

## **Outsourcing the Restaurant Kitchen**

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A recent article in Tech Crunch explains how “the next big restaurant chain could have no kitchens of its own”.<sup>1</sup> Driven in large part by the fast-growing food delivery market, significant investments are being made to create a network of shared kitchens, storage facilities, and pickup counters for both established chains and new food entrepreneurs to access and thereby cut down on overhead and quickly establish new concepts in fast food and casual dining.

### **The Demand**

According to UBS’s research group, the “Evidence Lab”, the food delivery market could grow from \$35 billion to a \$365 billion industry by 2030. If that projection is in the ballpark, it suggests a massive opportunity. And, companies that position themselves as enablers stand to benefit greatly.

### **Kitchen United**

Jim Collins started up the company Kitchen United to provide access to commercial kitchen space and pickup/delivery service to food service entrepreneurs in the Pasadena area. The company has just raised \$10 million in a funding round led by GV, the investment arm of Google parent company, Alphabet.<sup>2</sup> Details about their services, along with promotional videos and the ability to order from restaurants served by Kitchen United can be found on the company’s website.<sup>3</sup>

### **Cloud Kitchens**

The best capitalized company in this category is likely Cloud Kitchens; backed by Uber co-founder and former CEO, Travis Kalanick. Cloud Kitchens and another company called Cloud Retail, constitute the two arms of a holding company, City Storage Solutions, that was formed with a \$150 million investment.<sup>4</sup>

According to the Cloud Kitchens website, the company “provide[s] infrastructure and software that enables food operators to open delivery-only locations with minimal capital expenditure and time.”<sup>5</sup>

### **Pilotworks**

Acre Venture Partners, the investment arm formed by The Campbell Soup Co., participated in a \$13 million investment for Pilotworks, another distributed kitchen operator based in Brooklyn.<sup>6</sup>

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<sup>1</sup> Shieber, Jonathan. The next big restaurant chain may not own any kitchens. Tech Crunch. October 7, 2018. Available at: <https://techcrunch.com/2018/10/07/the-next-big-restaurant-chain-may-not-own-any-kitchens/> Accessed on October 31, 2018.

<sup>2</sup> *Ibid.*

<sup>3</sup> Kitchen United Website. Available at: <https://www.kitchenunited.com/>. Accessed on October 31, 2018.

<sup>4</sup> Shieber. *op. cit.*

<sup>5</sup> Cloud Kitchens Website. Available at: <https://www.cloudkitchens.com/>. Accessed on October 31, 2018.

<sup>6</sup> Shieber. *op. cit.*

## Going Forward

We have already seen the success of companies like Grubhub and Uber Eats to better meet the demands of a growing market for food delivery. But, these companies work with an existing restaurant infrastructure. It's easy to imagine how even those same restaurants could benefit from utilizing off-site and outsourced infrastructure and streamlined logistics services to better meet the demands of it's off-site diners. These services provide a kind of scalability to a restaurant that would not impact on-site operations at all.

In short, these companies will are not aiming to create the next big successful concept in fast food or casual dining. Rather, they aim to enable it.

Kitchen United has a 12,000 square foot facility in Pasadena to meet this enabling role; largely for "giving successful local, regional, and national brands a way to expand their footprint without investing in real estate."<sup>7</sup> The company has plans to open more such kitchen centers across the country that can each house 10-20 restaurants. These would be converted warehouses, big box retail and light industrial locations. Jim Collins explained that each restaurant will have its own space, but that much of the infrastructure is otherwise shared; some of which involves food deliveries and an ability to serve as a central hub for local supplier.<sup>8</sup>

Pilotworks already has operations in Brooklyn, Chicago, Dallas, and Providence, R.I. Their approach is different than Kitchen United, in that they target new food entrepreneurs.

The people involved, the money invested, and the projected growth of the food delivery market are all quite exciting. These are early days. But, any new concepts that could help increase the efficiency, profitability and scalability for food service companies is worth a look.

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<sup>7</sup> *Ibid.*

<sup>8</sup> *Ibid.*