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Why 'Host Kitchens' are the Next Big COVID Trend

Host kitchens—one restaurant leveraging its facilities to serve as a ghost kitchen for another’s food—could be one of the biggest advancements to come out of the pandemic.

RESTAURANT OPERATIONS | APRIL 2021 | CHLOE ARROJADO



C3 / MASON ADAMS

C3 capitalizes on hotel kitchen space to facilitate service for the virtual brands in its portfolio

The restaurant kitchen might never be seen the same after the COVID-19 pandemic. Not only have operators spent the last year finding efficiencies in the kitchen, but they've also found new ways to stay flexible in the back of house—including by serving as ghost kitchens for other brands' menus.

Ghost kitchens have exploded in popularity in the last year, so much so that market research company Euromonitor estimated that the ghost-kitchen industry could be worth more than \$1 trillion in revenue by 2030. But some restaurants started looking beyond companies like Kitchen United and Cloud Kitchens to facilitate that ghost-kitchen business, finding help in other restaurant kitchens to serve as so-called "host kitchens."

Ghost-kitchen company C3 found host-kitchen help in the hospitality industry. Earlier this year, C3 partnered with hotel chain Graduate Hotels on the Graduate Food Hall, which serves six of C3's virtual concepts through not only delivery and takeout, but also limited dine-in in the Graduate Hotel lobbies.

"The past year exposed how extremely underutilized hotel kitchens are, as most only operate at 15–20 percent efficiency," says Sam Nazarian, founder and CEO of C3. "Our business model inserts our popular brands into existing kitchens requiring minimal additions, which reduces capital expenditure. All of our expert culinary teams are trained across each of our brands, so kitchen staff members are able to streamline workflow operations, cooking for six to eight different food and beverage concepts."

For hotels looking to recuperate losses from the dip in tourism and event dollars, these types of partnerships can be a welcome development. Nazarian says C3's kitchens can support between six to eight virtual concepts in a single space, which can generate an estimated \$1 million in annual revenue per brand.

Other companies are likewise seeing the potential in host kitchens.

Franklin Junction is one, and even trademarked the term "host kitchens" for this business model. As a digital platform, Franklin Junction matches restaurant menus with host

facilities, which can be anyone from independent restaurants to chain franchisees. Host restaurants then prepare and serve that other brand's food via third-party delivery.

Though this model works seemingly through any kitchen, there are a few metrics Franklin Junction uses to assess compatibility. It looks for kitchens that can take on significantly more sales without the need for investment, as well as a kitchen team that already has experience creating food from scratch. Finding a well-made match is especially important for brands that are virtual only, as the lack of a brick-and-mortar presence puts more importance on the product.

"On the concept side, they leverage our ability to go and evaluate who these hosts are, because it matters who's preparing your food. And that end user, that consumer who's buying your product, they may know, may not know, or may not care who's actually producing their food," says Franklin Junction's Rishi Nigam, one of the company's managers. "But what they do expect is that it's of a certain quality and integrity. And so I think it's very important that while it is possible to do it anywhere, these are qualified operators who exceed expectations of both the concepts that they're representing as well as customers."

Nigam cautions that host kitchens working with virtual food concepts should ensure that they don't impede upon their main operation. If they find the right balance between their core restaurant and hosted concepts, it can seem like there's potential for exponential growth. But he says enterprise concepts are more likely to have an easier time scaling virtual businesses than independent establishments, as well-established chains already have the preparedness to scale. Independent brands, on the other hand, may lack the communication and shared resources necessary to grow in the same way.

The inability for independent restaurants to band together in the virtual space is a pain point that Lawrence Vavra has been trying to address with his company @Pizza. Using the help of media brand @fu**jerry, @Pizza started an Instagram that curated a catalog of high-quality independent pizzerias.

Now the company has developed a partnership with Uber Eats, through which customers can order the @Pizza menu as

served by independent pizza brands. Through this partnership, independent restaurants operating under @Pizza can have some of the perks of a national brand, such as better deals on food distributors. They also have better placement on third-party apps than if they were to be there independently.

Vavra says @Pizza's model doesn't interfere with independent restaurant operations. Instead, the primary pain point is in competition in the virtual marketplace; Vavra says the low cost of entry to the digital sphere has resulted in saturation on the third-party apps.

As host kitchens pile on more virtual concepts to survive, the ultra-competitive environment can make it difficult for quality concepts to stand out.

But Vavra believes the cream will rise to the top, that the market will eventually filter out the low-quality products. He sees a strong future for the ghost-kitchen—and, in turn, host-kitchen—business model.

"There are a lot of advantages to being a ghost kitchen in the sense where you're not stuck with one concept of a brick and mortar. That's the scary thing—like, 'I'm going to go invest \$350,000, and if people don't like my brand, I'm out of business,' versus a ghost kitchen, where you could experiment a lot more," he says. "I think you're going to see some great brands, and you're going to see a bunch of crappy brands go away pretty quickly."

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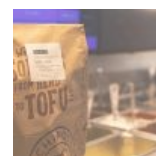


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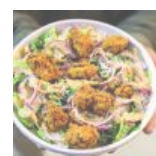


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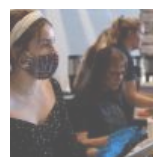


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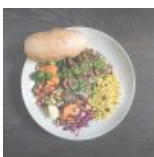


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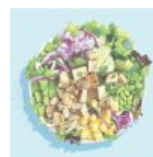


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