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PeterBackman.

Dark Kitchens: How has the
sector changed over the
pandemic?

Dark Kitchens have come of age

- Investment was already being directed at Dark Kitchens as a major growth prospect before Covid.
 - But the value of Dark Kitchens came of age during periods of lockdown when delivery, in effect, became the only way for restaurants to create any revenue.
 - Restaurant operators seized this opportunity in two ways. They expanded their reach through opening Dark Kitchens, and by creating virtual brands - brands that have no bricks and mortar presence.
 - Other players joined them and launched an array of business models, many built around some form of franchised virtual brand.
 - All this activity resulted in further investment in Dark Kitchens which have now expanded out of their inner London heartland into many other cities and towns.
 - In this report we will look at dark kitchen trends on Deliveroo based on three dates (Nov '20, Feb '21 and July '21) and reflect on which brands have experienced growth during and after lockdown.
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What is a Dark Kitchen?

Dark Kitchens, known by a variety of names - cloud kitchens, virtual kitchens, ghost kitchens, shadow kitchens or delivery-only restaurants - sell meals exclusively through delivery. The brands represented by these meals are of two types: Bricks & Mortar brands that are also present in a Dark Kitchen, and Virtual Brands that has no presence other than on an aggregator's app. Multiple virtual brands can be prepared in the same kitchen.

Dark Kitchens make it easy to target multiple segments and serve multiple different demographics at the same time through varying price points or a variance in food types. They also help operators extend their footprint into other localities without the need to acquire and fit out a traditional restaurant.

There are multiple different Dark Kitchen models. In this analysis we focus on 2 main types:

- **Dark Kitchens run out of high street brand kitchen** where a restaurant is using excess kitchen capacity to provide a second (or even third or fourth) offering. This maybe a specialised take on one element of the menu e.g. Mac Shack, a dark kitchen from Bella Italia specialising in multiple types of Macaroni Cheese, a pasta dish not offered on Bella Italia's menu but easy to prepare in the same kitchen.
 - The more traditional dark kitchen being a **collection of kitchens cooking for multiple different brands at the same location**. Deliveroo offer their own Dark Kitchen facilities through Deliveroo Editions whilst other specialists have created Dark Kitchen facilities across the country. These locations are typically on industrial units, for aggregator access only and have no dine in offering.
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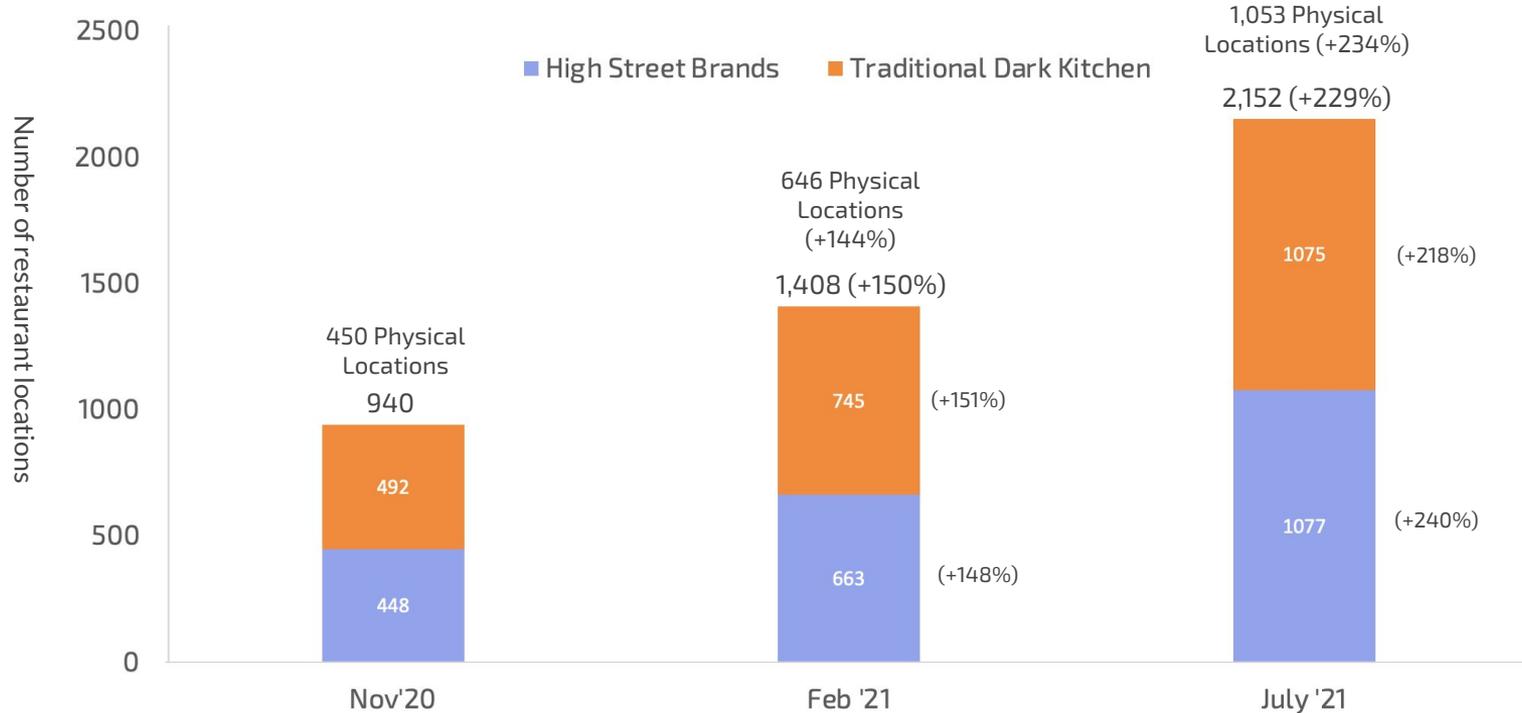
Who owns who?

When choosing a restaurant on Deliveroo there are multiple restaurant options... many of which are Dark Kitchen brands. But who owns these brands? Below we highlight a selection of brands and their owners:

Halo Kitchen - All Bar One	Chicken On The Green - Café Rouge	Cookie Dough by Pizza Hut - Pizza Hut	Bone Jam - The Restaurant Group
Death Valley Burrito - Barburrito	Le Burger by Cafe Rouge - Café Rouge	Mac & Wings - PizzaExpress	Puddo - The Restaurant Group
Twisted Health Kitchen - Barburrito	Jaldi Jaldi - Chopstix	Souvlaki & Skewers - The Real Greek	Kick Ass Burrito - The Restaurant Group
Maverick Chicken and THIS - Barburrito	Yangtze - Chopstix	Protein Hut - Tossed	Chicken Cartel - The Restaurant Group
Rebel Vegan Grill - Barburrito	Blazing Bird - Las Iguanas	Houmous Bowls - Tossed	Babago - The Restaurant Group
Badass Burritos - Barburrito	Bang Bang Burrito - Las Iguanas	Whole Green Canteen - Tossed	Levi Roots' Kitchen - The Restaurant Group
Quesadillas by Barburrito - Barburrito	GFC Chicken Shop by LEON - Leon	Power Bowls - Tossed	Out the Box - Wildwood
Mac & Co. - Basilico	The Fish Plaice - Nicholson's Pie House	Rainbow Wraps - Tossed	
Stateside Diner - Bella Italia	Chicken Dudes - O'Neils	STACKS - The Restaurant Group	
Mac Shack - Bella Italia	Pizza Dudes - O'Neils	Bird Box - The Restaurant Group	
Melts by Cafe Rouge - Café Rouge	Burger Dudes - O'Neils	Devonly Pies - The Restaurant Group	

Dark Kitchen market trends - Deliveroo

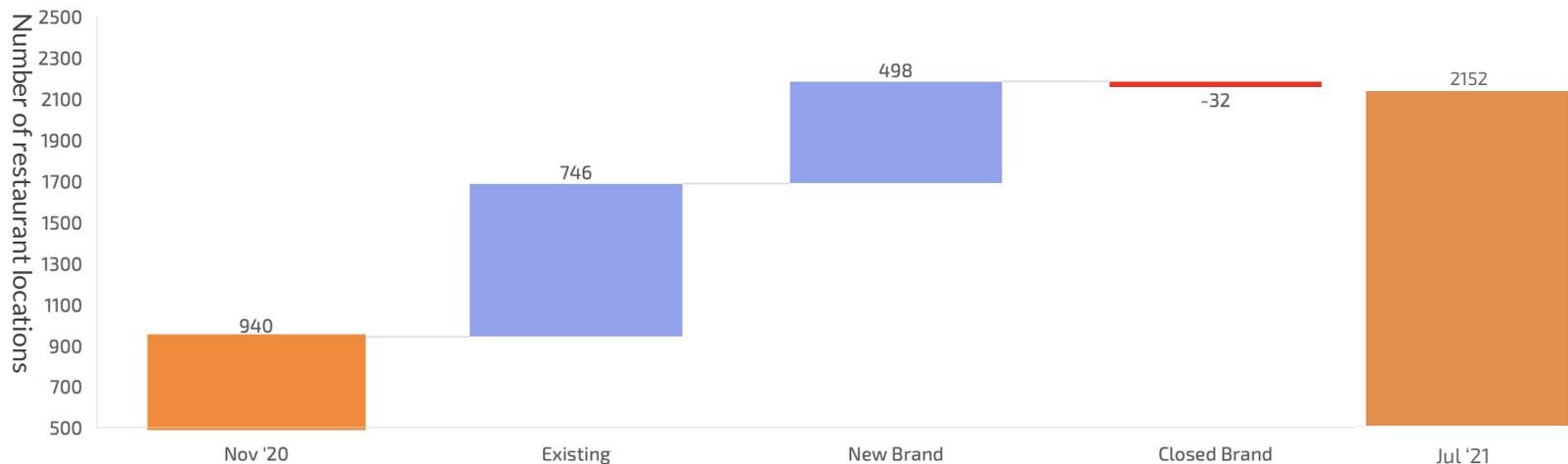
The Dark Kitchen sector has doubled over the last 8 months with now over two thousand Dark Kitchens on Deliveroo alone. The analysis below splits this into Dark Kitchens run from High Street Brands (e.g. Mac Shack from Bella Italia) and Traditional Dark Kitchens running out of a commercial kitchen. Both of which have grown at a similar rate and have a near equal market share. This has come from new physical locations opening rather than existing Dark Kitchens increasing their offering.



Number of restaurant outlets operating over time split by High Street Brand and Traditional Dark Kitchen. % Change shown vs Nov'20.

Where has this growth come from?

So there has been huge growth in Dark Kitchens over the last 8 months but where has the growth come from? Is it new brands or existing brands increasing coverage? The greatest amount of growth has been driven by existing Dark Kitchen brands increasing coverage whilst we have also seen new brands coming into the market. Despite the reopening of dine-in restaurants there has been very few Dark Kitchen brands closing over this time.



Largest growing brands

The majority of growth has come from existing brands expanding coverage, potentially driven by restaurants reopening post lockdown and offering dark brands from the same location. There has however, still been significant growth from new brands with many more small brands launching via more traditional commercial kitchens.

Restaurant NameBiggest growing brands	Dark Kitchen Brand Owner	Nov'20	Feb '21	July '21	Change in Count Nov'20 - July '21
Mac & Wings	PizzaExpress	36	136	147	111
Bird Box	TRG	2	61	81	79
Bone Jam	TRG	12	55	75	63
Ruby Jeans Burgers	Dark Kitchen Brand	1	0	57	56
STACKS	TRG	29	63	82	53
Mac Shack	Bella Italia	0	0	45	45
Ben & Jerry's Store	Deliveroo Editions	13	29	57	44
Epic Chicken	Dark Kitchen Brand	23	38	55	32
Ice Cream Store	Deliveroo Editions	21	33	53	32
Bang Bang Burrito by Las Iguanas	Las Iguanas	0	0	32	32
Halo Kitchen	All Bar One	2	0	33	31
Blazing Bird	Las Iguanas	8	0	36	28

Variation in restaurant coverage by dark kitchen brand on Deliveroo between Nov'20 and Jul '21.

Summary - The Future of Dark Kitchens

- Dark Kitchens have grown hugely over the last 8 months with double the number of locations available on Deliveroo.
- Growth has been driven both by existing brands expanding coverage and new brands launching.
- There is also an equal split between major High Street Brands expanding their Dark Kitchen offerings and Traditional Dark Kitchens launching new brands.
- Whilst we believe the High Street Brands have in most instances expanded their virtual brands coverage to their whole estate we will continue to see new brands enter the market.
- The key to long term success for all operators of Dark Kitchens is maximising the return on the capital employed in building and maintaining the kitchen. Offering variety, identifying new food types to local markets where current variety is limited, providing an offering at a different price points or targeting a different demographic all help to do this. However, this is an increasingly crowded sector and there will eventually be a ceiling to the number of offerings an area can support.

takealytics provides analytics to help support new Dark Kitchen launches including competitor pricing data and market share by food type.

If your Dark Kitchen is looking to expand please contact **takealytics** to find out more.

What is takealytics?

Takealytics provides daily online analytics on the takeaway market

Benchmark your performance against competitors over multiple delivery platforms including:



**JUST
EAT**

UBER
eats



Download our white paper to learn more about optimising your online platform performance.

www.takealytics.com/whitepaper

takealytics

With real time data from 100k+ restaurants **take**alytics gives you the insights you need to optimise your takeaway business. Evaluate delivery time, reviews, stock, range, pricing and promotions across all platforms in one place.

Peter Backman.

Peter is an expert on the structure and dynamics of the foodservice sector, and its supply chain, in the UK, across Europe, and in other major international regions and countries including the USA and India. He enlightens senior executives and other people who make significant decisions in the foodservice sector including investors, operators and suppliers to the sector.

His forthright and challenging views are based on data-driven insights – as a former scientist his view is “if you can't measure it, it doesn't exist”. He has been involved, as a researcher and consultant within the sector, for over 30 years blending his knowledge with a deep understanding of the trends, key players and challenges of organisations with an interest in foodservice.

He regularly speaks at conferences worldwide and his views are sought by television, radio, and the press. Peter has many innovations to his credit having been the first person to define the structure of the eating out market in the terms which are now widely used by the industry, as well as the most extensive database model of the foodservice sector.

Peter is the author of “Restaurants also sell food” – published in London, Toronto and Chicago

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Thank you!
