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WOULD YOU LIKE A VIRTUAL BRAND WITH THAT?

While bricks and mortar QSRs may be the main course, franchisees are adopting back-end delivery-only brands as a lucrative side dish. Now, with more F&B partners offering virtual brand packages than ever before, it's never been easier for franchisees to turn empty kitchen space into an additional revenue stream

"Last week we broke the record for taking just over £9,000. You can't go wrong." says Umar Kanagaratnam. He's a franchisee of Dixy Fried Chicken in Leyton, London, but he's not talking about his success with the franchise. Instead, he's talking about the additional sales he's made by hosting virtual brands in the kitchen of his shop – an extra revenue stream which has the full support of Dixy Fried Chicken.

Customers walking into the store have the exact same experience as any other Dixy Fried Chicken store. But little do they know, the kitchen is also preparing food for Bao + Bowls, Wingology, and Eugreeka – three halal brands all available as part of a franchise package available from DISH'D. The brands operate exclusively through delivery services and online aggregators, preserving Dixy Fried Chicken's bricks and mortar offering.

The virtual brands concept is certainly reminiscent of dark (or ghost) kitchens, which massively took off during the pandemic when delivery was the only option. However, since normality has returned to the food and beverage industry, many franchisees who originally opted for the cheaper dark kitchen franchise model have since shut down or moved to a bricks and mortar. During our research for this feature, many said high marketing costs to make their brand visible ended up being a huge trade-off for the attractive low-cost investment. For them, operating in the dark simply wasn't sustainable long term. So how are virtual brands any different?

"We are not hampered by the expensive and time-consuming process of setting up new ghost kitchens, as the host kitchens we work with are already fully equipped, staffed, and operational," explains Sam Martin, CEO and co-founder of Peckwater Brands, home to virtual brands: Seoul Chikin, Flip the Bird, Wings & Tings, Papi Taco, Fiesta Mexico, Rebel Rito, Pizza by Giorgio, Ruya & Isik, Late Night Pizza, Burger District, Hangry Burger, Pastalicious, Taste & Soul, and Umami Tiger.

The key is that virtual kitchens piggyback off an existing successful business. It means that the issues presented with ghost kitchens, such as the lump sum to launch and staffing costs, can be circumvented, while issues like brand awareness aren't such a make-or-break deal.

"Our partners typically operate between one and three of our virtual food brands from their kitchens depending on their capacity and capability," says Sam. "We select food brands that are optimised for the individual host kitchen: it is important to be aligned in terms of the necessary equipment and core ingredients so that adjusting to the new menu takes as little training and extra materials as possible."

A necessary add-on

Dixy Fried Chicken franchisee, Umar, has been in the F&B game for quite some time – joining Domino's at the age of 16. Now he's invested in servicing virtual brands, he can't imagine running the operations of any future food business without this being a part of it. "I'm going to open more stores, and I'm going to implement this wherever I go," he confirms, having already recommended DISH'D to his friends in the industry.

"My friend, who is also a franchisee, calls me every week

THE PLAYERS

DISH'D
In 2023, Mohamed Poonawala and Mohammed Rahman launched DISH'd, which offers halal virtual brands, including Eugreeka, Bao + Bun, and Wingology.

GROWTH KITCHEN
Born from Máté Kun, Tom Gatz and Laurence Holmes-Smith's mission to bring more food options to underserved areas, Growth Kitchen currently offers The Athenian, Coqfighter, Beer + Burger to host kitchens across the UK.

PECKWATER BRANDS
In 2019, Sam Martin and Leo Bradshaw launched Peckwater Brands to help food operators fully capitalise on the F&B boom by providing more brands. Now, the business works with more than 600 food operators, providing brands such as Seoul Chicken, Flip the Bird, Papi Taco, Burger District, Pastalicious, Rebel Rito and more.

Souvlaki from The Athenian, Growth Kitchen

“My friend, who is also a franchisee, calls me every week saying thank you. He wasn’t doing well. He had a bricks and mortar. He wasn’t having footfall. Now, he’s doing £7,500-£8,000 a week). It’s got low investment, and if you have a bricks and mortar already, it’s a no-brainer”

- Umar Kanagaratnam, franchisee at Dixy Fried Chicken and DISH’D

saying thank you. He wasn’t doing well. He had a bricks and mortar. He wasn’t having footfall. Now he’s doing £7,500-£8,000 a week,” says Umar.

For Umar, the question was more about what reason could there possibly be not to invest? “It’s low investment as you have a bricks and mortar already, which makes it a no brainer,” he says. “DISH’D know what machinery fast food chains use in their shops, so they’ve used the same machinery and built the menu around it.”

Another ideal overlap is that Bao + Bowls, Wingology, and Eugreeka are all halal, which is important as it prevents contaminating the Umar’s Dixy Fried Chicken food – also halal. “DISH’D have obviously seen a gap in the market, and they know who to target,” explains Umar, who says Eugreeka is the most popular of the three.

“Within a one-mile radius, there’s 15 chicken shops. That’s including big brands like McDonald’s and KFC – even Popeyes has just come into action. But no one’s got Greek food in halal kitchens,” he says.

However, the real pull has been DISH’D’s slick operations. The three-brand model is designed to slot in with very little disruption following a four-day in-person training. The brand has dedicated a lot of time to creating modern efficiency and as a result Umar has discovered ways that he can also incorporate this approach into Dixy Fried Chicken. “They’ve changed my Dixy brand setup that I’ve had for eight years. So instead of taking a minute to get a customer’s


La Lupe, Peckwater Brands


Wingology, DISH’D


K Town, Peckwater Brands

Bao + Bun, DISH'D

order, it's now been pushed to 20 seconds," he says.

Dishes such as gyros, rice bowls, and chicken wings take little time to prepare on account of stock being delivered in individual pre-prepared and weighed tubs. It means every dish gets the exact portion of ingredients, preventing overuse and surplus stock.

"We just need to open the tub and cook it. It takes two to three minutes maximum to pack and send the delivery. So, food costs are great," says Umar.

The stock can be ordered online and can be delivered up to five times a week to service Umar's 20-hour operating store.

However, Umar has found even more efficiencies by finding some cross-over between the Dixy Fried Chicken menu and the virtual brand menus, which has consolidated some supply chains for all four brands – helped by the fact that all are halal.

"I use the same chips as Dixie's. We use the same drinks. We also use the brown bags from Dixie's," he says.

The cross-over that the DISH'D business model allows has enabled the practical aspects of running a virtual brand to not be problematic for Umar. However, lack of customer contact means there's a concentrated consumer focus on food quality and delivery times, which has required additional thought.

"With a virtual brand, we need to understand that the first or last customer should get the same quality service until the end of your service," explains Umar. "Customers judge you by the look of the food, the taste, and your service – and you get the review directly through Uber delivery. So, you've got to work a little harder."

He's tried to import elements of his face-to-face customer service at Dixy Fried Chicken into the DISH'D experience despite lack of customer contact, by writing personalised notes to place in each order. "For example, 'Dear Amy, thank you for ordering with us today. Here's a free oregano fries. Please leave us a review," explains Umar.

Doing this integrates into Umar's existing business philosophy which is to always put the customer first. It's an approach that has been successful throughout his career in F&B franchising, and one he feels confident that will also prop up the virtual brands he's since brought on board.

The beauty of having his bricks and mortar Dixy store is that Umar has already been able to witness first-hand the adaptations in consumer habits, and how this has made room for virtual brands. "If any customer walks into my shop, I don't see a bank card. I see a phone with Apple Pay. Some people just tap an Apple Watch," he says. "It's moved to a stage where everything is electronic. So, we have to see where the market is."

The move to digital food servicing has been supported by a quick and easy user experience from aggregators, which means consumers can now order or access deals at one click of a button in a matter of seconds. Virtual brands allow Umar to capitalise on this, having seen a 30%-40% growth in online deliveries since the pandemic. "Yes, customers are still walking in, but I've seen massive growth on the delivery side," he says.

Reflecting on his progress with the virtual brands so far, Umar feels it has been a necessary investment which has brought about quick ROI and crucially adapted his business to the future. "You quickly hit the sales. What DISH'D promise, happens," he says, warning others who invest to be ready to hit the ground running. "You've got to be ready to make money and to have a busy kitchen," he says. "I'm in contact with one franchisee and he's hit his target in three months."

The inner workings

Virtual brands are typically licensed to franchisees as a package – sometimes you can select which brands are included and sometimes they come as standard. If you wanted to access this, you wouldn't typically go to the brand directly, but instead go via a virtual brand partner which essentially acts as a type of master franchisee.


Katsumi, Peckwater Brands


Locked N Loaded, Peckwater Brands

DELIVERY MARKET

MARKET GROWTH
The fast food and take-away industry had a market size of £22 billion in 2023 in the UK. This was predicted to increase by £400 million in 2024, according to Statista.

MULTIPLE LOCATIONS
The number of QSR restaurants (with kitchens that could lend themselves to hosting virtual brands) has increased nearly every year since 2013 - albeit a slight dip during the pandemic. In 2024, there was estimated to be around 48,000 fast food restaurants across the country.

FIRM FAVOURITES
In 2023, 50% of British consumers said pizza was their favourite take-away. Meanwhile 48% chose Chinese cuisine. Just Eat is the most popular food delivery platform with 2.4 million downloads per year, while Deliveroo is closely behind with 2.3 million downloads annually.

“Peckwater acts as a partner to existing commercial food preparation sites, including restaurants, cafes, bars, hotels, pubs and more,” explains Sam. “We allow businesses with the surplus capacity to increase revenues to offer secondary menus through our virtual food brands. Through delivery aggregators, businesses can increase order volumes and generate additional revenue by accessing wider customer segments. Our support with marketing, customer analysis, and point of sale (POS) integration allows these businesses to become more profitable while still fulfilling their existing obligations.”

For franchisors, using these virtual brand partners means they’re able to increase their franchise’s presence across the country with less investment and fewer management obligations than what would be required to create a ghost kitchen franchise model agreement. This is particularly useful for targeting areas of the country where launching a store location just wouldn’t be feasible or demand is not high enough to warrant it.

The Athenian is one of the brands that has taken this method of expansion. Since last year it has used Growth Kitchen (also home to virtual brands Coqfighter and Beer + Burger) to set up in established host kitchens across the country, particularly pubs.

“Growth Kitchen is more adapted to the current market and where things are at the moment,” explains Tim Vasilakis, founder and CEO of The Athenian. “It’s easier to roll out, lower risk for everyone involved, and it’s very quick.”

The brand has ambitious growth plans, hoping to conquer European and US markets in the future – and by enabling The Athenian to be a virtual brand via Growth Kitchens, Tim has been able to plant interest in new locations.

A challenge, like with any multi-location business, is ensuring what the brand stands for and the quality of food delivered is not diluted. Growth Kitchen has aimed to do this by rolling out a data-centric pilot programme for all new host kitchens, which has been supported by what Tim describes as good communication.

“The pilot is usually a fixed time frame and then it depends on how the pilot went, whether it was successful. For example, has the host managed everything properly?” explains Tim, who explains the key to success here is to ensure the brand has high review

“We allow businesses with the surplus capacity to increase revenues by offering secondary menus through out virtual food brands. Via delivery aggregators, businesses can increase order volumes and generate additional revenue by accessing wider customer segments”

- Sam Martin, CEO and co-founder of Peckwater Brands

Dough Masters, Peckwater Brands

scores on food delivery apps.

“When we operate, customer satisfaction is the goal,” he confirms. “That’s been very clear from the beginning. It might be a franchise but we’re not going to reduce standards as a result. So, if the host kitchen doesn’t deliver on that then they’ll be taken offline after the pilot period.”

This ruling of standards is particularly important as the brand currently has a heavy delivery focus, which is part of the reason Tim opted to partner with Growth Kitchens. “The team are very hands on, and they are kind of the best out there at the moment, he says. “That makes a big difference in comparison to my experience with similar companies and how much they care about standards and the brand.”

Retaining quality helps the host kitchen franchisees to differentiate themselves in what can be a busy online space. QSR is popular online, but of course, that means there’s lots of brands wanting a slice of the pie – and Growth Kitchens is working with host kitchens to ensure The Athenian is top choice – particularly among customers who may only order once a month.

“Delivery is generally quite a high luxury for the vast majority of the population and people can only treat themselves occasionally, especially now with the cost-of-living crisis,” explains Tim. Although delivery aggregators take a commission for online orders, The Athenian has made the decision to ensure that both in-store and delivery customers are charged the same amount for products – a move that aims to build trust and loyalty.

By ensuring that online user experience is an integral part of the brand, it hopes to best position host kitchens to capitalise on its menu, with Growth Kitchens operational support.

“It’s very much tailored for online delivery, and we made the brand so the online experience was very good,” confirms Tim.

FRANCHISE

DISH’D, Growth Kitchens, and Peckwater Brands all have opportunities for franchisees looking to add virtual brands to their existing stores.

More F&B opportunities available:

www.what-franchise.com

PAUL ADAMS

MANAGING DIRECTOR
BASILICO

“It was too niche to be a standalone brand so we launched it as a virtual brand in our stores and are now rolling it out across other pizzarias”

Basilico designed a high protein pizza product aimed at customers who are focused on high protein diets but want a cheat day treat. The brand decided to take a different approach with the launch, collaborating with other pizza businesses to operate their brands out of each other’s kitchens - essential operating as a virtual brand.

“It’s a really popular niche product with phenomenally loyal customers - average rating on Deliveroo is 4.8 or 4.9, and 80% repeat customers”

The approach has been highly successful in increasing Basilico’s area coverage, and the brand is now looking to develop this further as part of its franchise model.

“It’s a really useful extra few thousand pounds a week sales and the best bit is that there is no cannibalisation of existing sales. The customers for this just wouldn’t buy a pizza at all if this wasn’t available.”

Basilico has different product types in comparison to the pizzarias it collaborates with which means there’s little overlap and limited competition between the two.