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Insights



UiTM Cawangan Kedah



UNIVERSITI
TEKNOLOGI
MARA

Faculty of Business
and Management

UiTM *di hatiku*

VOLUME 6
2022

eISSN 2716-599X



772716 599000

e-ISSN 2716-599X

FBM INSIGHTS

Faculty of Business and Management

Universiti Teknologi MARA Cawangan Kedah

e-ISSN 2716-599X

The editorial board would like to express their heartfelt appreciation for the contributions made by the authors, co-authors and all who were involved in the publication of this bulletin.

Published by : Faculty of Business and Management,
Universiti Teknologi MARA Cawangan Kedah

Published date : 10th November 2022

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RECTOR'S MESSAGE



Congratulations Faculty of Business and Management of Universiti Teknologi MARA Cawangan Kedah, Kampus Sungai Petani on the publication of the 6th Volume of FBM Insights!

I am very pleased to know that there are more than 40 authors and more emerging issues are being presented in this latest volume of FBM Insights. This portrays that UiTM Kedah Branch is actively involved in disseminating business related information and knowledge to the public.

I hope this bulletin can provide an opportunity for the Faculty of Business and Management staff to produce more academic materials and develop their skills in academic and creative writing. Furthermore, more initiatives should be launched to support this life-long process.

Again, well done to the Faculty of Business and Management and those who were involved directly and indirectly with the publishing of FBM Insights Vol.6. I wish FBM Insights all the best and continue to grow and move rapidly forward in the future.

Prof. Dr. Roshima Haji Said
Rector
Universiti Teknologi MARA (UiTM)
Cawangan Kedah



السلام عليكم ورحمة الله وبركاته

Assalamualaikum warahmatullahi wabarakatuh

Welcome to the 6th Edition of FBM Insights 2022. This edition boasts 40 articles by the academics of Faculty of Business and Management UiTM Kedah Campus. The topics involved a broad range of business and management knowledge. Congratulations to all authors for your endless support and valuable contribution to the newsletter.

FBM Insights was mooted in 2020 and it came about with the intention to encourage and improve research writing activities among the lecturers of UiTM Kedah's Business and Management Faculty. As the editions progressed, the support from the academics has not faltered. I hope the support continues in editions to come.

I would like to congratulate the editors and the committee for the hard work and perseverance in managing the newsletter. All the best to everyone and thank you again.

Dr. Yanti Aspha Ameira Mustapha
FBM Insights Advisor

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GHOST KITCHEN

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INTRODUCTION

Have you ever heard of a ghost kitchen? Is it a haunted kitchen? Of course not! Then, what is ghost kitchen? Ghost kitchens, also known as virtual restaurants or cloud kitchens, are food operations for delivery-only meals with no physical storefronts or dining areas (Volpe, 2020). Ghost kitchen are food prep operations with no waiters, no dining room and no parking lot but alive in food apps (Miller, 2021).

The year 2020 was a terrible and terrifying year for hoteliers and restaurateurs all over the world. Restaurants were the hardest damaged by the COVID-19 pandemic, which resulted in a sudden wave of business closures. As traditional hotel services were no longer available due to safety concerns, restaurant owners had to reconsider their business strategies. Before the pandemic, ghost kitchens were mostly employed by virtual restaurants, but as the pandemic prompted, restaurant owners to cut back on operations or close down, more chain restaurants have begun to adopt the Ghost Kitchen concept (EHL Insight, n.d).

Hawley (2020) stated that Euromonitor, a market research group, forecasted that there might be a \$1 trillion business of ghost kitchen by 2030. This is happening at the same time as many brick-and-mortar restaurants face near-impossible working conditions. Stores in cities where lunch was once a lively business saw revenues plummet. To offset their losses, some restaurants are putting everything they have into virtual expansion, launching wholly new brands that exist solely online.

According to AFP (2021), a survey by Researchandmarkets.com, the global ghost kitchen business is predicted to develop at a rate of more than 12% per year by 2028, reaching a value of US\$139.37 billion. While report stated in Euromonitor, China already has 7,500 cloud kitchens and India has 3,500, compared to 1,500 in the United States and 750 in the United Kingdom.

The example of ghost kitchen in Malaysia is GF Ghost Kitchen at The Curve, Citta Mall and Marc Residence KL. From a single location, GF Ghost Kitchen, a subsidiary of FBE Ventures (FBEV), serves and delivers the offerings of 15 F&B international and local companies (the most of which are owned by FBEV). Wingstop, Gajah Mada, Tail & Fin, Canning Heritage, and many more are among the featured brands. Other examples are Epic Food Hall, Dahmakan Cloud Kitchen, and Cookhouse Malaysia (Business Advisor, 2022).

BENEFITS OF GHOST KITCHEN

So, what are the advantages of running a business in this method? Here are a few advantages of this rapidly growing foodservice trend. As compared to regular restaurants, ghost kitchens have cheaper real estate and operational costs. Expenses for the front-the-house are non-existent. Operators do not need to hire waiters or make any renovation to accommodate dine-in customers. In Malaysia, operator can outsource delivery service by using GrabFood, Food Panda, AirAsia Food, Beep etc. The setup procedure is simple, and the workflow is quick and well-organized (Menudrive, 2022).

Ghost kitchens also provide businesses the freedom to try new ideas, fail, and adjust rapidly. Since everything is done online, new products may be presented, tested for market acceptance, and then removed from the menu as they were added (Tan, 2021). With ghost kitchen, operator can simply change menu description on the apps. Operators has complete control over menu while using ghost kitchens (EHL Insight, n.d).

The third benefit of ghost kitchen is on the opportunity to capture wider audiences, in term of volume and geography (Menudrive, 2022). Even from different district, audience can easily order the food and even to cater to some of them who still reluctant to dine in even the pandemic has ended. Ghost kitchen operator would not be limited by table turnover anymore.

CHALLENGES OF GHOST KITCHEN

As with any undertaking, there are some disadvantages to every benefit. One of the challenges for ghost kitchen is to maintain consistency and quality of food itself. As each order is different, standardizing recipes and restaurant processes can be difficult. The quality of food is important to the success of ghost kitchen. However, sustaining that level of quality can be difficult due to factors such as transit time, temperature regulation, and food freshness (Menudrive, 2022).

Dependence on high-commission food aggregators is the second challenge for ghost kitchen. Unless it ranks highly on internet food aggregators, a ghost kitchen with a business plan that emphasizes third-party delivery would not earn enough money. It can be challenging to increase brand's visibility on such platforms, especially for newcomers. As to get better search engine results, ghost kitchen operator may need to spend money on PPC (pay-per-click) ads. Furthermore, food delivery platforms may deduct up to 40% of delivery earnings. Many restaurants are unable to tolerate to such decrease, which is why having an in-house online ordering system is an excellent idea (Menudrive, 2022).

Lastly, ghost kitchen has problem in customer retention. Since the business is hundred percent online and without physical store, it is difficult for operator to interact with customers. Thus, it is difficult to build a long lasting relationships with customers (Menudrive, 2022). Ghost kitchen operator will have to rely entirely on virtual reputation and social media to connect with their customers. Customer loyalty drives sales in many firms, and the food industry is no exception (John, 2022).

CONCLUSION

In layman's words, ghost kitchen is a F&B company that focuses on the delivery model, with few or no physical locations. Customers typically place orders via the internet (via the cloud), WhatsApp, or even phone calls. Just a few years ago, ghost kitchens appeared like a far-fetched concept. However, since the MCO, previously cautious Malaysian customers have become more aware of and accepting the food delivery concept. Ghost kitchen business model provides ample opportunities to Malaysian who are affected by layoff during pandemic to run a business. Lower cost of operation and lower risk are attractive benefits that lead to the growth of ghost kitchen.

Though it might be a faster and less expensive way for businesses to scale, each business model has its own set of advantages and disadvantages. The utilization of technology is the only method to gain clients for a ghost kitchen. Most of ghost kitchen operators rely on third party platform to receive order and deliver the food to customers. Ghost kitchen operators need their own app and website if they want to convert these third-party clients into direct customers and avoid the commission. Being tech savvy is not only a desirable characteristic, but it is also a requirement for becoming a successful ghost kitchen restaurant.

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