Ghost Kitchens – the basics

Before inquiring about adding a ghost kitchen to your restaurant, ask yourself the following:

* What Is A Ghost Kitchen?
* How Do Ghost Kitchens Work?
* What Are The Types Of Ghost Kitchens?
* What Are The Pros And Cons Of A Ghost Kitchen?
* How Has The Pandemic Succeeded The Exponential Growth For Ghost Kitchens?
* What Does The Future Of Ghost Kitchens Look Like?
* How Do I Start A Ghost Kitchen In My Existing Restaurant?

**What Is A Ghost Kitchen?**

Imagine a restaurant space where tables and chairs don’t exist, where face-to-face interaction don’t exist, but instead you have just rented a room, created a menu and are now serving customers through delivery apps…meet “ghost kitchens.” They’re not as spooky as you think! The term “ghost kitchen” categorizes foodservice businesses without dining areas that offer delivery and, occasionally, takeout. Sometimes referred to as ghost restaurants, virtual kitchens, or satellite kitchens, ghost kitchens use [**third-party delivery services**](https://www.webstaurantstore.com/blog/1898/5-benefits-of-hiring-a-third-party-food-delivery-service.html) to receive orders and get meals to customers.

**How Do Ghost Kitchens Work?**

Typically, ghost kitchens prepare meals when they’re ordered in a commercial kitchen that don’t have a dining area. Setting up a delivery service is costly, so most ghost kitchens use third-party delivery services.

Since they can’t rely on walk-in customers, ghost kitchens create strong [**social media presences**](https://www.webstaurantstore.com/article/88/social-media-marketing-for-restaurants.html)and invest in digital advertising tactics. Virtual restaurants are not home chefs selling their wares online, nor are they distributors of prepackaged foods. They operate on the same scale as sit-down restaurants and craft unique menus.

**The Different Types Of Ghost Kitchens**

Just like brick-and-mortar restaurants, ghost kitchens vary in scope and [**dining style**](https://www.webstaurantstore.com/article/353/types-of-restaurants.html). We explain six different virtual restaurant business models, so you can decide which fits your goals and financial means.

### ***Independent Ghost Kitchen***

An independent ghost kitchen prepares a single menu to order in a kitchen without a storefront. Most independent ghost kitchens partner with multiple third-party delivery apps. Independent ghost kitchens leave prepared orders for the partnered driver to pick up at the front desk. They are reliant on third-party apps to receive orders and do not own their customers’ data. Not owning customer data means you can’t interact with or retain customers without your partnered delivery services.

###  ***2. Multi Brand Ghost Kitchen***

Multi brand ghost kitchens receive orders and make deliveries in the same way as single brand ghost kitchens. The difference between multi and single brand ghost kitchens is their scale. A multi brand company will use a single kitchen space to prepare multiple virtual restaurant menus.

### ***3. Operator Managed Ghost Kitchen***

When brick-and-mortar eateries prepare a virtual restaurant’s menu in their kitchen space, they're called operator managed ghost kitchens or [**virtual franchises**](https://www.webstaurantstore.com/virtual-dining-concepts/). They won’t list the virtual concept on their physical menu. Customers place their orders through third-party delivery apps or the virtual concept’s central food order website/mobile app.

### ***4. Mid Ground Ghost Kitchen***

Mid ground ghost kitchens prepare orders in a kitchen with a small storefront where customers can pick up their order if they prefer. Many mid ground satellite kitchens are adopting a drive through only, [**off-premise dining**](https://www.webstaurantstore.com/blog/3622/off-premise-dining.html) business model, but a simple pickup window suffices. While having a pickup area may cost you a bit more in rent, you’re still likely to take home more of your profits, because delivery services can take up to 30% of each order.

### ***5. Brand Owned Ghost Kitchen***

Brand owned ghost kitchens sign on with a single third-party delivery service and agree to only take orders through their platform. Increasingly, third-party delivery services are pushing for brand ownership, because it gives them a monopoly on the delivery market and control over the businesses that use them.

### ***6. Virtual Spin-Off Ghost Kitchens***

To capitalize on popularity, some brands create ghost kitchen concepts based on sections of their menu. By offering a limited menu featuring delivery-friendly concepts, these brands can test out new markets without having to establish a brick-and-mortar store. Popular examples of this type of ghost kitchen include Chicken n’ Biscuits by Cracker Barrel and Just Wings by Chilis.

**Pros & Cons of Ghost Kitchens**

Below are some advantages of operating a ghost restaurant over a traditional restaurant:

* **Concept Flexibility:** Being digitally based means you can change your restaurant concept without having to update signage or décor.
* **Adjustable Menu:** If you want to experiment with a new dish, and you’re running into issues, like, an ingredient becomes too expensive, or produce goes out of season, the great thing about a Ghost Kitchen is the ability to swap out bill of fare items without having to reprint your entire menu.
* **Smaller Investment:** There’s no need for the extra cost of a dining area! Many expensive aspects of operating an on-premises dining establishment (such as décor, signage, dinnerware, seating) don’t apply to virtual restaurants.
* **Reduced Staff:** Satellite kitchens eliminate front-of-house staff, allowing operators to focus on hiring and keeping quality chefs and investing in premium ingredients and appliances.

Below are some disadvantages of operating a ghost kitchen over a traditional restaurant:

* **Setting Up A Delivery Service:** One of the biggest disadvantages about running a ghost kitchen are the costs and challenges to set up your own delivery service. Creating an in-house delivery system is costly and complex, so most satellite kitchens rely on third-party delivery services, such as, GrubHub, DoorDash, UberEats, etc. However, these third-party delivery services take between 15 to 30 percent for each order, as well as owning your customer’s data. Additionally, third-party apps function like search engines and control which restaurants appear first when people search for food. To show up on the first search page, you must pay the third-party delivery service and advertising fee. Delivery services give top priority to the restaurants that agree to use them exclusively.
* **Technology Bugs & Glitches:** Nowadays, it seems that everything has become more readily available online. From either phones or computers, people are viewing menus ahead of time, ordering food, and grocery shopping online. Fully relying on technology can be worrisome due to the glitches and bugs it may experience. Ghost kitchens are a major force in the culinary industry, and glitches on delivery apps could happen and can leave you without a way of receiving orders which could be disastrous. Even though glitches may rarely happen, it is important for restaurant owners to be aware of this technical issue.

**Covid-19 Pandemic vs. Ghost Kitchens**

2020 was a crazy and terrifying year for everyone from the Covid-19 pandemic. Restaurant owners were dealing with a tough time reducing their businesses to 50% occupancy, social distancing, and wearing masks, as well as many restaurant owners who resulted in permanent closure. However, the effects from the pandemic have caused ghost kitchens to quickly accelerate. Covid-19 caused customers to solely result in pick-up orders and no-contact deliveries, which resulted in topline sales for ghost kitchens. According to an article from [qz.com](https://qz.com/2032957/ghost-kitchens-are-becoming-a-very-real-business/), “Ghost kitchens are becoming a more serious business. Pre-pandemic, they were expected to account for 10% to 15% of the $66 billion US restaurant industry. Now that number is supposed to climb to 21% by 2025.” Ghost kitchens have always existed even before the pandemic, but as the restaurant industry continues to return to their “new normal,” it seems that ghost kitchens will not be going anywhere soon.

**The Future of Ghost Kitchens**

According to [CNBC](https://www.cnbc.com/2021/01/15/how-covid-accelerated-the-rise-of-ghost-kitchens.html), “ghost kitchens could create a $1 trillion global market by 2030” resulting from the effects of the pandemic. Even though restaurants are back to being completely open and while some people are comfortable with returning to dine-in service, others continue to choose take-out delivery options instead. Businesses are still recovering from the effects of the pandemic, while ghost kitchens continue to evolve, which is why we are seeing bigger chained restaurants, like Chick-fil-A, Chili’s, Ruby Tuesday’s incorporating ghost kitchens into their dine-in restaurant. Ghost kitchens will continue being on a steady rise for the foreseeable future.

**Starting A Ghost Kitchen In Your Existing Restaurant Tips**

If you are deciding whether adding a ghost kitchen to your existing restaurant business is the right choice or not, below are some tips that will help you get set up and start on the right foot.

1. **Create Your Menu:** Try to make your menu attractive and appealing for customers. Optimize your ghost kitchen menu to reflect only delivery options. You may also want to add variety meals. Customers love to have an assortment of different dishes to choose from, which will help to increase your customer base.
2. **Select A Location:** The beauty about ghost kitchens is that they are completely virtual, so the location is very flexible. If you’re adding a ghost kitchen to an existing restaurant, then you already have your existing dine-in customers and can now work on expanding your customer base.
3. **Choosing Your Delivery Method:** Understanding the costs of choosing a [**delivery method**](https://www.webstaurantstore.com/article/238/restaurant-delivery-service.html) is very important. Third-party delivery apps can be very costly; however, they can open your new ghost kitchen with a larger customer base. If you choose to take your delivery in house, keep in mind on allocating your labor to delivery drivers. Delivery also adds more costs, so factoring delivery costs into your menu prices may be a good idea.
4. **Purchase Delivery Safe Packaging:** If you’re taking your delivery method in-house, you may need to invest in packaging that is safe to deliver for all your menu items. Check out these high quality [**delivery service supplies**](https://www.webstaurantstore.com/delivery-service-supplies.html) from WebstaurantStore!
5. **Experiment New Menu Items:** If you’re building a new menu from scratch for your ghost kitchen, why not try some new menu items out! You can manage your menu live, so adding daily specials can be very appealing for customers.
6. **Market Your Ghost Kitchen:** Starting out new in the ghost kitchen industry is going to need to be marketed to expand your new customer base. Make sure to do online advertising, and social media marketing. Take your new ghost kitchen and broadcast all over social media platforms, such as, Facebook, Instagram, Tik Tok, Snapchat, Twitter and Vine.