

‘GHOST FRANCHISES’ IN THE POST-COVID ERA: ARE THEY HERE TO STAY?

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ABSTRACT

The global retail landscape has seen much upheaval in the wake of the COVID-19 pandemic and the war in Ukraine, in particular with respect to supply chain bottlenecks, labor market shortages and inflation pressures on businesses and consumers alike. One of the quite visible victims has been the restaurant sector in which even during the pandemic owners were exploring ways to save cost and reduce their dependence on dine-in customers, resulting in a boom for food delivery firms. In their efforts to cut cost, a very recent phenomenon has been the emergence of ‘ghost kitchens’ (also called ‘cloud kitchens’ or ‘dark kitchens’) (Cai, Leung & Chi 2022, Reiley 2020), and among franchised food operators ‘ghost franchises’ (Conrad 2021). Such sites, in essence, rely on a space for food preparation only, from which delivery drivers, either their own or third-party services such as *DoorDash*, pick up food orders. Many established franchised brand concepts have begun to rely on a mix of traditional restaurants with conventional customer traffic and dine-in consumption, and either own-branded or separately branded ‘ghost franchise’ concepts that offer delivery only (Conrad 2021). While myriad variations exist among types of ‘ghost franchises’, for example, multiple ‘ghost brands’ sharing the same facility, a ‘ghost brand’ run by an existing physical brand out of its own kitchen (Broderick 2023, Conrad 2021), or ‘ghost brands’ using underutilized kitchens of local operators (Lee 2021), of particular interest are those franchised versions that rely *exclusively* on ghost kitchens, without any physical spaces in which customers directly interact with the brand. Several franchised brands have emerged over the past couple of years in the wake of the aforementioned global disruptions, relying *solely* on food delivery from ‘ghost franchises’ without a single physical restaurant space, which customers could visit (Broderick 2023). While the ‘ghost kitchen’ trend appears to ebb post-COVID in the US, globally the concept continues to thrive (Fantozzi 2023). This research pulls together marketing and branding literature to elucidate the benefits offered by this new franchise type for their franchisees, inclusive of cost savings of the ‘ghost sites’ and proximity of the locations to customers’ residences to ensure freshness of the delivered meals, vis-à-vis challenges related to the significantly reduced interactions with the brand, relying on very few touch points such as the actual product and the ordering process. The study concludes with an outlook to the future of ‘ghost franchise’ concepts.

Keywords: Ghost franchise, brand, ghost kitchen

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