A Study on Cloud Kitchens: Branding and Perceptions

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Abstract

Purpose: The purpose of this study is to understand branding and perception on cloud kitchen. The research also aims at understanding financial feasibility of cloud kitchens, examining the cost structure and revenue models that define their economic viability. **Methodology / Design / Approach:** The research data collected primary data through surveys. Additionally, primary data will be collected from cloud kitchen owners in Delhi using a structured questionnaire to understand their financial feasibility. **Research Type:** Descriptive Research Study **Findings:** The study explored that cloud kitchens are a preferred choice of many consumers over traditional restaurants as they have emerged as a popular choice among customers and owners.

Keywords: _Cloud Kitchen, Owners, Consumers, Food Delivery._

INTRODUCTION

Cloud kitchens also known as the dark kitchen or virtual kitchens are not a new concept. The concept of delivery has existed for more than a decade and the first one to do so was pizza restaurants with pizza delivery to locals with delivery within the range of 5 km emerging in 1905. However, the current model of cloud kitchen took shape and prominence in India around 2004 with Rebel Foods (2011) then known as Faasos being the pioneer of this. Backed by Sequoia Capital, Rebel Foods started focusing on kebabs and has since expanded to over 9 different food brands.

The company recently raised $125 million and is valued at $525 million, highlighting the growth of the cloud kitchen industry in India.[1]The advancement in technology over the years have led to an increase in prepared food being ordered through online mediums. With online ordering as an option, modern restaurants started taking orders by leveraging Twitter and using innovative marketing tactics. With the adoption of smartphones, the power of one-tap food delivery landed directly in the hands of millions of consumers through apps like Zomato and Swiggy in India and Uber Eats in countries like the USA. The rise of food delivery apps like Zomato and Swiggy has further accelerated the adoption of cloud kitchens globally. One such trend leading to the acceptance and growing nature of cloud or virtual kitchens is hyperlocal expansion. With consumers increasingly valuing convenience and speedy delivery, cloud kitchens are strategically locating their facilities closer to densely populated areas. This not only reduces delivery times but also enables cloud kitchen operators to cater to specific local tastes and preferences.

The COVID-19 pandemic significantly impacted consumer behavior in India, particularly when it came to food. With strict lockdowns and social distancing measures in place, dine-in restaurants faced unprecedented challenges. This, in turn, fueled a meteoric rise in online food ordering. A report by Zomato and Bain & Company revealed a 100% growth in online food orders during the initial lockdown period in India. The pandemic not only increased usage among existing customers but also attracted a new demographic to online food delivery

services. People who weren't previously accustomed to online ordering embraced the convenience it offered during lockdowns. The worldwide cloud kitchen industry is expected to grow from a current valuation of $58.61 billion to $177.85 billion in the next decade. In India, the cloud kitchen industry is estimated to grow from $400 million in 2019 to $2 billion by 2024, driven by the success of players like Biryani by Kilo, Oven Story, SLAY Coffee, and others. [2] Thus, it is a growing trend with both sides of the coin that has challenges and benefits. Previous studies suggest that an older cloud kitchen owner may have just learned through trial and error in a dimly understood landscape, while the new cloud kitchen owner can make decisions based on facts and judgments on antecedents with reflectivity, adjusting quickly to the pacing market. As the industry continues to evolve, cloud kitchen shows a growing trend with an increase in online traffic as the industry continues to evolve, cloud kitchen operators are focusing on data-driven decision-making, hyperlocal expansion, and improving food quality to stay competitive and a new variety of menus but also a major concern by the cloud kitchen is a shift of the public to healthy options, unforeseen delivery delays and proper infrastructure which provides room for further research to ensure the perception and branding of the cloud kitchens or virtual kitchens.

Our study focuses on three major areas. Firstly, examining the perceptions of both consumers and owners that illuminate factors affecting their ability to succeed and be sustained in this dynamic. Secondly, focus on branding as another big challenge as a virtual kitchen has almost negligible visibility of existence if it does not have an actual storefront lastly, the financial viability because cloud kitchens have highly differentiated cost structures and revenue models.

LITERATURE REVIEW

A. Future of Cloud Kitchen

Cloud kitchens are the areas of massive growth in the F&B sector of India, as it provides the solution to deliver tasty food without having outlets for dine-in. It looks at their background, their development path, and the competition matrix of the various categories of cloud kitchens within the country. While expanding, more and more of these kitchens are remodeling the vibrant online food delivery sector owing to their offering of cheap quality food which has proven to be a plus due to the shutdown of many traditional restaurants caused by the COVID-19 virus breakout. In regard to the findings of the research, it is possible to pinpoint the prospects of cloud kitchens as an opportunity to become a stable and profitable business at a time when people are more inclined to stay at home and enjoy meals without leaving their homes, while in India, cloud kitchens can radically transform the restaurant industry. (Dr. G Nedumaran). [3]

As the primary study discussed in the present review regards the shifts in the patterns of food delivery over the Internet with hygiene as one of the major drivers of consumer choice. These insights pertained to consumers' changing sensibilities as informed by the COVID-19 pandemic that has led to the increased relevance of cloud kitchens in fulfilling customers' basic needs. It shows the successful development of the platforms as well as indicates that there are still issues pertaining to the adaptation of all population needs, which may point at the areas that need enhancement. Further research recommendations involve exploring the disruptions within this specialized field, including the consumers' behavior, operational costs, advertising approaches, and managerial implications in the context of cloud kitchens. They are valuable for

trend analysis by the stakeholders and decision making in the various evolving options in this sector. (Nikhil Chhabra and Arpit Rana) [4]

In connection with the focus on adaptation, the study sheds light on the problems traditional restaurants encountered during the COVID-19 pandemic, first of all, significantly decreased business and increased delivery dependence. Still, some kinds of food businesses, such as cloud kitchens backed by a network infrastructure, have been found to offer a more reliable business model, which might define the future of the food industry business. The review therefore calls for traditional restaurants to do so strategically for them to survive this modern business environment. (Mr. Nikhil Devrao Wankhede, Dr. Mayola Fernandes, Mr. Girish Deore) [5]

For quantitative data, a separate set of questions for consumers and stakeholders were administered while the data analysis was done with the help of Binomial test of proportion. Concerning these aspects, consumers' opinions were fairly homogenized with little variance exhibited. Nonetheless, noticeable gaps were observed in regards to the rights, fairness, care, and challenge constituents where customers displayed positive attitudes towards the elements constituting the cloud kitchen business. The study also highlights the role of consumers regarding the realization and appreciation of the hurdles that stakeholders go through, especially during the current COVID-19 outbreak.(Rudrani Chatterjee, Animesh Singh, Vikas Singh)[6]

B. Introducing Cloud Kitchen in India

This paper is a survey of the Indian situation and specifically it's about analyzing cloud kitchens in India with references to current times and Covid era. After conducting an extensive literature search from 1990-2020 based on the related keywords for discussion, I found the following sources: Throughout this analysis, the paper discusses different conceptual models of cloud kitchens, while mentioning that business industry calls require more attention due to ongoing pandemic. Finally, as a result, it stresses how consumer behavior has changed that puts more emphasis on safety and sanitation than low prices. Lastly, they have suggested that future research should concentrate on examining how these virtual kitchens are affecting traditional restaurants and their feasibility in providing employment opportunities in developing countries like India. (Mehnaz Shaik, Monali Baskar, and Abhishek Venkteswar).

Objectives

- The awareness level of the e-food ordering population toward cloud kitchens

- Understand cloud kitchen's impact, especially online ordering, on nearby dining restaurants.

- To find out the factors that affect e-food ordering public purchase decisions towards the cloud kitchen.

- To evaluate the financial feasibility of operating a cloud kitchen model.

- Investigate the marketing and branding strategies adopted by cloud kitchen operators.

RESEARCH METHODOLOGY

Research Type: This study will use a descriptive quantitative research design to explore consumers' perceptions toward cloud kitchen branding strategies and determine the financial viability of cloud kitchen businesses in Delhi, India. From this approach, more standardized

data is collected and analyzed, with generalizable insights into consumer behavior and cloud kitchen business operations

Sample Size: To collect data, we asked 209 participants between the ages of 20 and 50 who live in Delhi. Now, we know that this method won't give us a completely representative sample, but it's a purposive way to collect data efficiently. It might be good to use a different method to get a more diverse group of participants in the future. On the other hand, we also selected 20 cloud kitchen owners in Delhi using a method that gives us a representative sample. This will help us make conclusions about cloud kitchen owners in the city as a whole.

Sampling Technique: To gather data, we used a well-structured questionnaire as our main tool. We asked participants about their consumer demographics, their awareness of cloud kitchens, the factors that influence their decision to order food online, their perception of marketing strategies, and their overall experience as consumers. On the other side, we also looked at cloud kitchen owners' perspectives. We asked them about their motivations for getting into the business, the challenges they face in running it, their considerations regarding costs, and how they view the competitive landscape with traditional restaurants. Before finalizing and distributing the questionnaire, we pre-tested it with a small group to make sure it was clear, easy to understand, and reliable. This way, we ensured that the data we collected would be accurate and meaningful.

Analysis Tool: Finally, we used a statistical software called SPSS to analyze it. We used descriptive statistics like the mean, percentage, and frequency to summarize and interpret the findings. This has given us an in-depth insight into what is felt about cloud kitchen brand strategies and if they are financially viable in Delhi. By the use of such a quantitative method and data accumulation from a sufficiently large number of people, we can arrive at conclusions applicable to a large part of that segment and obtain an absolute view of the trends as well as patterns of the data. This shall be very helpful for not merely cloud kitchen owners, but the entire food industry.

DATA ANALYSIS

For Consumers:

Respondents Profile:

Table 1

Age					
		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	16-24	115	55	55	55
	25-35	67	32.1	32.1	87.1
	36-49	24	11.5	11.5	98.6
	50 and above	3	1.4	1.4	100
	Total	209	100	100	

Table 2

Gender					
		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	Male	114	54.5	54.5	54.5
	Female	95	45.5	45.5	100
	Total	209	100	100	

In the study, the valid responses of 209 participants are considered after rejecting the invalid responses. Tables 1 and 2 show the demographic profile of the respondents by age and gender, respectively. In the age distribution, approximately 55% of the respondents fall under the 16-24-year category; next comes about 32% between the ages of 25-34, 11% aged between 35-50 years, and just about 1% above the age of 50. The mean is 1.59, which shows that the survey had received more responses for this question from the people of relatively younger age group. This gives a standard deviation of 0.74 which is comparatively low, thus many would be in close age bracket with the people represented by the mean. The gender distribution is depicted in table 2 below, of the total sample 54%. 5% males and 45. 5% females. The mean of 1.45 and the small standard deviation suggest a fairly balanced gender distribution, slightly leaning toward males.

After carefully studying the questionnaire to study the relation and compare means of the males and females of different age groups in Delhi to examine their reaction and perception of the cloud kitchen and their satisfaction level. From the results we can say that Cloud kitchens are gaining awareness, particularly among the younger generation, but a significant portion of the e-food ordering population is still unaware of the concept. This, therefore, means that more effort is needed to raise consumer awareness, especially through targeted marketing and branding by cloud kitchen businesses. We could also view that ratings between both genders remain very similar regarding the accuracy of delivery and satisfaction with time of delivery from cloud kitchens, so cloud kitchen operators are expected to maintain high-quality service in these key factors.

Variable	N	Mean	Std. Deviation	P value/ Sig
Have you ever ordered from it?	209	2.65	1.064	0
How often do you check the rating before ordering?	209	3.53	1.181	0.064
Rate the accuracy of delivery of your orders from cloud kitchens?	209	3.71	0.696	0.032
Please rate the value for money you receive when ordering from cloud kitchens.	209	3.59	0.767	0.01
How would you rate the quality of food provided by cloud kitchens?	209	3.75	0.649	0.047
How would you rate the quantity of food provided by cloud kitchens?	209	3.5	0.767	0.014
How likely are you to recommend cloud kitchen to a friend or colleague?	209	3.36	0.866	0.071
On a scale from 1 to 5, how satisfied are you with the delivery time of your orders from the cloud kitchens?	209	3.62	0.698	0.012
How would you rate the variety of menu options available at cloud kitchen?	209	3.17	0.935	0.455
How would you rate the packaging quality and presentation of your orders from any cloud kitchen?	209	3.64	0.715	0.041
How likely are you to order from the cloud kitchen again in the future?	209	3.41	0.862	0.838
Please rate the freshness of the ingredients used in dishes from cloud kitchens?	209	3.45	0.784	0.027
How satisfied are you with the ease of navigating and ordering from cloud kitchen apps or websites?	209	3.24	0.879	0.436

Question	Mean Score	SD	p value
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How often do you check the rating before ordering?	3.53	1.181	0.064
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Based on the test results, we analyzed the variance or difference between the population to see the perception and awareness level of the customers regarding the cloud kitchen.

From the results, it can be seen that the younger age groups of 16-24 and 25-35 resonate more with cloud kitchens than the older group and have a higher overall satisfaction. While age group 36-49 has the lowest scores on many measures like likelihood to order again (2.83), likelihood to recommend (2.96), and variety of options (2.71) which shows a lower level of satisfaction

The 'likely to order again' score is 3.41 out of 5, indicating that the younger generation is likely to place repeat orders. However, the sample size considered in the older generation is small that is containing only 3 responses so the opinion regarding them will not be generalized for all. The overall index of the recommendation of cloud kitchens has a value of 3.36 out of 5. The sample respondents concurrently recommend, and the probability increases as the age decreases, where 16-24 possesses the highest value of 3.48 and 25-35 at 3.27. Out of the age groups, the least recommends group is the 36-49 age group at 2.96.

In general there is moderate satisfaction with cloud kitchens which is reflected in the means ranging from 3.17 to 3.75 on the different indices as identified above. Regarding the rating of importance, the higher values are achieved in the quality of offered food (3.75), delivery accuracy (3.71), and packaging (3.64). Two of the lowest averages are the number of sub-menus/ variety of menus (3. 17) and the convenience of the ordering method (3. 24). Customers' satisfaction with cloud kitchens is reasonably good but could be higher, including aspects such as food quality, delivery accuracy, and packaging. The analysis revealed that people of younger age groups are more satisfied, more likely to order, and place and recommend for further use of services rendered by cloud kitchens. However, the survey results for the 36-49 age group are comparatively low in satisfaction for several parameters.

It is also worth mentioning the differences within the responses regarding the gender of the respondents. Of all customers, females had a lower likelihood of having ordered from a cloud kitchen before with a mean score of 2. 45 while males had a slightly higher score of 2.

82 for the same question. The mean score also revealed that females checked ratings more often before ordering with a mean score of 3. 71 while the male counterparts scored a mean of 3. 38.

However, for most other metrics like delivery accuracy, value for money, food quality and quantity, and likelihood to recommend or order again, the mean scores are very similar between genders

The highest-rated aspects are: Accuracy of delivery (mean of 3.71), Quality of food (mean of 3.75), and Packaging quality and presentation (mean of 3.64)

The lowest-rated aspects are the likelihood to order again (mean of 3.41), Ease of navigating apps/websites (mean of 3.24), and Variety of menu options (mean of 3.17).

This also assisted in obtaining an understanding of the overall customer experience from the Cloud Kitchen and consequently assisted in identifying the customers' perception and awareness. From the ANOVA test it is clear that the significance value or mean is more than 0.05 in aspects like Delivery Accuracy, Value for Money, Food Quality, Quantity, Packaging quality and Ingredient Freshness, hence customers do not feel that delivery accuracy, value for money, quality, quantity, delivery time, packaging quality and freshness of the ingredients differ significantly across the various cloud kitchens. Rating, menu variety, and application working as according to the scores they received here, they are the least of the rated and thus do not impact the consumers' experience. Delivery accuracy is considered relatively high as the mean score is 3.17 out of 5, Customer satisfaction with delivery time is another crucial aspect that has received a mean of 3.62 and Food quality is rated well, with a mean of 3.75. "Never" and "6" order groups rated quality highest at 4.5 and 4.0 respectively. Food quantity has a mean rating of 3.5. Those who order "very often" rated the quantity highest at 3.81. Ease of ordering has a mean rating of 3.24. Those who order "very often" rated it highest at 3.42. In general, cloud kitchen customers are generally satisfied, with the highest satisfaction among those who order most frequently. Delivery, food quality, and packaging are rated strongest, while menu variety and ease of ordering have the most room for improvement.

In light of the above tests and results, it can be deduced that general impressions and awareness of cloud kitchens' favorability is highly rated, especially among the youth.

Given on the overall satisfaction with the cloud kitchens, the implication is that it is positive, as indicated by the mean scores which is 3. 17 to 3. 75 in such areas as speed delivery, correct order, portioning, neatness, food, and ingredients quality. Customers will also refer their friends to the cloud kitchen as it holds a good rating of 3.36 out of 5.

Further, if customers are going to order again in the future, they have scored it 3.41 from the mean scale. This indicates that cloud kitchen business is thriving and the public is aware of the same. However, there is still room for improvement to maintain their status and gain market position, especially with the presence of large modern restaurants and the increasing number of delivery apps.

That means cloud kitchen brands should base their marketing and reputation management strategies on the preferences of male and female consumers. Finally, price advantages and faster delivery characteristics allowed customers to distinguish cloud kitchens from traditional dine-in restaurants. This analysis thus broadens the general conclusion that cloud kitchen businesses need to increase awareness about their unique value proposition, ensuring real-time high-quality service and product offerings, and brand positioning for loyalty among males and females equally.

For Owners:

Table 2.1(a): One Way ANOVA

Advantage	The sum of Squares Between Groups	Mean Square	F-value	Significance Rating (1-3)
Cost Efficiency	3.086	1.029	0.897 (Lower Significance)	1
Operational Flexibility	0.534	0.178	0.141 (Very Low Significance)	1
Ability to Test New Concepts	4.689	1.563	0.867 (Lower Significance)	1

Analysis:

As shown from the ANOVA and the importance ratings given to each from 1-3 where higher value represented higher importance. The data analysis of all the three advantages yielded low F-values which is less than 1 implying that the results were also statistically significant. This implies that, using this information, it cannot be concluded that cloud kitchens have definite benefits over traditional restaurants.

Table 2.1(b): One Way ANOVA

Factor	Sum of Squares Between Groups	Mean Square	F-value	Importance Rating (1-3)
Lower Overhead Cost	4.449	1.483	3.548 (Moderate Significance)	3
Increased Operational Flexibility	1.375	0.458	0.787 (Lower Significance)	2
Ability to Test New Food Concepts	7.963	2.654	1.964 (Lower Significance)	2

Analysis:

Based on the results of the above test the evidence shows that Lower overhead cost is the most important factor for cloud kitchen owners. Increased Operational Flexibility and Ability to Test New Food Concepts factors received a rating of 2, indicating they are less important than cost.

This means that although there are concerns for flexibility and coming up with new ideas, they are not as influential as the concern for cost when making decisions.

Table 2.3

Factor	Mean Rating	Standard Deviation
Cloud Kitchen Advantages		
Cost Efficiency	4	1.061
Operational Flexibility	3.94	1.029
Ability to Test New Concepts	3.59	1.326
Importance Ratings (Opening Cloud Kitchen)		
Lower Overhead Cost	4.35	0.786
Increased Operational Flexibility	4.06	0.748
Ability to Test New Food Concepts	3.29	1.263
Optimism About Cloud Kitchen Industry		
Overall Rating	4.12	1.166

Analysis:

Cloud Kitchen Advantages:

The given mean rating is relatively high and equals to 4. 00 But the standard deviation of the data is moderate with a value of 1. 061 indicates that out of all the respondents most regard cost effectiveness as a major strength of cloud kitchens over conventional restaurants.

Since, it received a similar mean rating as above i.e. 3. 10 with a marginally lower standard deviation of 1. 029 Thus, the overall credibility of the gathered data confirms that respondents generally perceive operational flexibility as another significant value added by cloud kitchens.

The mean rating was therefore obtained as 3. 59 and the standard deviation of this distribution was 1. Due to the fact 326, it can be stated that although some may consider innovation and creativity as an advantage, there may be more (positive/ negative) views regarding the importance compared to other two factors.

Importance Ratings for Opening a Cloud Kitchen:

Lower Overhead Cost: This has the highest mean rating which is 4. 35 with moderate standard deviation of 0. 786 hence, meaning that keeping of operational cost as low as possible was considered important by those contemplating to open a cloud kitchen. Increased Operational Flexibility: Likewise in the case of advantage rating, the mean is quite high, 4. 06 in this case and reasonably low standard deviation, 0. 748. This implies that one of the most important criteria when making a decision is flexibility.

Ability to Test New Food Concepts: This gets the lowest mean rating of 3. 29 and the highest standard deviation of 1. 263; it might be suggested that it is of moderate importance but it terms of the variation of responses it is considerably higher than the other two factors. The mean represents the ratings given by the respondents where the mean rating of 4. 12 of which the standard deviation is 1. 166 prescribes a rather favorable future for the cloud kitchen business model. People differ slightly concerning their optimism but have a slightly more positive outlook concerning the future.

CONCLUSION

From the data and findings, it is evident that cloud kitchens are a preferred choice of many consumers over traditional restaurants as they have emerged as a popular choice among customers as well as owners. They offer a more precise and on-time hassle-free delivery with exceptional food crafted from fresh and premium ingredients and also act as value for money as they are not as pricey and often offer a discount which makes them a choice of many consumers.

Although segmentation by demography like age and gender does have an effect on customer ratings, it plays a role while placing the order more in females, also there is difference in rating due to personal ordering preference, and hence preference and personalisation has an effect on cloud kitchens so they could work to improve personalisation and ordering experience for the consumers.

Cloud kitchens are known to be unique in delivering a very convenient meal consumption experience to everyone who wants to enjoy great food from the comfort of their own homes and thus provides satisfactory delivery services through apps like Zomato and Swiggy.

However, there is an opportunity for improvement as shown in the data collected related to menu diversification and portion sizes. The increasing number of virtual and cloud kitchens also makes it difficult to maintain the same customer repetition rate as many options can divert the attention of consumers.

FUTURE SCOPE, RECOMMENDATIONS, IMPLICATIONS AND LIMITATIONS

In terms of financial gains, micro-communal kitchens or cloud kitchens as they are more commonly known, benefit from reduced costs and high efficiency as compared to physical restaurants. But there is no significant distinction proved in business operation flexibility and creation. Cost and flexibility need to be treated as important factors that can have influence for those who have to make decisions in the context of their business. Main survey results demonstrate the clarity of delivery, delicious food, and the customers' sense of receiving good value for their money; however, customers point out that more choice is needed on the menu. It is recommended that future research addresses consumer perceptions on BYOD, operational strategies for BYOD, and BYOD marketing impact.

More extensive research studies could examine the relationship between the opinions of consumers, the working aspects and the strategic decisions of the cloud kitchen industry more deeply. Such studies may determine the level of the clientele's satisfaction and their loyalty to the particular brand based on various operational strategies, which may include factors related to the rates of delivery, the diversity of the food offerings, and the precise fulfillment of the orders received. Also, the identification of specific promotional and advertising techniques that may attract and maintain the clientele base would also be of relevance when considering the proper management of the cloud kitchens.

Another type of research that could be vital in managing business and sustaining the flexibility necessary for an organization in the highly fluid food and beverage industry is one that observes categorical and consumer preferences in time, using longitudinal methods. Studying these subjects will further elaborate with the cloud kitchen model and also frame the strategic management of this emerging sector. When establishing a cloud kitchen, there is little emphasis placed on the overall cost of the location while great importance is attached to matters of flexibility. These are the areas where operators should focus on in order to take advantage of the model compared to conventional restaurants through efficient service and space organization. To combat the adversities like customer experience and dependence on technology, technology improvement is a key that needs to be invested in.

Democratic menu development and modification keep the restaurant competitive in the continuously evolving F&B industry. Also, for the long-term, it is important to keep looking at the bright side of the opportunities that lie ahead and being ready to switch strategies in order to better be able to seize the opportunities that any given situation offers. In this way restaurant operators might fully capture the potential of cloud kitchens and adapt to dynamics of the industry appropriately if its decision-making processes correspond to the offered recommendations. Some of the potential sources of study limitations are that survey responses regarding customers may be influenced by self-biases and that trends in the study may not represent long-term data. It also goes only as far as looking at the regional differences in the market or the concrete effects of some marketing strategies. Further, such analysis might not uncover all the discrete working difficulties that cloud kitchens may face as opposed to the ordinary restaurant.

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