Restaurant operations of all types and sizes are suddenly embracing the facilities, which are evolving to address past shortcomings.

By Peter Romeo

DoorDash is part of a new wave of ghost-kitchen providers.
Also known as dark kitchens, the facilities are essentially commissaries, producing foods for delivery and catering in remote and often less expensive areas where consumer traffic doesn’t matter. Customers typically never see the production centers, never mind visit them, so seating, signage, bars, parking and all the usual restaurant amenities can be skipped. They are wholly kitchens, without any frills.

A major difference of the current fast-growing generation is scale. Instead of supplying one brand or operation with meals for delivery, the ghost kitchen of today is typically part of a multikitchen commissary supplying an array of restaurants, real or “virtual” ones—places that have a name and menu, but no physical existence. Warehouses of ghost kitchens are being developed by a number of new companies, including Kitchen United, CloudKitchen and Zuul Kitchens, as well as familiar players such as DoorDash, which recently opened its first DoorDash Kitchens.

**Unconventional growth**

Facilities feeding virtual restaurants are often the kitchens of actual restaurants with production capacity to spare. About a dozen units of the Fatburger fast-casual chain, for instance, are producing wings marketed via delivery apps under the brand name of a sister chain, Hurricane Grill & Wings. Fatburger sells its own wings, but the Hurricane name is more likely to come up when a consumer searches for wings on a delivery app. Fatburger stands a chance of capturing the sale instead of other wings specialists such as Buffalo Wild Wings or Wingstop.

“We already have the fryers to make wings, but now our franchisees can generate some additional sales,” says Andy Wiederhorn, CEO of Fatburger and Hurricane parent Fat Brands. “We’ve seen in our test market a 10% to 20% increase in participation.”

In other instances, ghost kitchens are moving beyond delivery and catering. DoorDash Kitchens, for instance, produces food for pickup at the multikitchen facility. Just Salad, the fast casual that’s producing the menu selections of a virtual special-diets restaurant called Health Tribes, is also serving as a takeout network for that invented brand.

The boom in off-premise business has convinced a wide variety of operations to co-opt commissaries’ model and function as behind-the-scenes production facilities. Instead of merely creating new restaurant concepts, Lettuce Entertain You Enterprises (LEYE) is now hatching virtual operations consisting of a brand name, menu and kitchen managed by the famed Chicago multiconcept group. Fans of the Whole30 diet can’t visit a LEYE restaurant specializing in the items permitted under that weight-loss plan, but they can order delivery of Whole30 selections produced in a LEYE facility sporting another name.

Similarly, through a collaboration with Grubhub, LEYE is producing foods sold exclusively for delivery under the brand name Bon Appetit, Delivered. The meals, made with recipes from Bon Appetit magazine, are produced in one of LEYE’s brick-and-mortar operations.

The list goes on and on. As do the variations being tried.

An emerging Chinese chain, Junzi Kitchen, intends to grow in part by using ghost kitchens to handle its delivery needs. Chip Wade, president of Danny Meyer’s Union Square Hospitality Group, is one of the investors who just bet $5 million on the venture. The upstart will use space rented from Zuul Kitchens, one of several new operators of ghost-kitchen centers.

The nine kitchens in Zuul’s New York City facility also supply chains such as Sweetgreen and Naya, as well as Sarge’s

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—Sean Fitzgibbons, Zuul Kitchens
Deli, a local operation with a single mid-town location. “Sarge’s Deli, based on where they are, is unable to provide delivery,” Zuul co-founder Sean Fitzgibbons said at a recent industry conference.

Wendy’s told investors in early October that the facilities—it calls them dark kitchens—figure prominently into the burger chain’s expansion plans. The Famous Dave’s full-service barbecue chain has similarly cited ghost kitchens as a key component of the brand’s growth. And Chick-fil-A has opened two of its own ghost kitchens, while also becoming a tenant of Kitchen United’s facilities.

Four operators in Northern California are looking to expand without braving the Bay Area’s sky-high rents by using a ghost kitchen operated by DoorDash. The first DoorDash Kitchens will fulfill pickup as well as delivery and catering orders for The Halal Guys, Nation’s Giant Hamburgers, Rooster & Rice and Humphry Slocombe.

The venture illustrates how the rationale for using a ghost kitchen is evolving. Initially, the facilities were seen as a way of easing the production burden foisted on conventional restaurant kitchens by the delivery boom. Places that were slammed with dine-in or takeout business struggled to meet the added demand from delivery apps or catering sales efforts. “The traditional restaurant structure was never built with the intent of supporting that operational model,” said Zuul Kitchen’s Fitzgibbons.

**Data-driven risk reduction**

Ghost kitchens offer the added benefit of easing a brand into new markets without the usual capital commitment, occupancy costs or much of the risk. None of the four operations in DoorDash Kitchens had a presence in the areas served by that venture. DoorDash approached each one because users of the service’s app were searching for the prospective partner’s signature type of product.

The data dive also revealed which brands were known to residents of the area, even without a brick-and-mortar presence there. DoorDash approached those concepts and offered to build custom kitchens for them in its Redwood City, Calif., venture in exchange for a sales commission and a moderate rent.

It also sweetened the deal by showing them what kind of business they could expect. “This isn’t high-level data—‘Here’s what restaurant demand looks like in this area,’” says Fuad Hannon, head of DoorDash’s new business verticals. “It’s very detailed. ‘Here’s what a burger concept has done in this area—it’s that specific.’

That provides a killer benefit to the operator, he adds. “It allowed restaurants that did not have a presence in that area to move in with very little risk,” Hannon says.

**Revamped model**

Despite the number of concepts now delving into ghost kitchens, the first flush was anything but a success. Sprig, with a reported $57 million in backing, threw in the napkin in May 2017, citing the difficulties of both producing and delivering meals. Maple, a service backed in part by celebrity chef David Chang, shut down the same month. And Munchery, a ghost-kitchen pioneer, shut down abruptly in January 2019.

Those services counted on location and affiliations with big-name chefs to foster demand. The brand names on their packaging were unknown prior to the ventures.

Fatburger could similarly launch a new brand that functions solely as a delivery option. “But that’s not our intent,” Wiederhorn says of his brand’s virtual-restaurant experiment. “Doing a startup is a lot of heavy lifting that isn’t necessarily our passion. This is all about brand awareness.”

All told, sales via ghost and virtual restaurants from 300 facilities in the United States will rise by 25% for each of the next five years, to $300 million annually, according to Technomic.

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**4 MORE OFF-PREMISE TRENDS TO WATCH IN 2020**

**Modernized drive-thrus**

The drive-thru remains the largest off-premise channel for restaurants. Sixty-two percent of consumers visit drive-thrus at least once a month, according to Technomic’s Off-Premise 3.0 report. Operators are investing even more in technology, from integrated geofencing and license plate readers to AI voice ordering and dynamic menu boards.

**Third-party delivery continues to expand**

Third-party marketplaces will keep growing as consumers continue to rely on them, and large chains will continue to lead the charge in negotiating lower commissions, more data sharing and other benefits.

**Food safety implications**

Lack of trust in delivery drivers is on the rise, but just 34% of operators offer tamper-proof packaging, according to Technomic. That’s in part because many struggle to find affordable, high-quality tamper-proof packaging—an opportunity for packaging suppliers.

**Mobile modifications**

Many operators are trying to drive digital orders from third-party platforms to their own branded channels, making third-party deliverers both partners and competition. All are trying to optimize the mobile experience: Marketplaces are using order data to identify how users filter results, and restaurants are focused on menu optimization and order simplification. —Sara Rush Wirth