As an innovative and newly emerging sector in the food supply chain, shared kitchens enable diverse local food businesses to produce, store, and sell their products through a wide range of channels. They provide a valuable resource to communities who seek to address potential barriers to business development, including access to facilities and capital.

Shared kitchens are defined as "licensed commercial spaces that provide a pathway for food entrepreneurs—ranging from chefs, caterers, food truck operators, and bakers, to value-added producers and packaged food and beverage makers—to launch and grow their businesses." ¹

Given their relatively recent growth, little is known about the types of operators using these facilities and the dynamics of their business growth. In 2021, Colorado State University and the Food Corridor, funded through a cooperative agreement with USDA’s Agricultural Marketing Service, conducted a survey of food business owners operating out of shared kitchens to learn more. Survey responses were collected from April through October 2021 with a total of 179 complete responses. Questions focused on business operation characteristics, motivations, and challenges they face.

For more details on the sample, see the Survey Overview research brief.
Exploring Shared Kitchens Usage Trends

As the Survey Overview for this series points out, shared kitchens are commonly seen as an “entry point” for new and growing food businesses, and our sample is no different. 131 of the 179 operators had been in business less than five years.

- 32 of the 179 businesses began as home-based operations before moving to kitchens.
- 30% of the survey respondents were operating in a shared kitchen less than 1 year as of 2021.
- Another 31% reported using a kitchen for less than 3 years.
- Of those now in kitchens, 105 saw the food business as their primary occupation and 61 noted it was currently a supplementary occupation.

The frequency of shared kitchen use varied significantly. Over a third used the kitchen for 20 hours or less per month (Figure 1). However, some food businesses also use facilities more heavily, with 16% using between 40 and 80 hours per month and another 15% using over 80 hours per month. Surprisingly, many of those most active users also reported operating in shared kitchens for less than a year, suggesting that some start-ups quickly grew their operations even while using shared spaces.

**Figure 1. Hours per Month Producing in Shared Kitchen**

![Pie chart showing the distribution of hours per month producing in shared kitchens](chart.png)

- **< 10 hours**: 12%
- **10-20 hours**: 23%
- **20-40 hours**: 34%
- **40-80 hours**: 16%
- **80-120 hours**: 9%
- **Over 120 hours**: 6%
- **< 10 hours**: 12%

*Note: N=179, respondents could select one option.*

A Look at Sales Dynamics During COVID-19

It was very hard to open our storefront in the pandemic. Initially, we were thinking maybe this isn't the right time, should we postpone our plans, is anyone even going to come out and purchase cookies at our grand opening? Many days I cried, but we are a family of faith, so we knew that God was going to get us through it so we pushed through. Then we ran into a new barrier, our contractor could not get any of his construction materials for the building due to COVID. So we were actually supposed to open May/June, but we didn’t get to open until October and we had to reschedule our grand opening. It was a mess, it really took a lot of perseverance and pushing through to get through that and since the day we opened, we have been consistently busy, there hasn't been a time since the opening that our business has lacked at all! Customers are coming to us as a way to cope with COVID, it’s something that makes them feel good.

– Davis Cookie Collective
While we intended this survey to be completed in 2020, we waited and allowed time for the industry to “settle in" to a new normal after COVID-19. We didn't know whether there would be a permanent shift in how we produce, distribute and sell food. We proceeded with the survey in 2021 and decided to explore some of the dynamics of the pandemic for those using shared kitchens.

The range of annual sales for these food businesses varied greatly, just like the diversity in business age and hours of shared kitchen use. Of the 100 businesses that shared financial information, 32% reported annual sales of less than $10,000. In contrast, 10% reported annual sales greater than $100,000 (Figure 2a) with the average sales being $19,500.

**Figure 2a. Reported 2020 Sales Levels**

- Sales $0-$9,999: 35%
- Sales $10,000-$29,999: 21%
- Sales $30,000-$49,999: 20%
- Sales $50,000-$99,999: 17%
- Sales > $100,000: 7%

Note: N=100, respondents could select one option.

When comparing sales in 2020 with sales in 2019, we see that COVID-19 may have had mixed impacts on this sector of food businesses.

- 55% of the sample reported higher sales in 2020.
- 37% reported that sales declined (Figure 2b).
- An unexpected finding is that the more established businesses (operating for more than 5 years) were less likely (41% vs. 55%) to have seen positive sales growth.

In contrast, newer businesses grew sales during this “unique" period for the food sector—perhaps responding to what they saw as market opportunities.
How are Shared Kitchen Businesses Performing?

Shared kitchens are commonly framed as a strategy to address the barriers to entry, growth, and viability for start-up food businesses. A significant number of businesses reported sales growth (Figures 2a and 2b). We wanted to explore whether those sales translate into profits which start-ups commonly use to reinvest and grow their businesses.

Figure 3 shows that profit margins are quite strong, particularly among those that are beyond the start-up phase but are not yet established (in business 5-10 years). Even newly formed businesses reported some profits, though it is likely these businesses are not paying themselves the full worth of their labor and management time. The survey primarily captured businesses still operating, so we know the responses to the survey may not tell the full story - we probably didn’t hear from businesses that stopped operating. Still, strong profit margins indicate that some businesses that use shared kitchens as a strategy to get established are performing well.

Note: N=100, respondents could select one option.

We also collected information on the rental fees, and we found that businesses invested 36% on average to these fees - a significant share of their sales. Still, these fees are a “substitute” for a larger set of building, equipment, and overhead costs that businesses would otherwise incur. Although the fees represent a significant amount, they still leave some room for profits. Over time, the relative cost of shared kitchens declines. For those in business over 10 years, these fees represented less than 10% of sales. We explore the future plans for these kitchens in the Challenges, Opportunities, and the Future research brief.

Overall, the access to shared kitchens serve an important role in providing access to essential facilities, equipment, and professional services to start-up food businesses. Ultimately, this allows those who can “prove” their business model to grow to a level where they expand, employ workers and build out their own business once established.
Endnotes


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Photo Credit: Findlay Kitchen

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