

Report #07

EAT 2022

JOINING THE DARK SIDE



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FEW INDUSTRIES EXPERIENCED THE RAPID AND FUNDAMENTAL CHANGES THAT RESTAURANTS FACED IN 2020.

Known under a few terms, the 'dark', 'ghost' or 'cloud' kitchen concept began to rise in popularity in 2019. This is where a kitchen operates with no public dining space and its sole focus is delivery.

The pandemic fuelled the need for more ways to deliver; as a result, restaurants have changed their formats beyond their traditional set-ups to manage the demand, as well as a new opportunity to extend their reach.

GHOSTLY GROWTH

GHOST KITCHENS ARE PREDICTED TO BE A TRILLION-DOLLAR INDUSTRY IN 10 YEARS' TIME. US FAST FOOD MAINSTAY WENDY'S HAS ANNOUNCED PLANS TO OPEN 700 OF THESE FORMATS OVER THE NEXT FIVE YEARS ACROSS THE US, CANADA AND UK.

Source: Euromonitor

Deliveroo has continued expansion with three new delivery-only kitchens opening in London. The Editions locations have launched with 10 restaurant partners who will use the facilities, including Five Guys, Dishoom, Shake Shack, Rosa's Thai, Bleeker, Chilango and Tortilla.



THE CONNECTED
CONSUMER



CASHLESS CUISINE

The boom in demand for food deliveries has proved the economic viability of ghost kitchens. The national lockdowns over the past two years saw the demand for takeaway and delivery evolve through delivery apps, and the stay-at-home behaviour has now become habitual.

People are now ordering and paying digitally more than ever before.

93% OF PEOPLE ARE ORDERING FOOD DELIVERIES AS OFTEN AS OR MORE THAN THEY DID BEFORE THE PANDEMIC.

43% OF PEOPLE SAY THEY'RE NOW MORE LIKELY TO ORDER FROM A DARK KITCHEN, WHICH FEW HAD HEARD OF UNTIL RECENTLY.

Source: Bidfood & CGA

Ghost kitchen formats can vary, with opportunities for established restaurants to add their own take on the concept. A negative perception of the concept is that these kitchens operate in converted shipping containers off the beaten track. Other executions have seen food trucks in outdoor spaces, or others partnering with third-party ordering and delivery platforms such as **Uber Eats** or **DoorDash** in America.

One of the key benefits to ghost kitchens is their flexibility to be located anywhere without having to contend with high rent. Lower cost, quicker to market and reaching new customer audiences, they strip down the traditional dining experience.

What's more, numerous restaurants can operate out of the same ghost kitchen, either working in the same facility or splitting the space, while other restaurants prefer to host their own virtual kitchens and use third-party delivery companies to streamline logistics.



OPPORTUNITIES

With restaurants recognising the future of online delivery, there will be continued development to become more efficient and technology-driven in the context of menu development, supply chain efficiency, direct-to-consumer distribution solutions and kitchen automation.

1 DIRECT-TO-CONSUMER

Many ghost kitchens rely on third-party food delivery platforms like Deliveroo to connect with customers. The future will see them go direct to connect with their diners, cutting out the middleman in lieu of dining-in.

2 HARNESSING DATA AND AI

Much like traditional restaurants, ghost kitchens can make the most of collecting customer order data to help inform demand patterns and preferences to menu items and test new dishes.

3 SUSTAINABILITY FOCUS

With the ongoing challenges of food waste, ghost kitchens have the ability to analyse delivery data to manage future demand and supply.

4 FORMAT FLEXIBILITY

Technology developments in cooking technologies will provide automated services from cooking to packaging resulting in the need for less space to operate. Modular kitchens that can flex in size dependent on location and demand will provide more efficient solutions.

WATCH OUTS

The right tech is vital for ghost kitchens to operate efficiently and reliably. It's particularly crucial when engaging with customers for taking their orders and communicating delivery times.

It is important for restaurants to consider the digital journey for customers when ordering, the transition of menu items to take-out friendly formats and what the dining experience means beyond the restaurant and into people's homes.

Case Study: *Burger King*

THE STARS ALIGN

In May 2021, Burger King launched its first ever 'dark kitchen' location in partnership with FoodStars in response to a pandemic-related surge in home delivery requests.

FoodStars specialises in the management of commercial kitchen spaces for food businesses and the new format allows customers to place orders via Deliveroo, Just Eat and Uber Eats.

The initiative was part of a trial at a kitchen in Kentish Town, London, with the potential to serve and reach approximately 400,000 customers across the North London area.

"We know consumers have found food delivery services to be a real help during these challenging times – and takeaways have offered some much-needed joy up and down the country. The opening of the first delivery-only Burger King kitchen marks an expansion of this valued service, which we believe will drive growth."

Alasdair Murdoch – Chief Executive, Burger King

Case Study: *TikTok*

TIKTOK TAKEOVER

The surge in TikTok's popularity has partly been attributed to the pandemic, where food and recipe videos are a key part of the platform's growth.

The social media platform will soon serve up a new ghost kitchen concept allowing people to order dishes originally created in viral videos, such as the baked feta pasta, and have them delivered at home. Menus will change quickly as the concept adapts to shifting food trends, while proceeds from sales will go towards supporting the creators who inspired the menu items.

Marketed as TikTok Kitchens, the new delivery food service in the US launches in March 2022, with 300 locations planned across the country for the launch and more than 1,000 planned by the end of 2022.

THE 'SO WHAT'

- ▲ Ghost/dark kitchen formats allow restaurants to increase reach of sales and reduce operating costs.
- ▲ For 2022, the space will become highly competitive as ghost kitchens continue their expansion and brands look to this new format. It will create restaurants without seats and seats without restaurants. Will there be a saturation point and what will the future of traditional dining look like?
- ▲ How will consumers feel when new restaurants found online don't exist in the real world? This will present challenges for brands and restaurants operating within this space to engage with customers, with brand trust and loyalty being reliant on external factors. ▲



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