

5 Reasons You'll Make More Money in a Ghost Kitchen

The Latest Research for Chefs
& Food Business Operators



Partake



INTRODUCTION

*Prices are on the Rise.
Profit Margins are Not.
What Gives?*

Restaurant sales rose 11% year over year as of December 2022, yet owners aren't seeing the upside.¹ Higher labor and wholesale food costs, coupled with a change in consumer behavior post-pandemic, continue to change the profitability equation for the traditional restaurant. That's why we created this guide.

Ghost kitchens offer an affordable way to launch or expand your concept. In the following pages we'll help you evaluate whether renting a commercial kitchen is the right path for your business. If you'd like to catch a break, instead of worrying about how to break even, this guide is for you.



WHAT ARE CONSUMERS CRAVING?

Here's how their preferences have evolved:

- Nearly **60%** of their restaurant meals are now takeout, delivery, or drive-thru. (source)
- **90%** use takeout at least once a month. (source)
- **66%** prefer automation over live staff. (source)
- **79%** agree kiosks made ordering easier. (source)

DECISION POINT #1:

WHAT WOULD REDUCE MY OVERHEAD AND INITIAL INVESTMENT?

When it comes to start-up costs, traditional restaurants and ghost kitchens couldn't be more different. Take a look at the numbers:

Option 1 - \$375,000: Traditional Restaurant: According to RestaurantOwner.com, that's the median total cost to open an independent restaurant, across all service types nationwide.² Here in Los Angeles County, we know that number can run much higher. Contrast that with...

Option 2 - \$30,000: Ghost Kitchen: That's the typical start-up cost for a long-term commercial kitchen rental at Partake, which factors in:

- Obtaining a Long Beach business license & health permit
- CAD drawing
- Kitchen equipment
- Plumbing
- Food inventory to get started
- Technology platforms (such as Square)
- Upfront labor cost for staff

¹Jan. 30, Jonathan Maze on, and 2023. n.d. "Why 2023 Will Be a Year of Weaker Sales and Higher Margins." Restaurant Business. <https://www.restaurantbusinessonline.com/financing/why-2023-will-be-year-weaker-sales-higher-margins>.

²"Independent Restaurant Cost to Open Survey," n.d. <https://www.restaurantowner.com/public/CTOSurvey-SummaryReport.pdf>.

DECISION POINT #1: CONTINUED

Both scenarios offer access to state-of-the-art professional grade equipment, but only ghost kitchens free up capital for other important investments like marketing, training, software, product and menu development, and expansion opportunities.

Plus, because getting into business is speedier with a commercial kitchen rental, you'll make money faster too. One of the ways we make that possible at Partake is through an exclusive program offered in partnership with the Long Beach Health Department. Each month, we have pre-scheduled dates when a Long Beach Health Department official will be onsite. When you rent a kitchen with us, our team will secure one of these dedicated appointments for you. Then, our experts will guide you through the application process to help you avoid any hiccups that could delay your inspection or permit.

Food for thought: If opening a traditional restaurant is your ultimate goal, renting a commercial kitchen is a good stepping stone while you build your brand and accumulate capital.



DECISION POINT #2:

WHAT WOULD OFFER THE MOST OPERATIONAL FLEXIBILITY?



Hours of Operation: With a traditional restaurant, you set the opening hours, (though depending on your location, foot traffic may influence them, too). The only downside? Even if you aren't open 24/7, you'll still pay as though you were. In a ghost kitchen, you can choose your hours and, in the case of an hourly rental, pay for just the time you need.



Fit-Out Customization: With a traditional restaurant, the world is your oyster. You can outfit it however you like; the only limiting factor is capital. On the other hand, a long-term ghost kitchen rental can also be customized, much like a traditional restaurant, and the lower start-up costs may open up more options.



Testing a Concept: If you're unsure how the market will respond to your concept, a commercial kitchen rental provides a way to test the waters without the large investment or long-term commitment of a traditional restaurant.

DECISION POINT #3:

HOW EASY WOULD IT BE TO SCALE?

38% OF OPERATORS SAY THEY HAVE POSTPONED PLANS FOR EXPANSION DUE TO HIGHER COSTS.³

When it comes to scalability, renting a commercial kitchen takes the cake. With no long-term commitment and lower costs compared to a traditional restaurant, you'll maintain the agility to respond to fluctuations in demand. For example, you can easily:

- **Rent additional kitchen space**, for as little as an hour or as long as a year
- **Move to a larger or smaller kitchen** in the same building
- **Create another virtual menu or restaurant option** without additional infrastructure costs or customer confusion
- **Add storage space** of any type: dry, cold, or freezer
- **Create a centralized production unit** for periods of high demand, temporary projects, or fulfilling delivery orders



DECISION POINT #4:

HOW CAN I REDUCE RISK AND INCREASE PROFIT MARGINS?

First, let's compare the profit margins:

Traditional Restaurants 3-5%⁴

Ghost Kitchens 8-10%⁵

When you own a traditional restaurant, you assume a greater amount of financial risk that can ultimately cut your profits by half or more compared to renting. There are a few reasons for the divide.

- **Maintenance:** When you own a traditional restaurant, unexpected repairs and ongoing upkeep can take a bite out of profits.
- **Utilities:** You'll be responsible for utilities in a traditional kitchen, unlike a ghost kitchen where it's included.
- **Property Taxes:** Buildings, structures, land and fixtures are all taxable under California's business property tax.
- **Less Liquidity:** Need to sell your kitchen or move? If you own instead of rent, you could end up carrying the cost of two locations while you wait for the previous property to sell.
- **Increased Headcount:** Ghost kitchens require less staff to operate compared to a traditional restaurant, lowering overhead and boosting your bottom line.



³Jan. 30, Jon National Restaurant Association. 2022. Review of Restaurant Business Conditions Survey. Restaurant.org. December 2022. <https://restaurant.org/NRA/media/Downloads/PDFs/business/2023/Restaurant-Business-Conditions-Survey-Key-Findings-Dec-2022.pdf>.

⁴"Inflation." n.d. NRA. <https://restaurant.org/research-and-media/research/inflation/>.

⁵Martinez, Tyler. n.d. Review of How Much Do Ghost Kitchens Make? Toast. Accessed March 8, 2024. <https://pos.toasttab.com>.

DECISION POINT #5:

WHAT OFFERS THE GREATEST OPPORTUNITY FOR COMMUNITY & NETWORKING?

Renting a ghost kitchen is the best of both worlds: a private space to work your magic, and a community of support. As an added bonus, it could help boost your creativity. A recent Fast Company article written by former faculty members of Stanford University's StartX business incubator wrote that research indicates, "The way to maximize creative potential is to flow between being alone and being in a group and back again."⁶

At Partake, we help you maximize your potential, both in creativity and business, with:

- A team of food & beverage industry experts available to assist in your growth
- A dedicated onboarding support team
- A network of pre-vetted, trusted vendors
- Community events & marketing opportunities

⁶<https://hbr.org/2023/11/research-how-creative-collaboration-can-strengthen-relationships#:~:text=We%20know%20that%20the%20opposite,more%20creative%20and%20innovative%20solutions.>



TAKE THE FIRST STEP TOWARD MAXIMIZING YOUR PROFIT

We've helped countless food businesses get off the ground and we can help yours, too. Lean on our resources to whittle down your to-do list faster and start your business with confidence. It all starts with one call.



Schedule time to visit us in person and learn more. Or feel free to pick our brain any time. Get in touch [here](#).



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