



Restaurant Models for the Post-Pandemic World

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RESTAURANT MODELS FOR THE POST-PANDEMIC WORLD

As restaurants seek to recover from extended shutdowns and continued limitations on dine-in capacity, many are looking to incorporate new business models into their operations. Some are converting unused outdoor spaces into patios for open-air dining, while many others are increasing their focus on curbside pickup and delivery. Those with the ability to modify their buildings are even incorporating makeshift drive-thrus into their footprints.

And others are complementing their physical locations by embracing the virtual kitchen model.

Operating a “ghost kitchen” or “host kitchen” is gaining in popularity as a way to serve customers without the pressures of maintaining or adding a brick-and-mortar location.

But achieving success with a virtual restaurant isn’t easy. In addition to having a unique and appealing menu, finding the shared or dedicated facility, and ensuring the right kitchen setup, it requires modern and efficient technology that quickly processes orders from multiple third-parties and integrates with the kitchen and dispatch systems.

Growth in uncertain times

Although ghost and host kitchen concepts existed prior to COVID-19, the pandemic turned up the heat on their adoption.

Ghost & Host Kitchens Defined

Ghost kitchens, also known as dark kitchens or virtual kitchens, are restaurant-style operations that rent kitchen space, often in a shared facility devoted solely for such endeavors.

- They serve customers strictly via delivery and possibly carryout.
- Space might be occupied by a single brand or shared by several operators.
- Brands may exist only as a virtual concept, or they might operate dine-in locations as well.

A slightly different twist on the ghost kitchen concept is the Host Kitchen.

- Rather than renting a dedicated commercial space, a brand partners with an existing restaurant to use their excess kitchen capacity to operate their own brand.
- The partners any incremental sales that are generated.
- The concept is particularly well-suited to the current business climate, with some brick-and-mortar locations operating at just 25 percent of their pre-pandemic capacity.

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- China currently leads the pack with more than 7,500 ghost kitchens in operation, according to Euromonitor estimates.
- India is second with more than 3,500 ghost kitchens
- and the United States is third with 1,500 locations.

Although operating a ghost or host kitchen has its advantages, it brings with it some **unique challenges** as well.

First among them is the way operators interact with their customers. Because the restaurant exists primarily in the virtual world, those interactions take place in the virtual world as well, either through a smartphone app and/or a branded online ordering portal. Making that work smoothly requires technology specifically designed for virtual restaurants.

Host Kitchens Pioneered by Franklin Junction Leverage Qu's KitchenUP Solution

Qu recently announced a partnership with Franklin Junction, the digital marketplace featuring Host Kitchen™ and Cloud Concepts™ founded by industry veteran Aziz Hashim to help restaurants increase sales in today's trying economic times.

Hashim is the founder and managing partner of Atlanta-based private equity firm NRD Capital. NRD's portfolio includes iconic brands like Ruby Tuesday and Frisch's Big Boy, as well as fast-growing concepts like Fuzzy's Taco Shop and The Captain's Boil.

Franklin Junction's platform enables restaurants to expand their delivery footprints through "host" facilities by matching brands with excess kitchen capacity to foodservice brands ("concepts")—with specifically curated menus—looking to increase production and distribution in untapped geographic areas. Franklin Junction currently has more than 500 host facilities and 20+ partner brands.

Powering Franklin Junction's digital marketplace is Qu's cloud kitchen technology solution, KitchenUP. Franklin Junction and Qu have collaborated to leverage their respective restaurant and technology expertise in launching this first-of-its-kind

marketplace, driven by fast, efficient ordering, and omni-channel commerce capabilities.

The marketplace leverages Qu's KitchenUP, 1Tablet, and 1-Menu platform that includes out-of-the-box unified menu management across brands and channels, with native third-party delivery integrations and multi-brand reporting.

While any cloud kitchen concept can benefit from Qu's cross-brand platform capabilities, KitchenUP is unique because it enables a single restaurant brand to become a host kitchen to any number of other brands—with each brand's menus, orders, sales and reports managed and available from a single interface—providing immediate sales and revenue opportunities.

"Our ability to leverage Qu's native platform and kitchen workflow expertise to quickly build a robust technology solution for our new host kitchen concept made our technology decision very easy," Hashim said. "Qu's direct delivery integrations and multi-brand management capabilities are a perfect match for our needs."

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Benefits of Ghost & Host Kitchens

- Startup and ongoing operational costs are much lower than standard restaurant models.
- Enable up-and-coming brands to test and refine a concept before committing to a physical location, or to expand into new areas without a large capital investment.
- Rather than having to launch with a large menu, operators can focus on a few specialty items to start and build from there.
- Because their menus are delivery-focused, the ghost- and host-kitchen concepts make it easier to absorb the costs of working with third-party delivery services.
- As we found out in the spring of 2020, a focus on delivery makes it easier to keep operating, even in the face of lockdowns.

Not only does that technology need to take customer orders and accept payments, it needs to integrate seamlessly with in-house technology such as kitchen management software, kitchen display systems and ticket printers. It also must work across multiple ordering channels, including smartphone ordering apps, online ordering platforms, and third-party delivery services.



An operator needs to be able to easily manage their menu across those ordering channels, adding or subtracting items as the menu changes. And finally, that technology should be able to provide performance data and analytical insights to allow operators to make improvements that maximize revenue and profits.

The technological challenges of operating a ghost or host kitchen can easily surpass the operational challenges of running a restaurant, but that doesn't have to be the case.

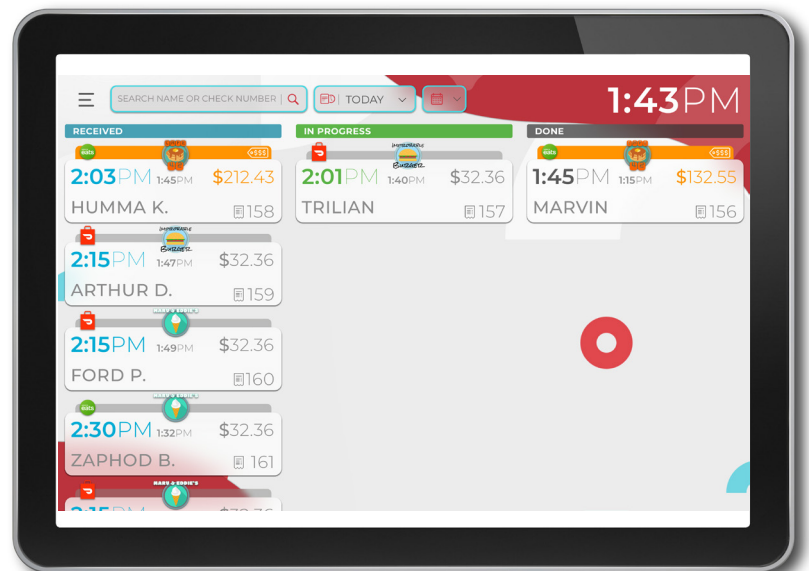
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To help brands address the challenges of operating a virtual restaurant, Bethesda, Md.-based point-of-sale provider Qu has developed a **unified ordering and kitchen management platform** dubbed KitchenUP.

Features of KitchenUP include:

- Micro-services, API-first, cloud architecture
- One menu with one consistent workflow for demand-side platforms
- Single tablet solution to manage all digital orders
- Bi-directional integrations with 3rd party delivery services
- Unified cross-brand, cross-channel reporting
- One corporate dashboard for management & reports

With KitchenUP, operators can access cross-brand menu management and reporting for all on- and off-premises operations, and can analyze channel, performance and transaction data in one place. The platform eliminates the need for multiple tablets for third-party delivery and improves digital order production speed, efficiency and accuracy.



Potential for Ghost & Host Kitchens

Michael Schaefer, Euromonitor's Global Food and Beverage Lead, predicted in a recent webinar that the global market for ghost kitchens could top \$1 trillion by 2030, driven in part by COVID concerns. Over the next decade, according to Euromonitor, improvements in delivery service could help the ghost kitchen segment capture:

- 50% of drive-thru service (\$75 billion)
- 50% of takeaway foodservice (\$250 billion)
- 35% of ready meals (\$40 billion)
- 25% of dine-in foodservice (\$450 billion)

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KitchenUP includes the Qu-1Tablet solution that quickly and easily manages orders through a single interface and sends them directly to the kitchen. In addition, the integrated Qu-1Menu solution consolidates menu management across a brand's Web, in-store, and third-party delivery systems.

KitchenUP is a fully packaged solution for managing any type of virtual kitchen operation. Any brand, regardless of size, can become a virtual kitchen without the typical technology barriers.

The new normal

Restaurants are an integral part of any community, helping to establish a culture unique to that area.

They are major economic engines as well, with more than a million locations across the country and directly employing more than 15 million Americans. In addition, the restaurant industry indirectly supports workers throughout the supply chain, from farmers to fishermen.

Nearly 16,000 restaurants closed permanently during the height of the COVID-19 pandemic. No one knows how long it will last, but there's one thing that's clear: The restaurant business has changed, and those changes will last for the foreseeable future.

Operating a ghost or host kitchen may be a way to thrive in the new normal, and the right technology can get you started faster and make the whole process less intimidating.

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Qu is transforming restaurant POS beyond its current fragmented state into a more manageable and unified experience for enterprise operators and guests alike. Built on an API-first, data-centric foundation, Qu works at the critical intersections of ordering, production, and brand to help solve the technology crisis operators are in today.

Laser-focused on the quick service and fast casual restaurant segments, Qu's single menu management, single tablet, and single database helps operators drive healthier bottom- and top-line revenues. By delivering the industry's first truly connected enterprise restaurant platform, Qu is making tangible those lofty ambitions for more personalized and data-driven guest experiences.

Based in Bethesda, MD, Qu is backed by leading restaurant entrepreneurs as well as Silicon Valley investors that have also backed Google, Uber and Dropbox.

