
The Hidden Challenges of Food Entrepreneurship: A Qualitative Analysis of Shared Kitchen Ecosystem

Abstract

Shared kitchens play an important role for food entrepreneurs by providing cost-effective infrastructure and essential support services. Focusing on the incubator role of shared kitchens, this study tries to investigate how and why food entrepreneurs can succeed in shared kitchens. The data was collected from in-depth interviews with diverse shared kitchen stakeholders in Hong Kong. This study conducted a qualitative method using interpretative phenomenological analysis. Different from the findings of previous studies, challenges arose for food entrepreneurship due to misaligned expectations between shared kitchen users and owners and unique food business environments in Hong Kong.

Key Words

Food & Beverage, Entrepreneurship, Shared Kitchen, Qualitative Method

Track

Market and Concept Innovations

Focus of Paper

Theoretical/Academic

Introduction

After the 2008 global financial crisis, entrepreneurs were prompted to change business models, and small- and medium-sized entrepreneurs have been widely using coworking spaces based on the sharing economy (Bouncken & Reuschl, 2018). Scholars have focused on how these unique spaces can be business incubators for entrepreneurs and increase their success. With the boom of *foodies*, many entrepreneurs have emerged in the food industry, as food is a familiar product that is easy to produce and sell (Kline, Shah, & Rubright, 2014). These food entrepreneurs can quickly jump into the industry by using shared kitchens.

Shared kitchens can be defined simply as sharing spaces for food businesses. According to McCausland (2018, p. 13), a shared kitchen is “a place of business for the exclusive purpose of providing commercial space and equipment to multiple individuals or business entities to commercially prepare or handle food that will be offered for wholesales, resale, or distribution.” These places provide food-related infrastructures, such as professional-grade kitchen equipment, freezers, cold and dry storage areas, and proper sanitation equipment, and members can rent these spaces for hourly, daily, or monthly time slots. They are also referred to as commercial kitchens, food incubators, or incubator kitchens (Econsult Solutions, Catharine Street Consulting, The Food Corridor, & Urbane Development, 2020). People in various areas and occupations, from professionals to amateurs, use shared kitchens, such as personal chefs, local farmers making products from their crops, food truck owners, caterers, meal delivery workers, housewives, or part-time hobbyists (Econsult Solutions et al., 2020).

Shared kitchens have become attractive for food operators because they can produce food without paying high start-up costs. In addition to the main business model, some of these kitchens offer their members support services and focus on new and innovative business models. They provide diverse programs and services, such as business counseling, networking events, safety training, recipe development, nutritional analysis, marketing and distribution, packaging, and legal and financial advising (Econsult Solutions et al., 2020; McCausland et al., 2018). The spread of shared kitchens has also accelerated because customers increased spending on healthy, fresh, local, and sustainable food, and food entrepreneurs could meet their needs. Many investors have recognized the potential of shared kitchens to provide vital infrastructure for local food economies and focused on the role of food entrepreneurs in economic development.

This study aims to increase understanding of food entrepreneurship through shared kitchens such as what attributes of shared kitchens will fulfill food entrepreneurs' needs and can drive their success. Furthermore, it tries to provide a more holistic value of shared kitchens through various stakeholders' perspectives such as shared kitchen users, owners, and food service consultants.

Literature Review

The new businesses play significant role for the economic development of a location (Bhawe & Zhara, 2019). However, many of them struggle and fail at early stage and one of the main reasons for failure is limited access to resources (Bøllingtoft & Ulhøi, 2005). To increase their success and performance, the entrepreneurial ecosystem should be well developed in a geographic cluster (Alvedalen & Boschma, 2017). The entrepreneurial ecosystem has tangible and intangible resources that new businesses can grow together and emerge through successful interactions (Fogel, 2001). Bouncken and Reuschl (2018) showed that coworking spaces are well align with this entrepreneurial ecosystem since they offer both tangible and intangible resources. They provide furnished office spaces and infrastructure (e.g., shared lounge), naturally creating a shared working environment and a strong community aspect since the entrepreneurs are agglomerated in one building (Wijngaarden, Hitters, & Bhansing, 2020). Considering the shared kitchens as accelerators and incubators in the food industry, their roles should be beyond the level of renting the spaces and kitchen facilities. Specifically, they need to provide environment for food entrepreneurs who seeking social support, knowledge sharing, creativity, and collaboration (Bouncken, Ratzmann, Barwinski, & Kraus, 2020; Fuzi, 2015).

Compared to other industries, shared kitchens in the food industry will provide more opportunities to marginalized people, such as minorities, women, and refugees, to start their businesses. However, the success rate for food entrepreneurs is very low (Econsult Solutions et al., 2020). According to the Kauffman Foundation Report (2015), the largest proportion of underrepresented entrepreneurs had a high school education or less. Some shared

kitchen users have a high level of education, but still, many of them do not have knowledge or experience running a food business (e.g., measuring food costs and prices, finding distribution channels). Assuming that entrepreneurship requires serial failures to reach success, shared kitchen members may not be able to take that risk even though their business sizes are small (Wiens & Jackson, 2015). From this aspect, the robust networks from shared kitchens and a supportive community beyond the shared kitchen are necessary for food entrepreneurs to be successful (Aman & Tahir, 2011; Mohd Noor, Imang, Md Ramli, Abdul Rahman, & Afrizal, 2021). For example, The Food Corridor hosted the Food Incubation Summit in October 2019 in Austin, Texas, to meet food incubator administrators, ecosystem service providers, and other shared kitchen operators. This network encouraged attendees to share best practices and collaborate with different related stakeholders (Econsult Solutions et al., 2020). From this perspective, this study suggests that shared kitchens should be understood in the food industry context to find how shared kitchens can drive innovations for food-related entrepreneurs.

Methodology

This study employed a qualitative method, using the IPA of previous qualitative studies such as Cope (2011) and Yin (2009). The stakeholders of sharing kitchens were selected as a sample to understand the determinants of successful shared kitchens from various approaches. The sample consisted of 7 individuals including food entrepreneurs (i.e., shared kitchen users), shared kitchen owners, and consultants who have worked with shared kitchens and provided diverse F&B services in the industry (e.g., catering, restaurants, licensing, food service manufacturing and retail, and food and environmental hygiene department).

After agreeing to participate in the study, the face-to-face and semi-structured interviews were conducted around 60-90 minutes from October 2021 to September 2024. The interviews took place in Hong Kong, where a unique food and beverage industry has been well developed. The interviews were recorded, translated into English, transcribed, and analyzed through Interpretative Phenomenological Analysis (IPA) methodology. To fully understand the relationship between owners and users, the observations were also conducted in 2 shared kitchens.

Results

Unlike other hospitality and tourism businesses, shared kitchens partially benefited from the COVID-19 crisis. The majority of new members who joined shared kitchens were workers who lost their jobs during COVID-19 such as pilots and flight attendants from airlines and chefs from restaurants. There were also new members from restaurant owners, as they had to close their restaurants due to long-running restrictions from the government. Restaurant owners wanted to maintain their business by using shared kitchen's online platforms or operating systems (e.g., websites for pick-up or delivery orders and online promotions) or to try their businesses in different locations. Surprisingly, after the COVID-19 crisis, shared kitchen owners are struggling to maintain their operations and the need for shared kitchens has significantly decreased.

Why Shared Kitchens as Incubators Failed

There were gaps in requirements between shared kitchen users and owners. For instance, shared kitchen users and owners had different hygiene standards. Shared kitchen owners keep a very high hygienic standard requirement inside the kitchens, but users would like to have more autonomy and flexibility. Some users mentioned that the managers of shared kitchens seemed less aware of food preparation procedures and that they kept disturbing users while users were cooking the food. On the other hand, shared kitchen owners mentioned that they have to control users strictly as the shared kitchen's license is shared with all users. If one of their members fails, all of their members will lose opportunities to run their business.

Moreover, different needs between users and owners led to the failure to renew the contract of shared kitchens. Some shared kitchen users who were new in the food business believed that obtaining food licensing is complicated so contracting with shared kitchens is the easiest way to produce food. These types of users wish to produce food in their home kitchens and "borrow" shared kitchens' licenses which are not allowed by shared kitchens as it is illegal.

In fact, many shared kitchens have helped their members start their businesses by providing consulting services such as developing menus, setting food prices, and promoting their restaurants through online platforms. Some shared kitchen users successfully started their businesses with shared kitchens but have failed to scale up their businesses. As their business grew, they were especially struggling to hire more employees and develop connections with relevant business partners (e.g., factories of ready-made foods). Although the shared kitchen owners knew these needs of users, they believed that fulfilling these needs would be beyond their roles.

Unexpected Environment for Shared Kitchen Owners and Users

After COVID-19, these gaps led the new users to quit their businesses and return to their previous workplaces (e.g., airlines and restaurants). Not only shared kitchen users but also many shared kitchen owners have to transition to their original business model or close their kitchens. Most remaining shared kitchens have changed their businesses from raising food entrepreneurs to operating cooking classes. This shift could connect local communities with users, but in reality, it made both owners and users complacent that most users were not independent of shared kitchens (i.e., starting their own businesses) and kept opening cooking classes.

All related stakeholders have admitted that high rent in Hong Kong pressured shared kitchens to focus more on property management rather than an incubator. For example, some shared kitchen companies headquartered in the United States have different settings for users. They provide fully-equipped kitchens and diverse programs for shared kitchen users in the United States. However, these companies in Hong Kong request their users to bring all kitchen equipment (i.e., just providing the spaces) which still makes users have high investment and starting costs. Moreover, they designed their kitchens to have as many users located as possible, and therefore the ventilation systems didn't work well. This space design prevented users to not fully occupying the shared kitchens even if they paid for the usage of spaces. In the case of shared kitchen headquarters in the United Kingdom, it only accepts users who own restaurants in Hong Kong since they already have food hygiene licenses and are able to pay the high rent to shared kitchens.

Another interesting reason mentioned by external stakeholders was overall technology development within Hong Kong. Since shared kitchens highly rely on food delivery apps to distribute users' food products, technology usage by consumers is essential to thriving shared kitchens and users' businesses. However, people in Hong Kong are still prefer to dine in restaurants rather than order food via online. Although foreign shared kitchen companies have tried to educate their Hong Kong users in terms of technological skill and knowledge, they have failed to establish online platforms due to low online purchases of consumers.

Conclusions and Future Studies

Regarding unexpected findings, in particular the failure of raising food entrepreneurship in shared kitchens, the food business environment in Hong Kong seems highly related. For future studies, it is recommended to compare the shared kitchens in different environments. For example, food consumers in Mainland China and South Korea have different dining habits and are familiar with ordering food through various delivery apps. These kinds of markets would provide different views of shared kitchens which can lead to successful food entrepreneurship.

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