

An Overview on Growth of Cloud Kitchen

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Abstract: *The food business is undergoing a dynamic transformation as a result of the online meal ordering platforms' rapid growth. Ghost or gloomy kitchens, sometimes referred to as cloud kitchens, are a direct result of the shifting consumer base. In light of the expanding number of online food orders. The main drivers of cloud kitchen expansion, the effects these spaces have on conventional restaurants, and the creative ways in which they have responded to the shift toward an online-first society. This abstract gives a general overview of cloud kitchens and their developing popularity*

Keywords: cloud kitchen, industry trends, entrepreneurship, and customer experience

I. INTRODUCTION

The food sector has seen a tremendous shift in recent years, primarily due to the explosive expansion of online platforms for ordering and delivering food. The growth of cloud kitchens, often referred to as ghost kitchens or virtual kitchens, is one of the most important advances in this industry. With their distinct and effective approach to satisfying the soaring demand for meal delivery in the digital era, these inventive culinary concepts have garnered significant traction. A change from conventional brick-and-mortar restaurants is represented by cloud kitchens. They are centrally located culinary canters that function only as food preparation and delivery locations, as opposed to actual dining establishments. The popularity of online meal ordering is one of the main causes of the growth of cloud kitchens, but there are other important ones as well. Cloud kitchens have the potential to become a major player in the food sector as the demand for online meal orders grows. Their capacity to satisfy customer demands for quality, variety, and convenience combined with their effective and economical operations make them an appealing option for companies hoping to prosper in the digital era. The proliferation of cloud kitchens is evidence of how technology and shifting consumer behaviour can completely alter the food scene. Even as the pandemic forces restaurants to close down their dining areas, more and more kitchens are firing up for business. As you scroll through Swiggy and Zomato apps, you will notice new brands emerge every month, many of which are delivery-only. This is because the pandemic has triggered the rise of cloud kitchens, also known as dark kitchens or ghost restaurants. These are delivery-only outfits, which do not offer dine-in. They rely only on online orders, usually placed through online food aggregators. As restaurants remain shut for dining, hotels and restaurants are pivoting to takeaway to stay open, and retain staff.

1.1 Objective

The objective of this research is to explore of cloud kitchen growth in a digitally environment.

II. LITERATURE REVIEW

Fernandes, Mayola. (2021), Ha mention that since regular life was abruptly interrupted by the Covid-19 pandemic, the idea of a "cloud kitchen" has gained traction. This study aims to determine whether cloud kitchens were preferred during the pandemic over restaurants. Cloud kitchens have been further propelled by the tremendous growth in food delivery that the world has witnessed, coupled with the swift progress of technology. Furthermore, putting a focus on safety and hygiene as well as adjusting sales tactics can further establish the general viability of cloud kitchens. Prior to the pandemic, synchronous methods of communication were used to handle food orders and deliveries, including phone calls, personal recommendations, local newspaper ads and flyers, and online food applications. In 2021, Kitchens. Since most operations were now managed online due to the rise of technology, anyone with a kitchen facility could now meet demand by using websites, online applications, and food delivery partners. There has been a significant shift in demand from eating out to home delivery of food due to the virus that has taken over the world since it first surfaced in early 2020 and the lockdown measures that followed. Cloud kitchens have been essential in making this transition possible.

Every day, millions of meals are provided by the global food and beverage industry. Food and drink, encompassing all varieties of food and drinks, both alcoholic and non-alcoholic, helped to popularize the idea of food service. Food is served everywhere—in cafeterias, bistros, and restaurants—as well as via offline and online delivery methods (Cousins, Lillicrap, Weekes, 2014).

Mahmoud Sami Ramadan (2022) mention in his write up, that therefore, the way the population is increasing changes eating preferences. There's no room for queues and long waiting times, a home delivery service is becoming a must and digital channels cannot be set aside. There's a need to always develop innovative solutions in the food and beverage industry. The way cloud kitchens have emerged with their business models in the past few years and how they have overridden traditional restaurants with all these technologies is quite impressive.

TYPES OF CLOUD KITCHEN-

Independent cloud kitchen- The traditional cloud kitchen model is this one. It's a restaurant without any real physical space. It is made up of just one brand, which uses a kitchen to prepare food based on online orders. In terms of taking orders and delivering packaged meals, this business model is independent.

Multi- brand cloud kitchen- The foundation of this business model is a detailed examination of local food consumption patterns. The most ordered or well-liked cuisines within a certain region or population are recognized and served. Food is prepared in a communal commercial kitchen where meals are prepared and packaged by various brands. This clever and effective model reduces expenses while increasing revenue.

Hybrid cloud kitchen- A hybrid of a cloud kitchen and a takeout establishment. It functions similarly to a cloud kitchen, with the exception that it has a front where patrons can come pick up their food. Additionally, the food is delivered. Delivery occurs either independently or via an aggregator meal delivery app like Swiggy or Zomato. In addition to having several walk-in locations that provide delivery and takeout, this model features a single brand operating in a single kitchen.

Cloud kitchen owned by delivery apps- A delivery app company leases or buys a handy kitchen space and distributes it to different up-and-coming food brands under this model. These apps are used for placing orders, and they also manage the delivery fleet. In this model, the food brand and the app company have a mutually beneficial relationship. The food brands utilize the app's reach to attract more users, and the app utilizes talent to offer its users more options.

BENEFITS OF CLOUD KITCHEN-

Capitalizing on trends- When long workdays are over and people want to avoid packing lunches for work, more and more are turning to convenient, reasonably priced food delivery services. Consequently, there is an increasing demand for cloud kitchens and a rise in the popularity of food delivery services. In 2018, food orders worth \$10.2 billion were placed by American consumers through third-party services. By renting a cloud kitchen and offering food delivery orders online, this enormous market can be reached.

Low risk business- Restaurant owners, caterers, food entrepreneurs, and other food businesses can invest in cloud kitchens as a lucrative and low-risk business opportunity. Analysts project that the market for food delivery services will expand by 43.6% in just four years. Cloud kitchens may play a significant role in the future of the food industry, as evidenced by the rapidly expanding market and rising costs of traditional restaurant models. Cloud kitchens are a desirable way for restaurant to capitalize on changes in the food delivery market thanks to their effective operations and low entry barriers. Investments made can be easily retrieved within a few months as the operating cost is quite lower than traditional restaurants.

Due to costly mortgage payments and burdensome lease agreements, an increasing number of restaurants are closing their physical locations. At a fraction of the price of building or buying a traditional restaurant, food business owners can rent cloud kitchens. Purchasing a cloud kitchen entails paying only for the area needed for food preparation and storage.

No expensive real estate issue- Avoid vying for an expensive apartment or allowing a high-interest mortgage to hinder you in your city. Alternatively, rent a cloud kitchen. You can see why the idea is drawing the interest of more and more local, regional, and national restaurant brands when you compare the cost of renting commercial kitchen space to that of a traditional restaurant.

Delivering to business for reselling (Business to Business) - Cloud kitchens that are optimized for deliveries let you accept orders with no extra work or inconvenience. Cloud kitchen restaurants source orders and handle delivery logistics using their own white-label platform or online food delivery services like Door Dash, Post mates, and UberEats. After that, customers use mobile devices to place orders and have food delivered to their homes or workplaces.

Meal prep businesses: These businesses frequently only require kitchen space a few days a week. This flexibility can be yours with virtual kitchens.

Packaged Food Producers: To help packaged food producers grow, cloud kitchens can offer plenty of equipment and warehouse space.

FACTORS AFFECTING-

Changing customer behaviour- Customers' interactions with the restaurant sector have changed as a result of how easy it is to order food with only a few smartphone clicks. Many individuals find that having restaurant-quality food delivered right to their house is more convenient and quick than coping with the frenetic pace of modern life. Cloud kitchens are flourishing as a result of this change in customer behaviour.

Data driven decision making- Large volumes of data about client preferences and order trends can be gathered and analyzed by cloud kitchens. They may improve menus, prices, and marketing tactics, as well as consumer satisfaction and loyalty, with the aid of this data-driven strategy.

Partnership with online platforms-Cloud kitchen businesses are exposed to a wider audience through these partnerships, which capitalize on the marketing power of these platforms. By working together with online meal delivery services, cloud kitchens can increase market share.

Lower operating cost/ Low revenue- When comparing cloud kitchens to traditional eateries, the latter have cheaper operating costs. They do away with costs related to expensive real estate, upkeep of dining areas, and front-of-house personnel. Cloud kitchens can function with a more economical cost structure by concentrating just on the preparation and distribution of food.

Adaptability-Cloud kitchens has the agility to promptly adjust to evolving consumer inclinations and desires. They can experiment with various menu items and cuisines without being constrained by the structure of a typical restaurant by housing several virtual restaurant brands under one roof. Because of their versatility, cloud kitchens can serve a wider range of customers and follow a variety of trends and follow the same by switching menu items accordingly.

CHALLENGES FACED

Improper structure- The largest error that managers make when it comes to virtual services is that they disregard standard operating procedures (SOPs) that a traditional dine-in restaurant would follow. The inability to oversee or control the workforce in the same manner as in a regular restaurant is a common grievance voiced by managers and employers. Monitoring the work of delivery persons is far more difficult than keeping an eye on the chefs, management, and kitchen staff. According to estimates, poorly managed order procedures and lost or delayed deliveries due to a lack of managerial strategy ultimately affect more than 37.6% of virtual restaurants.

Technological expenditure- The replacement of real estate expenditures with technology costs is one of the largest problems cloud kitchens face. If there is a compromise on technical aspects like order tracking, customer applications, delivery network, logistics support, and so on, the cloud kitchen will not work correctly. These various features cost a lot to invest in and maintain.

Inadequate working conditions- Hygiene is no longer as important as it once was in cloud kitchens due to a relaxation of government oversight and enforcement. Some cloud restaurants choose to skimp on cleanliness and hygiene because patrons cannot see the true working conditions in the kitchen. Both money and effort are saved in this way. The quality of the food, however, begins to suffer from poor hygiene, and as a result, a number of cloud kitchens have received legal notices for producing subpar food.

Poor finances- If there is poor financial management, a cloud kitchen's chances of success are very low. It is imperative for entrepreneurs to acknowledge that their attention should not be limited to start-up funding alone, as ongoing operating expenses are significantly greater. Delivery-based business means that there is a high risk of fraud or

improper cash handling by drivers, as well as the possibility of loss from incorrect or delayed orders or disgruntled customers.

III. CONCLUSION

Cloud kitchens are commercial kitchens without any seating areas that are only used to complete orders for delivery and takeaway. Their rise to prominence can be attributed to their capacity to optimize processes, minimize fixed expenses, and meet the changing needs of a technologically advanced and convenience-oriented customer base. . Cloud kitchens represent a new age in culinary entrepreneurship and customer experience, and they are a disruptive and revolutionary force as the food sector continues to be altered by the digital era.

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