

Online ordering boom gives rise to virtual restaurants

By ALEXANDRA OLSON
Associated Press

NEW YORK — Frato's Pizza looks like a typical family restaurant, with its black-and-white checkered floor and red chairs. But in the kitchen, the cooks are whipping up dishes for four other restaurants at the same time.

There is, of course, the gourmet pizza that patrons have come to expect from Frato's when they walk through the door. But there are also spicy chicken gyros for Halal Kitchen, barbecue chicken tenders for Tenderlicious, salmon grilled cheese for Cheesy Deliciousness, and Butterfinger milkshakes for Heavenly Shakes — all of which can only be ordered through online sites Grubhub, DoorDash and Uber Eats.

Owner Michael Kudrna launched the four spinoffs earlier this year in a matter of weeks as he races to keep his Chicago-area business ahead of a growing trend: restaurants conceived only for delivery or take-out.

Thousands of restaurants are experimenting with these virtual spinoffs tucked inside their own kitchens. Others are opening "ghost kitchens," where all food is prepared to-go.

Both concepts have emerged to capitalize on the rising popularity of ordering in instead of dining out. The trend also speaks to the growing power of third-party delivery companies, which have transformed the way many people find restaurants and raised expectations for speed and convenience.

The \$26.8 billion online ordering market is the fastest-growing source of restaurant sales in the United States, according to David Portalatin, a food industry adviser for the NPD group. Digital orders, while still accounting for just 5% of all restaurant orders, are growing some 20% each year. Restaurant visits, meanwhile, remain mostly flat.

Kudrna says the virtual restaurants are a way to gain enough incremental revenue to offset the fees he pays to the third-party apps, which now drive one-third of his sales. Restaurants pay commission fees as high as 30% per order.

"The beauty is I can create concepts and if they don't work, I can move on to try another one," Kudrna said. "I will have lost weeks of work, but not large sums of money."

Chick-Fil-A, The Halal Guys and Dog Haus are among top brands that have opened ghost kitchens through Kitchen United, a



William Burns, left, general manager of the B.Good ghost kitchen inside Kitchen United's Chicago, Ill., location, prepares food for delivery. Kitchen United, a start-up that builds kitchen commissaries for restaurants looking to enter new markets through delivery or take-out only, has plans to open 40 more kitchens in cities across the U.S. through 2020.

AP Photo/Teresa Crawford



Chef Joseph Gattuso prepares a gyro sandwich in Schaumburg, Ill. He's working in the kitchen of Frato's Pizza, but filling an online order for the virtual restaurant Halal Kitchen.

AP Photo/Teresa Crawford



An order from the menu of Halal Kitchen is ready for pickup in a kitchen inside Frato's Pizzeria in Schaumburg, Ill.

AP Photo/Teresa Crawford

start-up that builds kitchen commissaries for restaurants looking to enter new markets through delivery or take-out only.

Kitchen United, backed by \$50 million in funding from Google Ventures and other investors, has two locations in Pasadena, California, and Chicago. It has ambitious expansion plans to open 40 more kitchens in cities across the U.S. through 2020, said CEO Jim Collins.

DoorDash staked a claim to the trend last week. The delivery company partnered with four restaurant chains — including The Halal Guys — to open a bright red shared kitchen in Redwood City, California, offer-

ing delivery or pick-up in 13 suburban Bay Area markets.

The idea is for DoorDash Kitchens to be a one-stop shop for restaurants looking to grow their business, said Fuad Hannon, head of new business verticals at DoorDash, although there are no immediate plans to expand.

"We are really at the early innings of this industry," Hannon said. "It's highly speculative at this point to understand where this will all go, but what we know is that people love to get their favorite restaurants delivered."

There have already been some notable failures. Maple, the delivery-only restaurant backed by celebrity chef David Chang,

closed in New York in 2017 after two years. Pilotworks, a venture capital-backed start-up that offered commercial kitchen space and distribution services for small food businesses, abruptly closed its Brooklyn commissary in 2018, leaving nearly 200 vendors in the lurch with no warning.

"I had to call all of these businesses and tell them I didn't have a kitchen. It was awful," said Liz Santiso, owner of Brooklyn Biscuit Company, who is starting over after losing her wholesale business that had delivered to Whole Foods and Dean & DeLuca.

Both Kitchen United and DoorDash are staking their shared-kitchen models on

helping successful restaurants grow, rather than serving as incubators for start-ups.

Grubhub and Uber Eats say their virtual restaurant programs help small businesses compete in this landscape. Both actively reach out to restaurants with suggestions for online spinoffs based on data gleaned from customer searches — extending their influence from how people get their food to what should go on the menu.

Uber Eats has helped launch 4,000 such virtual restaurants worldwide, about half of them in the U.S. and Canada, according to Kristen Adamowski, head of Uber's virtual

restaurants program.

One restaurant owner, Rick Scott, said Uber saved his Brooklyn business. Scott first opened a cafe serving coffee, pastries and ice cream in Crown Heights, a lower-income neighborhood. But it was the only sit-in restaurant for blocks around and "the neighborhood just wasn't ready for it," Scott said.

Sales were slumping when he reached out Uber, which told him there was latent demand for specialty burgers in the surrounding area. Scott launched Gerizim Burger Factory on Uber Eats with a Caribbean-inspired menu of jerk and calypso burgers.

Almost immediately, he said, sales jumped about 75%. A year later, he has two employees, rebranded his physical restaurant and launched a second Burger Factory in the borough of Queens.

"It was a 90-degree turnaround," Scott said. "It changed our whole business."

But Kudrna has found he can't always rely on third-party suggestions. Heavenly Sweets, a desert concept suggested by Grubhub, has mostly flopped. The chefs at a training program he runs then came up with Cheesy Deliciousness and Halal Kitchen, which have so far taken off.

Grubhub spokeswoman Katie Norris said sales representatives suggest virtual spinoff ideas when they see untapped demand for a cuisine in a market, but it's up to the restaurant to decide whether it makes sense for them.

Virtual restaurants have the obvious benefit of testing new concepts without taking on expensive leases or hiring more staff, said Rick Carmac, dean of restaurant management at the Institute of Culinary Education in New York.

But he said small restaurants should weigh risks before embarking on an online spinoff at the behest of third-party platforms, which offer no training for kitchen staff to adjust to new menus. Restaurants should consider whether their delivery packaging is right for new dishes, or whether they want to increase their reliance on outside delivery drivers.

"None of those things are minute, and none of those things easy, which is kind of what you might be led to believe," said Carmac, who has consulted for Uber Eats and said he expressed his reservations about the company's approach. "They give you the data, and then they leave."

Guitar-shaped hotel opens at Florida Seminole casino

It looks like the guitar Led Zeppelin's Jimmy Page played, but it's a 450-foot hotel

By CURT ANDERSON
Associated Press

HOLLYWOOD, Fla. — It looks like a rock 'n' roll guitar that Led Zeppelin's Jimmy Page would have played. But this one is 450 feet tall and is a light-beam hotel that the Seminole Tribe wants to become South Florida's latest tourist destination.

The Guitar Hotel had its grand opening Oct. 24 on the tribe's land in Hollywood, once only a trailer park and some smoke shops. It's the latest step in the Seminole Hard Rock empire, which includes naming rights on the Miami-area stadium where the 2020 Super Bowl will be played.

"It really is special," said Mitchell Cypress, vice chairman of the Seminole tribal council. "The Seminoles now are known throughout the world."

It's a unique addition to



The guitar shaped hotel is seen at the Seminole Hard Rock Hotel and Casino in Hollywood, Fla. The Guitar Hotel's grand opening is on the tribe's land in Hollywood. It's the latest step in the Seminole Hard Rock empire, which includes naming rights on the Miami-area stadium where the 2020 Super Bowl will be played.

AP Photo/Brynn Anderson

South Florida's tourist landscape and no hotel is like it in the world. It has more

than 600 rooms and at night, beams of light will mimic the strings of the guitar.

Locally, people stop along the roadsides to take photos. It's visible to travel-

ers on airliners headed into Fort Lauderdale.

The \$1.5 billion proj-

ect also has a refurbished venue for concerts and other events, starting with Maroon 5 and continuing with artists, such as Sting and Billy Joel. It has a giant pool and lagoon, retail shops, restaurants, and of course gambling.

Jim Allen, CEO of Hard Rock International, said the brand already is filled with guitars, so why not a hotel? "Wouldn't it be really cool if we could design a hotel shaped like a guitar?" Allen remembers saying. "Before, we were more of a locals facility. Now, we have the ability to market this internationally."

As for the guitar shape, Allen said it's meant to be generic and not necessarily the Gibson Les Paul made famous by Page and others. But he added that Hard Rock has relationships with both Gibson and Page, and the hotel and casino features many Led Zeppelin artifacts.

"When we present the Hard Rock brand on a global basis, it literally starts with Jimmy Page saying 'It was a cool idea then and it's a cool idea now,'" Allen said.