INTERNATIONAL JOURNAL OF ADVANCE RESEARCH, IDEAS AND INNOVATIONS IN TECHNOLOGY

ISSN: 2454-132X
Impact Factor: 6.078
(Volume 12, Issue 6 - V12I6-1176)
Available online at: https://www.ijariit.com

When a Cloud Kitchen Needs a Front Door

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ABSTRACT

Cloud kitchens have emerged as an alternative to traditional restaurant models by reducing infrastructure costs and relying on online food delivery platforms to reach customers. However, increasing aggregator commissions, advertising expenses, operational costs and dependence on digital platforms have raised concerns about their profitability and long-term sustainability. This paper examines the operational and financial challenges faced by cloud kitchens in India's emerging cities and explores the growing relevance of takeaway counters and physical customer touchpoints. Drawing on industry insights and illustrative business cases, including Recipe Dabba, Angithi and Tin Tin's Cafe, the study analyses revenue structures, cost distribution, contribution margins and break-even requirements. The findings highlight that high order volumes do not necessarily translate into sustainable profits, particularly when platform commissions and promotional expenses consume a significant share of revenue. The study also demonstrates how takeaway counters and dine-in facilities can reduce dependence on delivery platforms, diversify revenue channels and strengthen direct customer relationships. It concludes that the future sustainability of small food businesses may depend on adopting a hybrid operating model that balances digital convenience with physical accessibility and customer engagement.

Keywords: *Cloud Kitchens; Food Delivery Platforms; Restaurant Profitability; Aggregator Commissions; Break-Even Analysis; Takeaway Business; Hybrid Restaurant Model; Food Entrepreneurship*

One IPL weekend, Rakshita Dwivedi, founder of Recipe Dabba, had food prepped and a fully staffed kitchen ready for the dinner rush. Then, she recalls, a Zomato app outage lasted about one to two hours. "We did zero orders that evening despite a fully staffed kitchen and prepped inventory," she says.

Three weeks later, Recipe Dabba opened a takeaway counter. Today, Dwivedi estimates, walk-in purchases account for roughly 12% of its revenue.

The experience exposes a weakness in the delivery-only pitch: remove the dining room, lower the rent, and let apps find the customers. What happens when the app becomes the storefront, the marketing department and the only route to a sale?

1. THE BILL BEHIND THE LISTING

Consider Recipe Dabba's reported accounts for one month. It sold 2,400 orders, averaging ₹350 each, for revenue of ₹8.4 lakh. On paper, that sounds like a busy operation. But aggregator commission and advertising absorbed ₹2.52 lakh. Ingredients cost ₹2.69 lakh, packaging ₹50,400, rent and utilities ₹65,000, and five employees ₹1.8 lakh. What remained was ₹23,800, a reported net margin of about 2.8%.

Dwivedi's base platform commission was 24%; paid visibility added another five to six percentage points. Packaging, meanwhile, could not be treated as an afterthought: without a dining room, the bag and box became part of the customer's first impression. (National Council of Applied Economic Research [NCAER], 2025).

Recipe Dabba's initial investment was about ₹7.2 lakh, including equipment, fit-out, licences, packaging and a ₹1.8 lakh working-capital cushion for the early months when orders were slow.

The bigger trap is how little separates a decent month from a loss. Dwivedi estimates that roughly ₹112 from each order remains after ingredients, packaging and platform expenses. Against fixed rent and staffing costs of approximately ₹2.45 lakh a month, that requires about 73 orders daily to break even. Her usual range is 65 to 85. A few sluggish days or late deliveries can push the month's result across that line.

Abhilesh Verma of Angithi offers a more modest, explicitly hypothetical example. On sales of ₹3 lakh, he budgets ₹1 lakh for ingredients, ₹60,000 for commission, ₹20,000 for packaging and ₹20,000 for rent. That leaves ₹1 lakh before salaries, utilities,

marketing, wastage and taxes. These are illustrative figures, not Angithi's actual accounts, but Verma's point is sharp: "High sales do not necessarily mean high profits."

Verma also models a business retaining ₹90 per order after variable costs, with ₹90,000 in monthly fixed expenses. It would need around 1,000 orders a month, or 33 to 34 daily, simply to cover those costs.

The gap between this example and Recipe Dabba's 73-order threshold shows why a universal cloud-kitchen break-even number is misleading. Menu prices, order mix and overheads change the equation.

2. THE COST OF DEPENDING ON THE APP

Delivery platforms bring discovery that independent kitchens may struggle to achieve alone. They also place commissions, promotional spending and search visibility outside a cook's direct control. (Li & Wang, 2024; NCAER, 2025).

Dwivedi says an attempt to negotiate her commission rate went nowhere; the subsequent conversation focused on buying more advertising. She sees far more bargaining power in large, multi-outlet chains than in a single kitchen.

For an independent operator, the question becomes whether to spend more to stay visible on an app, raise menu prices in a value-conscious market, or build a customer relationship that does not depend on a ranking.

Verma notes that direct sales may reduce platform charges, but somebody must still manage ordering, pickup and, where offered, delivery. Building customer loyalty requires more than simply avoiding commissions.

3. WHY THE COUNTER COMES BACK

Saurabh Gupta of Tin Tin's Cafe tells the story in reverse. His business began as takeaway-only because space was limited. When more room became available, he added dine-in facilities, responding to demand for eating on-site.

Gupta's reported setup included ₹5 lakh for interiors and ₹3 lakh for kitchen equipment, before other costs. He describes daily sales averaging ₹10,000 to ₹12,000 and a break-even target of 45 to 50 orders.

Recipe Dabba introduced a counter as protection against losing access to an app. Tin Tin's Cafe added tables because customers wanted a place to sit. One moved out of necessity, the other towards an opportunity. Both challenge the idea that the best small food business must remain invisible behind a delivery listing. (Li & Wang, 2024).

The takeaway is not that cloud kitchens have failed, or that every business needs a dining room. It is that the economics of a kitchen cannot be separated from how people buy food.

In India's emerging cities, a customer may discover dinner on a phone and still want a familiar door to walk through. For operators juggling thin margins, owning even a small part of that relationship may matter more than another promoted listing.

4. ACKNOWLEDGEMENTS

I would like to express my sincere gratitude to Rakshita Dwivedi, founder of Recipe Dabba; Abhilesh Verma of Angithi; and Saurabh Gupta of Tin Tin’s Cafe for sharing their experiences, perspectives and valuable insights, which contributed to this article.

Special thanks to Farhan Rasool for reviewing the draft and checking it for grammatical and typographical errors.

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