

Food and Beverage

Ghost kitchens help to maximize hotel F&B space

14 DECEMBER 2020 9:39 AM

Food-and-beverage experts from Davidson Restaurant Group, Butler Hospitality and C3 explain how embracing “ghost kitchens”—a term with different connotations for different businesses—can benefit hoteliers.



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REPORT FROM THE U.S.—Some hotels have invested in ghost kitchens, principally or exclusively for the preparation of to-go and delivery meals, to meet the needs of guests, a transformation hastened by social distancing and low rooms demand, sources said.

Davidson Hotels & Resorts calls these facilities virtual kitchens, and they are a big focus right now for the company’s restaurant division, said Greg Griffie, SVP of food and beverage.

A virtual kitchen for [Davidson](#) is a little different from a ghost kitchen, he said.

“We define a ghost kitchen as a third-party lease opportunity where maybe an upstart chef is looking for ... a kitchen, the infrastructure is there ... and they can actually lease the space out,” he said.

For a Davidson virtual kitchen, “we’re using our existing kitchen, our existing team members and inventory to create a new virtual experience,” aiming to deliver the same quality associated with restaurant dining for guests on the go.

Davidson also recognizes opportunities for ghost kitchens, Griffie said.

“We’re looking at opportunities at certain hotels and assets where there’s an old banquet kitchen that just isn’t going to be used for the foreseeable future and may not have been used pre-COVID. That may be a great lease opportunity to a starter chef or someone who has been displaced because of COVID,” he said.

Griffie added that suburban markets make the most sense for launching kitchens focused on to-go and delivery options, because of how densely populated those areas are.

“There’s an opportunity because there is a dense population that lives in the area that is ordering food, so we see that as a prime location,” he said. “That being said, we are launching an urban location, but again, we believe it needs a dense population of people who live within a seven to 10-minute radius ... to get the most amount of traction.”

Reviving underutilized real estate

Whether they’re called ghost kitchens, cloud kitchens, dark kitchens or virtual kitchens, the concept can take on different meanings, forms and market strategies, said Tim Gjonbalic, founder and CEO of Butler Hospitality.

Gjonbalic’s company takes underutilized hotel restaurants and uses the kitchens as delivery hubs for “local hotels and the surrounding cluster,” he said.

“That’s what a ghost kitchen for us is,” he said.

Butler started introducing ghost kitchens to the hospitality space about five years ago. Gjonbalic said the company was one of the first to think about underutilized real estate and increasing the use of those spaces.

“As it relates to the future of food and food tech, we saw this trend with delivery. We started seeing what food and beverage and what amenities looked like for guests. ... We saw the evolution of amenities ... and forced gratuities and really just unsuccessful models in the hotel industry and then trying to figure out how to fix it,” he said.

Butler wanted to be able to “bring that amenity, bring that hospitality to what started looking like a very cold room in a lobby.”

Five years ago, food and beverage wasn’t a “winning proposition” in the hotel space. Gjonbalic said Butler has worked to make hotel F&B appealing to guests traveling for business or leisure, and the pandemic has accelerated the growth of ghost kitchens.

“COVID has really allowed us to accelerate our growth and accelerate our integrations in terms of the technology piece and getting a hotel to issue digital vouchers; getting a hotel to do things a bit different in terms of utilizing our technology platform as well because we ... have both a physical and a digital product,” he said.

Companies that offer on-demand F&B delivery don’t have a huge value proposition for hotels because there are barriers to who can go to the rooms to deliver food, he said.

Gjonbalic said Butler offers hoteliers incremental lease payments, as well as the opportunity to maximize real estate, and can deliver food for any type of business—corporate, group or leisure. “The incremental revenue share we provide is definitely the pitch for our partners,” he said.

C3’s digital kitchens

The digital kitchen model gives hoteliers the ability to manage and maintain multiple F&B brands out of a single kitchen at a low capital spend, Sam Nazarian, founder of C3 (Creating Culinary Communities), said via email.

“For instance, with **C3**, we have six-plus brands with cuisines ranging from sushi and Asian-fusion at Krispy Rice to a taste of California’s Mexican street food scene at LA Gente, all operating out of a single kitchen,” he said. “Digital kitchens solve the hotel’s problem of providing a variety of high-quality cuisine to guests, while also supporting more robust in-room and all-day dining as well as on-site catering opportunities.”

The “assurance of supplemental revenue” is also part of the value proposition, he said.

“Having a single full-service restaurant on site is one thing, but adding another brand can generate \$3 million to \$4 million in additional revenue and has the potential to reach new demographics as a secondary space,” he said.

Nazarian said C3 is looking to transform the ghost kitchen concept into a “universal hotel solution” amid the pandemic.

“As the industry rebounds, we anticipate more hotels will seek out this type of digital kitchen concept, while hotels in development will opt for digital kitchens over singular restaurant concepts,” he said. “For any hoteliers looking to reimagine their F&B, I’d recommend leveraging the relationships they already have with industry partners to build a base for the vertical. Then, they can begin injecting new dining concepts into their establishment.”

Nazarian said he thinks more hoteliers will go in the direction of digital kitchens because “they can be executed in any market.”

“For instance, we’re about to announce our first partnership with a hotel brand outsourcing its food services to C3 in a very niche market, and we’re looking into injecting our concept in youth hostels in Europe and the U.S.,” he said.