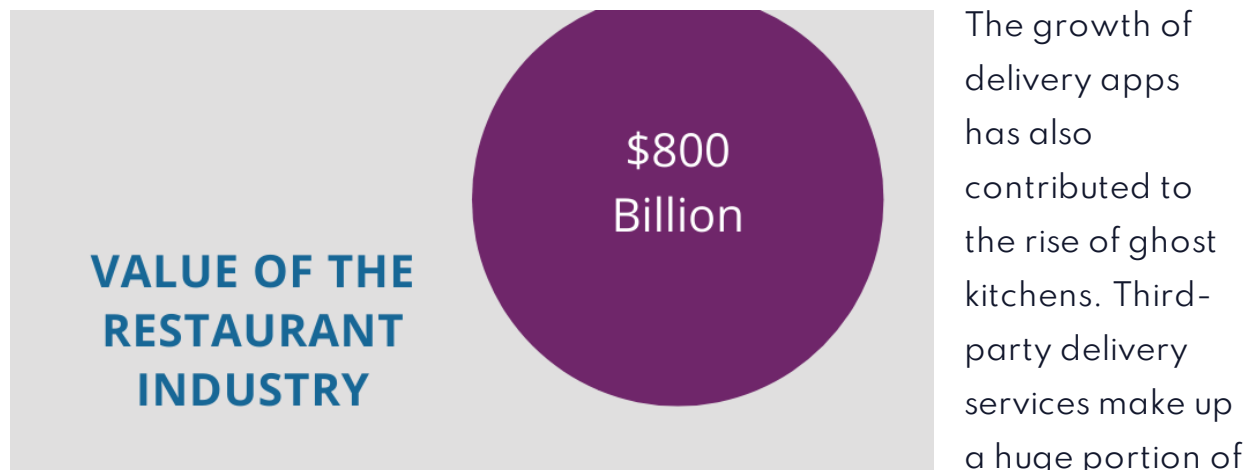
When there is demand, there is innovation. One of the most interesting solutions to arise from the changing restaurant scene has been the advent of ghost kitchens.



Within a short period, multiple players entered the ghost kitchen space. US Foods launched a service to provide guidance and resources to restaurants wishing to open their own kitchens. IKcon, a Dubai-based brand that stands for Innovative Kitchen Concepts, raised \$5 million to expand its kitchen network. In August 2020, Fat Brands announced that the Johnny Rockets brand would expand via ghost kitchens.

As more players enter the market, ghost kitchens are becoming a true phenomenon. They seem to be on a trajectory toward becoming the future of the restaurant industry.

Several factors have contributed to the rise of ghost kitchens. As noted, the concept started as a response to the increasing demand for online food ordering. When the coronavirus pandemic hit, the model took off as a way to safely connect restaurants and customers. Dine-in restrictions during COVID-19, shelter-in-place orders, and a hesitation to eat out led to greater customer interest in online orders.



the restaurant industry. As of 2019, the online food delivery market in the US stood at \$19.47 billion; third-party delivery apps [accounted for \\$6 billion](#). With this market expected to expand to more than \$24.46 billion by 2023, delivery apps will undoubtedly continue to be a major player in the food industry.

Restaurateurs are becoming more tech savvy as they adapt to the changing landscape. Food establishments of all sizes and service types are joining the delivery sphere.

Another key reason for the rise of ghost kitchens is their cost effectiveness. Monthly rent can be a huge cost burden on restaurant owners. In our digital, virtual world, enterprising restaurant owners have realized that it doesn't have to be such a burden.

Because of its advantages for both consumer and merchant, the virtual kitchen model is expected to continue to grow. In fact, the ghost kitchen market size is [expected to expand tenfold](#), reaching \$1 trillion globally by 2030. If ghost kitchens are a trend, they're one that is sticking around.



Chapter 4: How Do Ghost Kitchens Work?

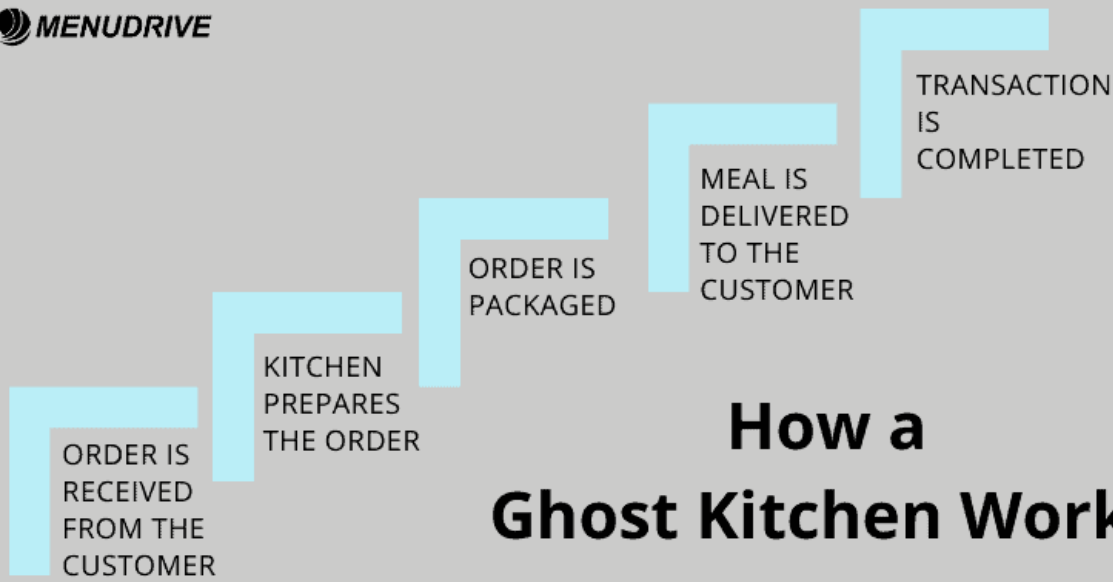
Ghost kitchen operations are simple and, when done right, smooth sailing. This chapter of *The Beginner's Guide to Ghost Kitchens* delves into how they work.

The Basics of Ghost Kitchen Operations

Using a ghost kitchen involves renting space in a facility, ideally in a well-populated area. You then launch online ordering and delivery. You can use either your online ordering platform or delivery apps for delivery, or you can use both. Customers could also contact your restaurant through your website or a proprietary app. The ghost kitchen customer views your menu, places an order, and makes a payment using a credit card. When an order comes in, the kitchen staff is notified. They start preparing the order in the rented kitchen space.

Once the food is ready, your restaurant's or a third-party service's driver transports it to the customer. After the order is fulfilled and the transaction complete, the funds are released to the business.

Some ghost kitchens choose to keep their traditional service at a physical location, while serving a selection of meals ordered online. This could mean serving food to their patrons or to other restaurants on demand. While some share kitchen facilities or staff, others run parallel kitchens to meet demand.



How a Ghost Kitchen Works

Ghost Kitchen Business Model Examples

Several real-world examples explain the concept behind the ghost kitchen business model. Taster and Keatz are two restaurant-owned ghost kitchens that focus on delivery-only operations. At Taster, founded in Paris and now in Madrid and London as well, the ghost kitchen infrastructure involves preparing a variety of meals from Vietnamese, Korean, and Hawaiian cuisines. They then partner with services like Uber Eats and Deliveroo for food delivery.

On the other hand, Keatz operates a virtual restaurant chain for offices and households to meet the demand for fast-casual food delivery. They focus on fresh salads and fast snacks. These are delivered on eco-friendly scooters, enabling on-demand fast-casual meal delivery.

Ghost kitchens can have different business models, but the goal remains the same: reduce costs and increase customer convenience. Whether you adopt a third-party-delivery-first model or a model that prioritizes commission-free ordering, a ghost kitchen offers you flexible options. You can run a single-brand ghost kitchen or rent space in a multi-brand ghost kitchen. Or you can even choose to prep food for multiple brands at once.

Chapter 5: Types of Ghost Kitchens

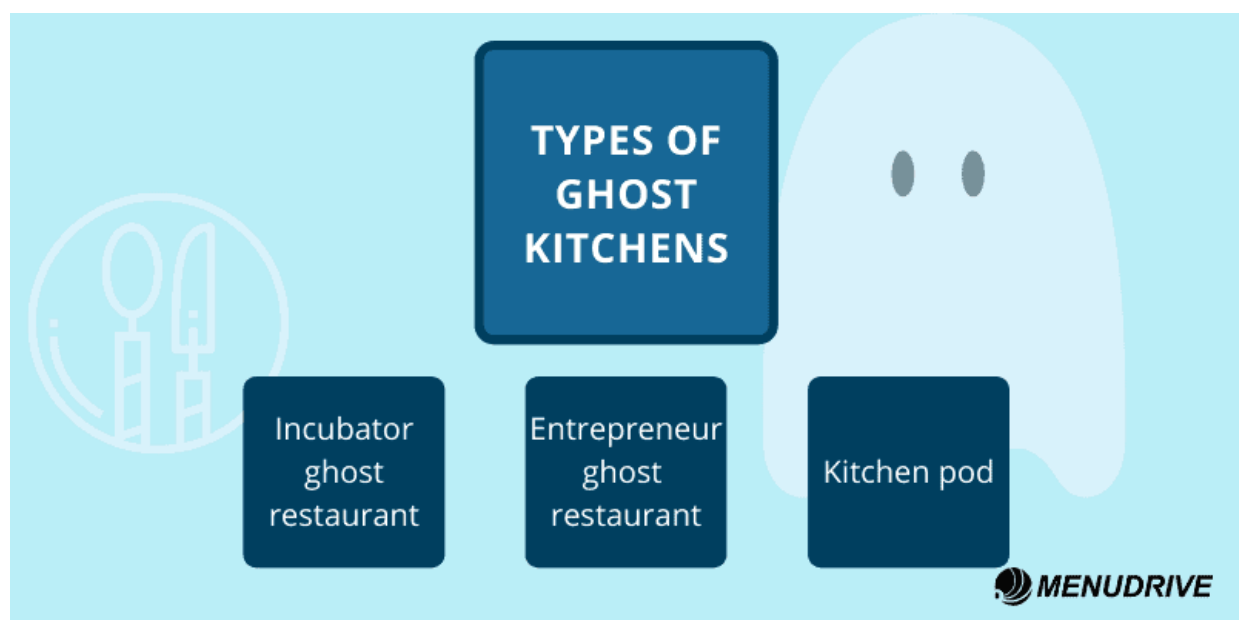
Ghost kitchens come in different shapes and sizes depending on factors like budget and cuisine type. They can be classified into three main types:

Incubator Ghost Restaurants

Incubator ghost restaurants are ghost kitchens affiliated with traditional restaurants. They're also known as pop-up kitchens. To align their businesses with current trends, some restaurateurs are starting ghost kitchens on their existing restaurant premises.

Even though incubator kitchens are attached to traditional restaurants, they focus primarily on online orders and deliveries.

Incubator ghost kitchens often start with increased local demand for a particular meal. For instance, when Simon Mikhail, the owner of Si-Pie Pizzeria, was [contacted by Uber Eats](#) about high search traffic for chicken in his area, he decided to open a ghost kitchen at his restaurant. He named it Si's Chicken Kitchen. His incubator ghost kitchen enabled him to meet the rising demand for chicken in the area, while still serving pizza to his loyal customers.



In another example, the Concept Restaurant Group integrated the ghost kitchen model by [launching the Denver Lobster Stop](#), a ghost kitchen started by the pre-existing, traditional restaurant the Blue Island Oyster Bar. Through their new ghost kitchen, they now sell lobster at a reduced price of \$19 without a side, compared to \$25 at the Blue Island.

Some ghost kitchens operate by preparing food for other restaurants. [Frato's Pizza](#) in Schaumburg, Illinois, operates in a family restaurant setting. However, the kitchen is staffed with cooks who prepare food for four other restaurants. The ghost kitchen offers spicy chicken gyros for Halal Kitchen, salmon grilled cheese for Cheesy Deliciousness, barbeque chicken tenders for Tenderlicious, and Butterfinger milkshakes for Heavenly Shakes. Customers order their meals through online sites like Uber Eats, DoorDash, and Grubhub. Although the meals are ordered from the respective restaurants, Frato's prepares them.

An existing restaurant may set up a pop-up kitchen if there's a need for a dedicated space to fulfill online orders. It can also act as a structured way to test a new food concept or a new revenue stream. Once established, incubator ghost kitchens help to reduce the pressure of online orders on the restaurant crew. They allow staff to work in an isolated kitchen space with its own workflow and delivery model.

Many restaurateurs find incubator kitchens to be an appealing virtual concept, given the ease with which they allow restaurants to add a new revenue stream. The owner of Frato's Pizza, Michael Kudrna, [explained to the "Chicago Sun Times,"](#) "The beauty is I can create concepts and if they don't work, I can move on to try another one. I will have lost weeks of work, but not large sums of money."

Since the space already exists, the restaurant owner just needs to convert it for a different order workflow.

Examples of incubator ghost kitchens:

- Si's Chicken Kitchen in Chicago – Launched by Si-Pie Pizzeria to sell chicken via Uber Eats to meet high demand in the area. Instead of adding chicken to their pizzeria's menu, Si's Chicken Kitchen is only available through Uber Eats as a virtual restaurant. During its first year of operation, the virtual kitchen was making an average of \$1,000 sales per week.
- Denver Lobster Stop – Launched by Blue Island Oyster Bar to sell lobster at a discounted price. The ghost kitchen serves a few items on its menu including a lobster roll, fish, clam chowder, and chips. They focus on items that will travel well and live up to their brand.

Entrepreneur Ghost Restaurants

In this type of business, entrepreneurs rent spaces and operate them as dedicated virtual kitchens. The ghost kitchen is located in a space without traditional brick-and-mortar settings. Also known as a shared or commissary kitchen, entrepreneur ghost restaurants involve renting out kitchen space and supplying cooking accessories. Depending on the setup, multiple restaurants may share the kitchen space, tools, and appliances.

Todd Millman and Peter Schatzberg launched the Green Summit Group using this concept. They operate nine online restaurants out of two kitchens, with their headquarters in New York City.

Examples of entrepreneur ghost restaurants:

- Gabriella's New York City Pizza – Concept launched by Family Style Co. comprising ten different ghost kitchens (Sunny Day Creamery, Pizza Alla Vodka, Munch Box, etc.). The pizza house is made for delivery and focuses on online orders through their website and third-party apps.

- CloudKitchens – Founded by Uber’s Travis Kalanick. Businesses partnering with CloudKitchens work on a delivery-only model based on their specific menu offerings.
- Kitchen United – Founded by Jim Collins, Kitchen United has a light-capital model with a complete code-safe kitchen. The kitchen comes with cooking implements and appliances. Their multi-restaurant ordering experience entails different ghost kitchens offering a variety of meals for order.

Kitchen Pods

Another type of ghost kitchen is the pod. Kitchen pods are small shipping containers that come with outfitted kitchens. Kitchen pods are convenient, yet they do have limitations to consider. Zoning laws may limit you from setting up kitchen pods, and it may also be difficult to maintain safety measures.

Examples of kitchen pods:

- Good Uncle – Ghost kitchen aimed at the college student market. Students pre-purchase meal packages, and meals are distributed on specific days of the week. Students order food through the Good Uncle app or Grubhub. They pick up their meals at select stops along a predetermined campus delivery route.
- Kitchen Podular – Manufactures kitchen pods that offer takeout and delivery food services. The pods are customized for effectiveness and efficiency.
- Temporary Kitchen Company – Offers kitchen pods that can sit in driveways. Also has popup capsule kitchens for installation in rooms. This model eliminates the expenses of a rented space with its movable container.

Chapter 6: How to Start a Ghost Kitchen

Are you considering opening a ghost kitchen? Given the high consumer demand and low setup costs, it's a business worth a look!

Ghost kitchens are popping up all over, and the trend is here to stay. Even celebrity chefs are [opening ghost kitchens](#). If you already run a restaurant or want to start one, these delivery-only restaurants offer opportunities aplenty.

Setting up a ghost kitchen (or a cloud kitchen) involves balancing three elements: the ordering process, food preparation, and delivery. This article outlines the steps needed to get started.

9 Steps for Launching a Successful Ghost Kitchen

The following steps will help you start a successful ghost kitchen business.

1. Decide on the Type of Ghost Kitchen
2. Select Your Location
3. Plan Your Kitchen Setup
4. Follow Licensing, Health, and Safety Regulations
5. Optimize Your Delivery Menu
6. Choose Your Online Ordering and Delivery Methods
7. Prioritize Your Food Packaging
8. Hire Staff for Your Ghost Kitchen
9. Optimize Your Scheduling

Step 1: Decide on the Type of Ghost Kitchen

Did you know that there are [different types of ghost kitchens](#)? Will your ghost kitchen be an incubator ghost restaurant, entrepreneur ghost restaurant, or kitchen pod?

Before diving into the ghost restaurant business, [decide what type you want to pursue](#). Each type of virtual restaurant has its benefits and drawbacks, and each requires a different level of investment. For example, you can build your kitchen from scratch or rent an existing restaurant kitchen.

If you already have an existing restaurant, you can use a shared-kitchen model. The benefit here is that you can feature specific items not found on your conventional menu and fill a particular market niche. Additionally, it's wise to serve a specialized menu and offer food that is more suited for delivery.

Step 2: Select Your Location

Ghost kitchens are trending, in part, because they can be set up almost anywhere; a kitchen space is all you need. (How about a [food truck ghost kitchen](#)?) You don't have to pay high rent or worry about walk-in or drive-in customers.

Yet the old saying "location, location, location" applies to ghost kitchens too. Some of the factors to consider in selecting an ideal location for your ghost kitchen include:

Area: Your [choice of location](#) is key to your business's success. Establish your virtual kitchen in an area surrounded by your target market. That way, food delivery to customers will be faster, and you'll have future growth options.

Affordability: The bottom-line consideration when starting any business is cost. Since you want to keep overhead costs to a minimum, you should choose an affordable space.

Space Size: The space needed to establish a ghost kitchen is minimal. Nonetheless, it should be large enough for your staff to move around. Also, consider safety precautions and legal requirements when it comes to commercial kitchens.

Parking Space: Most ghost kitchens operate purely on a delivery-only basis. However, you will need a parking space for your drivers. The area should be large enough to accommodate several drivers based on demand and the flow of orders.

Safety: After securing the perfect space for your venture, make sure it's safe for operation. In addition to common workplace injuries, restaurants have their own set of hazards. Burns, falls, and chemical exposures top restaurant injury lists.

Check that you have the necessary safety measures in place too. In addition to taking common-sense measures, look to reputable sources for [information on restaurant safety](#). And be sure to obey the safety regulations for your locale.

Step 3: Plan Your Kitchen Setup

When you hear the term “ghost kitchen,” you might picture phantom cooks with floating spatulas! But everything from the food items to the utensils in a ghost kitchen is real. So you'll need to invest in top-quality cooking equipment.

When choosing your kitchen setup:

Create a Floor Plan: A floor plan gives you a clear picture of your kitchen design. Create a plan before booking a contractor. Set a clear layout and choose fixtures, cabinets, and finishes that suit your style.

Design Wide Walkways: Your kitchen floor plan should include enough room to walk around in. If your kitchen has an island, plan enough space to clear your island from cooktop and storage spaces.

Eliminate Wasted Steps: Keep your items readily accessible as needed. For example, plastic containers and wraps should be near a work surface. Flatware and dishware should be near the dishwasher.

Organize Items within Reach: Take time to organize your pantry and other storage areas. Frequently used ingredients and items should be within easy reach.

Make Recycling Easy: When planning your setup, include spots for recycling. For instance, you can equip a cabinet with containers for plastic, glass, and metal. You can also have a spare drawer on the side to hold old papers or newspapers to recycle. Plan for recyclable food waste too.

Step 4: Follow Licensing, Health, and Safety Regulations

To prepare and sell food online, you'll need to work from a licensed commercial kitchen. Apply for a business license before starting operations to avoid disruptions.

Your [local health department](#) may want to visit your space. The inspector will review your production methods, food storage areas, and general workflow and check for licensing and other requirements.

Inspectors may also review your menu and the third-party services you use. Make sure you have a person in charge who has an updated [ServSafe Food Manager certification](#).

Step 5: Optimize Your Delivery Menu

When it comes to creating a ghost kitchen menu, your focus should be on simplicity and popularity. Instead of having a full-blown menu, offer a few standard choices and fan favorites.

Make sure each menu item is well suited to delivery orders. Take into account food prep time, temperature, and how well particular menu items travel. If your food arrives soggy or cold, customers will think twice about ordering from you the next time they want delivery.

Try to keep your food costs low by offering simple food and a limited menu. Although you shouldn't sacrifice creativity, you can reduce costs by featuring items with similar ingredients and preparations. That said, your menu doesn't need to be plain or boring — you can incorporate plenty of variety into a pared-down menu.

Be sure to factor delivery costs into your menu prices. If you're using third-party delivery apps, you will likely face [30-40% commission fees](#). To keep your business profitable, you may need to cover these fees in your food prices.

Step 6: Choose Your Online Ordering and Delivery Methods

Your online ordering and delivery method(s) should be cost-effective and convenient.

Online Ordering Platform

The success of your cloud kitchen will depend on the quality of your ordering platform. Given the American appetite for browsing the internet, a reliable online ordering platform will help you appeal to more customers. The best platforms make the ordering process easy. They improve efficiency and allow for real-time data tracking.

Look for an online ordering platform with transparent pricing and no hidden fees. Ideally, it will also have extra [features](#) like tools for marketing and coupon creation.

THIRD-PARTY DELIVERY VS. IN-HOUSE DELIVERY

THIRD-PARTY DELIVERY

- ✓ INCURS COMMISSION FEES
- ✓ NO ACCESS TO CUSTOMER DATA
- ✓ BUILT-IN INFRASTRUCTURE
- ✓ MINIMAL BRANDING

IN-HOUSE DELIVERY

- ✓ NO COMMISSION FEES
- ✓ ACCESS TO CUSTOMER DATA
- ✓ CREATES WORK FOR EXISTING STAFF
- ✓ FULLY BRANDED



Some components of an effective online ordering platform are:

- Range of order types (pickup, curbside, delivery, etc.)
- Branding options such as your logo and colors
- Options for both in-house delivery and flat-fee third-party delivery integration
- Customer accounts
- Customer data
- Way to get customer feedback

White-Label Online Ordering Platform

For ghost kitchen owners, a white-label online ordering platform is a worthy consideration. These include all the modules you need to start a delivery business online. You can customize the look to match your brand with a custom logo and color options.

Some extra benefits of a white-label system include:

Efficient Order Management: Manage orders from a single admin control panel. There, you can see incoming orders and notify customers when their orders are ready. Plus, you can customize your menu depending on changes in customers' purchasing behaviors.

Timely Delivery: White-label online ordering platforms make doorstep deliveries easier and faster. They have customizable solutions, catering to all customer delivery demands.



More Delivery Options: Your online ordering system gives you more comprehensive options for delivery. For example, the [MenuDrive](#) system lets restaurants set up in-house delivery with their own drivers. MenuDrive also partners with DoorDash for commission-free delivery. The restaurant customer pays a flat fee, and the restaurant pays nothing. Restaurants can use one platform for in-house delivery, third-party delivery, or both.

Food Delivery Platforms

Since delivery is the backbone of ghost kitchens, choose your delivery options wisely. Many virtual kitchens use a third party, such as Grubhub or Uber Eats, for delivery. However, some take on delivery themselves.

Third-Party Platforms

Delivery services like Postmates, Grubhub, and Uber Eats have a ready customer base. By partnering with a delivery service, you can get your menu in front of more eyes. Hungry customers appreciate these platforms for their simple, streamlined ordering process.

Food delivery apps allow you to focus on your menu and food prep. You don't have to worry about anything that happens once the food leaves the kitchen. At that point, it's up to the delivery service to ensure a smooth ride.

That said, if there are any bumps along the road — late or lost orders, wrong deliveries, etc. — your restaurant could end up taking the blame for mistakes made by the delivery company. If you use a third-party delivery service, make sure it's a reputable one.

When choosing a delivery company, be sure to factor commission fees into your budget. Many platforms take a percentage of each order as their fee. Rates range from 25 to 40%.

In-House Delivery

In-house delivery allows you to avoid the fees charged by third-party delivery. It lets you give work to your existing employees.

In-house delivery also gives you more control over the online ordering experience. You can make decisions on branding, design, order notifications, and other key aspects of online ordering. Plus, you will be able to collect customer contact information. (This information is unavailable through third-party delivery services.)

If you want to set up different fees for different delivery zones, in-house delivery may be the right choice. Setting zones is easier if your ordering platform integrates with your in-house delivery.

With in-house delivery, you will need to add drivers to your restaurant's labor force. Check with your insurance company to make sure your delivery services are covered.

Step 7: Prioritize Your Food Packaging

In any online business, the packaging is critical. After all, it's the first tangible thing your customer touches. Stamping your logo on a brown paper bag is not enough to be competitive in the current market.

Use Attractive Packaging: Be creative and smart with your packaging, even your utensils. Your packaging should be intriguing. It should lure your customers in and make them want to learn more about your business – and, of course, eat your food.

Reinforce Your Brand: Use packaging to tell the story of your virtual brand. Reinforce your identity and convey your brand values. Think about [Dunkin'](#) (formerly Dunkin' Donuts). Their iconic pink, orange, and brown is synonymous with donuts and fresh coffee. According to Dunkin', the brand's bold look “reflects the energy and excitement that Dunkin' serves daily.”

Keep Your Food Warm: And keep your cold food cold! There is nothing worse than cold fries or gummy pasta. And what about that warm salad? Yuck! In addition to controlling temperature during delivery, consider how your packing will reheat. Can it go in the microwave?

Step 8: Hire Staff for Your Ghost Kitchen

Once you start your ghost kitchen, its success will depend on how good your staff is. In most cases, you only need a few staff members, such as a chef and kitchen manager. The low number of employees should make recruitment easier than hiring for a full-service restaurant.

Consider the following:

Applicant Solutions: Hiring staff for your new ghost kitchen starts with finding candidates. Some candidates may contact you for a job. But it's more likely that you will need to put some effort into recruiting the right people.

Consider using local social media groups. Recruit at student career fairs, especially from vocational and culinary schools. Ask for employee referrals.

Recruitment Portals: Several recruitment portals provide a platform for finding kitchen employees.

- [Poached](#) is a dedicated recruitment portal for food- and drink-related jobs.
- [Industry](#) lets people search for jobs by location and type.
- [Culinary Agents](#) is a networking site that caters to hospitality, food, and beverage industry professionals.

Labor Law Resources: Your kitchen will need to follow labor and employment laws. These laws ensure a healthy, safe, and fair workplace for employees.

Some of the most important labor laws are:

- [The Occupational Safety and Health Act \(OSHA\)](#)
- [Restaurant Wages and the Fair Labor Standards Act](#)
- [The Equal Employment Opportunity Commission](#)
- [Employing Youths or Minors](#)
- [Laws Enforced by the EEOC](#)

Interview Tips: When interviewing your staff, consider their food preparation skills. They should also understand safe food handling and sanitation practices. The best candidates should show excellent organizational, interpersonal, and time management skills. Also screen for candidates who may not perform under pressure and those who have low energy.

If you're using in-house drivers, you'll need to recruit them too. Check that your drivers have a valid driver's license, a clean driving record, and auto insurance. Of course, they will also need access to a reliable vehicle.

Training Your Employees: Once hired, your staff needs to be trained. Although a ghost kitchen may only require a small team, the staff should have the knowledge and skills to meet customers' needs. [Proper training](#) also ensures that employees will prepare quality meals and demonstrate your values to customers.

Step 9: Optimize Your Scheduling

The ghost kitchen business model is attractive because it streamlines your workflow. Your sole focus is on preparing and packaging meals for delivery. Effective scheduling helps keep your labor costs low and your employees happy.

Restaurant scheduling software can make the process easier. These packages let you create and manage schedules.

Use Proven Scheduling Methods: No need to reinvent the scheduling process. Schedule your staff the same as you would for a brick-and-mortar restaurant.

Create Schedules in Advance: Establish a straightforward process (and deadline) for accepting scheduling requests. Try to give your employees two consecutive days off each week. Having clear expectations and time to rejuvenate helps to prevent burnout.

Don't Forget Your Delivery Team: If you're using in-house drivers, add your drivers to the schedule. Consider the number of drivers you will need, the lengths of their shifts, and their coverage area.

These nine steps will help you start a ghost kitchen, but that's just the beginning. Keep reading to learn more about successful operations, growing your business, and what's next for ghost kitchens.

Chapter 7: How to Grow a Ghost Kitchen Business

Once you've launched your ghost kitchen, you're on your way to business growth. Here are some key things to keep in mind as you set profit goals and work to meet — or exceed — them.

Experiment with New Concepts and Menu Ideas

Because you can make changes to your online menu on the fly, ghost kitchens allow you to experiment with new ideas and concepts. You could add a special midday snack or remove an item during the evening when you're short on ingredients. Your culinary team will appreciate this flexibility. They'll also enjoy the opportunity to explore and experiment in ways that on-premise teams cannot because of overhead and static print menus.

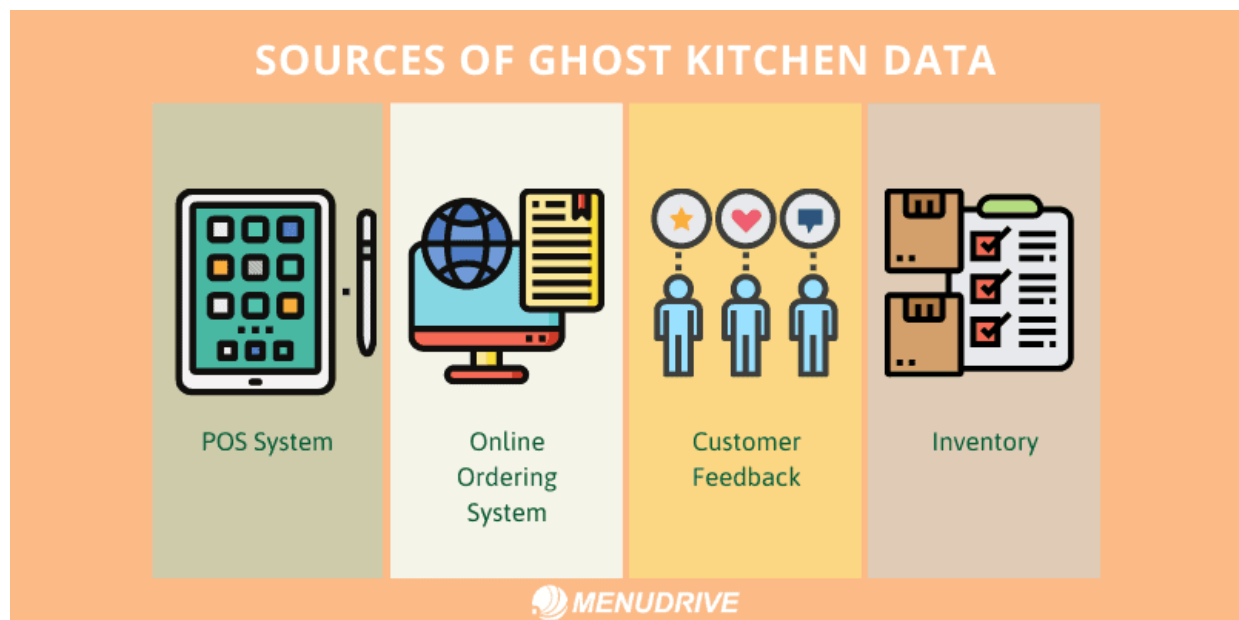
Changing your menu is also important as you assess your sales data to see which menu items are worth keeping, and which are not worth their lower ROI. [Engineering your menu](#) allows you to increase revenue without having to sacrifice food quality.

Start by analyzing the profitability of every menu item. Place the most profitable items at the top of the menu. The goal is to attract more customers to these items and encourage them to order more of them. Include compelling food photos, tempting menu item details, and attractive backgrounds. Make sure it's easy to navigate between different menu sections.

Use Data to Improve Profit Margins

The flexibility offered by ghost kitchens allows you to change your menu items anytime to meet evolving customer demands and market trends. Use the data collected by your online ordering platform and POS to determine what is selling and how often. Some online ordering platforms allow you to get granular in your data reporting, for instance by providing analytics on coupon redemptions, the number of registered guests, order histories, etc. Based on this information, you can adjust your food offerings to achieve maximum profits.

Your restaurant data may reveal that pizzas sell the most during lunch near the beach, while salads are most popular after 6pm in the suburbs. Having this data will help you adjust pricing and quantities to achieve higher profit margins. For instance, you might offer lobster as an upsell add-on to your salad. (In general, upsells are a great way to boost check averages while maintaining the same amount of labor and time in the kitchen.)



Besides your sales reporting, another good source of data is customer feedback. Your online ordering platform may allow your customers to provide valuable feedback. You can also check internet reviews to find out what customers are looking for and what they think about your food. Using this data, you can improve the quality of your food and how it's delivered.

The goal of data assessment is to reprioritize your efforts to always focus on your best-selling menu items. If it's not the foundation for business improvements, data is just a bunch of numbers.

Be Strict on Quality and Consistency

With a ghost kitchen, you never get to meet your customers face to face. The only interaction you have is through your food. Since customers don't visit your establishment, you don't need to worry about ambience and décor. Your focus is, above all, on the consistency and quality of your food and its delivery.

In essence, your food becomes both your business and your brand. The higher quality your customers consider your food to be, the more likely they are to stick around and recommend your ghost kitchen. Every single meal you deliver should have high quality that you can take pride in.

Control Your Ghost Kitchen Inventory

Inventory control is critical to keeping food costs low, preventing waste, and improving your ghost kitchen's bottom line. One of the most important things you can do to ensure that your ghost kitchen turns into a thriving enterprise is to stay on top of your food inventory.

During the initial stages of your business, try to keep inventory levels as low as possible. Create a limited menu to keep food costs low as well. Consider this time an opportunity to figure out what customers are looking for and adjust your stock accordingly. Check your inventory costs and food waste often, and make smart adjustments that will help your profit margins.

To use every item in your inventory and minimize food waste, offer daily specials that incorporate surplus ingredients. The goal is to make the most out of what you've already purchased and keep food costs down.

As your business grows, use your sales data to forecast demand and plan inventory. Forecasting will help you make optimal ordering decisions for your virtual kitchen. That way, you will be covering baseline demand while reducing the amount of food left on the shelf. The process of assessing your data, forecasting inventory, and making purchasing decisions will become easier as your business grows.

Track the Profitability of Your Delivery Service

Ensure your business's financial health by tracking the profitability of your ghost kitchen. If you've added a ghost kitchen to your already existing restaurant business, treat it as a separate location. That way, you can track the profit margin of your physical location separately from your ghost kitchen, to make better decisions for your business.



Chapter 8: Tips on Ghost Kitchen Marketing

Growing a ghost kitchen business takes strategy and constant evaluation. A key area worth investing time, effort, and probably some money in is your ghost kitchen's marketing plan.

Build a Ghost Kitchen Marketing Plan

For your ghost kitchen to be a success, you need to have an effective marketing plan. The goals of your marketing plan should be greater online awareness and more engagement with potential customers.

[Download the restaurant digital marketing plan.](#)

A good ghost kitchen marketing plan will allow you to reach more customers and make more sales. A poor marketing plan will only add unnecessary costs to your budget.

Emphasize Digital Marketing

Since you do not have direct contact with customers, the hardest part of growing a ghost kitchen is building your profile. Nearly all your marketing will take place online, given that online ordering and delivery go hand in hand. Fortunately, there are several [marketing strategies](#) that work well for virtual restaurants.

The best place to start is to create an attractive website and build a social media presence. Focus on platforms with wide reach, like Facebook and Instagram. Spotlight your food through photos and videos. Emphasize your brand values and the quality of your food in your digital messaging.

[Social media marketing](#) provides the easiest and most affordable means of marketing a ghost kitchen. Use your social media feeds to promote specials and limited-time discounts. Offer coupon codes to first-time customers. Encourage user-generated content, such as customers posting about your food on their own social media pages. You may wish to launch social media ads as a quick way to raise your business's profile.

Some other [digital marketing strategies](#) to consider are:

- Email marketing
- Influencer marketing
- Search engine optimization
- [QR code menu](#) marketing

Be sure to maintain current and complete profiles on Yelp and Google My Business. Use your CRM to start an email marketing program that keeps customers in the know about your latest specials and coupons.

Throughout all your marketing initiatives, make sure your branding and messaging are consistent and consistently appealing. One mediocre food photo can make a prospective customer start looking elsewhere.

Traditional Marketing Strategies

You can also use word-of-mouth strategies to intrigue and attract new customers. Local sources can play a significant role in reaching prospects. Working with local farmers and gardeners will help you reap the benefits of seasonal harvests. Apart from getting inventory at discounted prices, you will win the hearts of customers who are looking for the freshest ingredients possible and who like to support local business.

Other traditional marketing strategies include:

- Marketing collateral (flyers, business cards, etc.)
- PR initiatives (e.g., trying to get reviewed by local media)
- Direct mail

- Loyalty and rewards
- Merchandise

Again, your focus should be on digital marketing strategies. But any strategies you can use to increase word of mouth are worth looking into!



Chapter 9: Running a Ghost Kitchen - Pros and Cons

We hope this guide is providing you with a clear sense of what it's like to launch and grow a ghost kitchen business. Before starting a ghost kitchen, it's important to consider both the benefits and drawbacks of this business model.

Advantages of Ghost Kitchens

Some of the key advantages of opening a ghost kitchen include:

- **Minimal overhead costs** – Ghost kitchens have lower real estate and operational costs than traditional restaurants. Front-of-house expenses are nonexistent. You don't need to hire servers or customize your building to be convenient for dine-in customers. You can use services like DoorDash and Grubhub to outsource delivery. (Be mindful, however, of the commission fees involved.) The startup process is also relatively simple, and the workflow is efficient and streamlined.
- **Flexible** – Ghost kitchens are adaptable to changing market trends and customer demand. Everything, including the menu and branding, is mobile and can be changed quickly across all platforms. That means that during the initial stages of your business, you can try out different approaches to discover what your customers like best.
- **Opportunity to capture a wider audience** – With ghost kitchens, you get wider audience access in terms of volume and geography. A dine-in location is limited by a finite occupancy, which has been reduced during Covid-19 by social distancing restrictions. A ghost kitchen means you're no longer restricted by table turnover either.

- **Ability to meet online demand** – With 60% of consumers in the US preferring takeout orders, the demand for delivery services is on the rise. Ghost restaurants allow you to meet the high demand for online food ordering. They let you adapt to an increasingly e-commerce-driven food-and-beverage industry.

Disadvantages of Ghost Kitchens

Although ghost kitchens have a wide range of benefits, restaurant owners in this sphere may experience some drawbacks.

- **Maintaining recipe consistency and quality** – A ghost kitchen handles multiple outlets on a daily basis. That can make it a major challenge to maintain consistency. It can be difficult to standardize recipes and restaurant operations, as every order is unique. As discussed elsewhere in this guide, the quality of your food is critical to your ghost kitchen's success. But maintaining that quality can be a challenge, for reasons including travel time, temperature control, and food freshness.
- **Dependence on high-commission food aggregators** – A ghost kitchen with a business model emphasizing third-party delivery won't generate sufficient revenue unless it ranks highly on online food aggregators. Enhancing your brand's visibility on such platforms may be difficult, especially for a new business. You may need to spend on PPC (pay-per-click) ads to achieve higher search engine results. Additionally, food delivery apps may take up to 40% of your delivery earnings. That is a cut that many restaurants are unable to sustain, which is why it's a good idea to have an in-house online ordering system.
- **Delivery errors** – A cloud kitchen operates with a third-party delivery fleet that may be prone to errors. The timing and accuracy of each order are crucial, yet neither is under the restaurant's control once the food leaves the kitchen. If you're using third-party delivery apps, your reputation is likely to be affected by the quality of their services

- **Masked customer information** – At a standard restaurant, a customer database provides names, past orders, and contact details. At a ghost restaurant that relies on delivery apps, customer information is masked by those apps. Unless you take orders directly through your online ordering platform, customer information won't be accessible to you.
- **Customer retention** – Cloud restaurants don't interact with customers, which can make it difficult to build lasting relationships with them. For a ghost kitchen to be discovered, it needs a strong, appealing online presence. For customers to keep coming back, it needs customer retention strategies like a loyalty program and email marketing.
- **Challenges of managing your online reputation** – Since your business exists entirely online, you will have to manage your online reputation more diligently. A poor experience on a delivery app may result in a loss of customers for your restaurant.



Chapter 10: The Future of Ghost Kitchens

In this final section of The Beginner's Guide to Ghost Kitchens, we consider what lies ahead for the dining industry. Ghost kitchens came on the market quickly. Are they a fad or the future?

Are Ghost Kitchens Here to Stay?

Based on current trends, ghost kitchens will be integral to the future of the food industry. The global [ghost kitchen market](#) is expected to reach \$1 trillion by 2030.

As [QSR Magazine explains](#) of the ghost kitchen model, “It’s an ever-more-appealing prospect as the \$17 billion U.S. online food delivery market climbs toward a projected \$24 billion by 2023, according to data portal Statista.”

Ghost kitchens won’t be going anywhere when Covid-19 social distancing measures ease. Philadelphia-based restaurateur Branden McRill [explained this to the Today Show](#):

“The appeal of this flexibility and the variety of options won’t disappear when the pandemic is behind us, McRill said. Think about how we used to go to the movies, he said, when you had to watch whatever you could get tickets for at the time it was showing, vs the streaming era now, ‘where people want to get exactly what they want at exactly the time they want it,’ he said. People have short attention spans too, he said, and constantly want to try new things. More traditional restaurants will be hard pressed to keep up, he added.”

As they look forward to the future of dining, it seems likely that more and more traditional restaurants will invest in the virtual kitchen model.

The Future of Food Delivery

Although ghost kitchens decrease capex (capital expenses) and opex (operating expenses), they do present a potential challenge. How should virtual restaurants deal with delivery costs? Most investors in this area use third-party delivery apps to reach customers. But unfortunately, delivery apps' high commission fees can cannibalize revenue earnings. Because the restaurant industry has low margins to begin with, profits earned may not be enough to cover revenue lost to delivery apps.



Among the solutions looming on the horizon is the rise of mobile smart kitchens. As the name suggests, these are “kitchens on wheels” that come with smart technology to achieve a delivery-only framework. In 2019, Zume revolutionized restaurant delivery with the introduction of its Forward Mobile Kitchens. The kitchens are equipped with proprietary AI, predictive analytics platforms, and smart appliances.

Proprietary online ordering is another emerging solution. Instead of relying on third-party apps, restaurants are now launching their own online ordering platforms. They link to their online ordering system from their website. When customers place orders for takeout or delivery, no commission fees are charged.

In addition to higher profits, a proprietary [restaurant online ordering system](#) offers branding and marketing.

As more players enter the market, more innovations will emerge. Only time will tell what those innovations look like, but one thing is clear: Ghost kitchens are here to stay.

Conclusion

If you're here, congratulations! It means you've read through the guide and are ready to start or grow your own ghost kitchen operation.

Before opening a ghost kitchen, make sure you conduct plenty of research. Spend time weighing the pros and cons of [each ghost kitchen type](#). Consider all potential pitfalls.

Since this model is still developing, pay attention to what other new ghost kitchen businesses are doing. Make sure your business model fits with consumer expectations and preferences. And please let us know how you're doing! Email marketing@menudrive.com to touch base with our team and see if there's anything we can help you with.

Best of luck with your ghost kitchen enterprise!