

DEVELOPMENT OF THE HOSPITALITY INDUSTRY DURING THE PANDEMIC OF COVID-19

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Purpose. The article analyzes the practical aspects of the functioning of the restaurant business in the COVID-19 pandemic conditions.

Results. Nowadays, Ukraine and the entire world live through a difficult period. It is caused by the global COVID-19 pandemic. The situation with the spread of the COVID-19 pandemic has changed the life of each person almost completely. The tourism industry suffers a particularly crushing blow. The hotel and restaurant business have been intensively developing lately (2015–2019) in Ukraine, employing about half of the population. The emergency has almost stopped the development of this area and inflicted enormous economic losses for both consumers of tourist services and those employed in the industry. The hotel and restaurant business entities face the problem of creating an efficient mechanism to secure quick reaction to emerging impacts in conditions of the pandemic, introduction of quarantine measures, and adverse external environment. The article is focused on the research of the restaurant business companies' functioning conditions. It assesses the impact of quarantine measures caused by the pandemic on the companies' development. The author outlines a range of bottlenecks in the development of restaurant facilities that had emerged before the active phase of COVID-19 started.

Scientific novelty. One of the first attempts was made to analyze the best foreign experience of running the hotel-and-restaurant business in the special conditions of the COVID-19 pandemic, and the dynamics of the development of the restaurant business in Ukraine for 2010–2021 were determined. The article was further improved the ways of strengthening the business conditions in the restaurant industry at the moment, when immediate adaptation is identified.

Practical value. Based on the assessment of the impact of introduced quarantine measures caused by the COVID-19 pandemic on the development of economic entities in the industry, the recommendations over the minimization of their impact through the identification of the main destabilizing factors are offered.

Key words: hospitality industry, restaurant business, catering establishments, pandemic, quarantine measures.

Introduction. The COVID-19 pandemic has transformed not only our daily lives, but also a number of global processes. The introduction of quarantine restrictions has forced us to change our attitude to many things which people have got used to doing without paying a special attention to them. Strict quarantine measures have become a heavy blow to the domestic catering industry. Nowadays a difficult period for the entire restaurant business is still going on. The crisis has affected not only cafe and restaurant owners, but also investors, lessors, suppliers, branch media, restaurant critics, staff etc.

Therefore, it is extremely important to outline the current trends in the hospitality business development, in particular in the restaurant business, to identify the main problems of business entities and find ways to improve entrepreneurship in this sphere during the period of adaptation to the new reality for doing business.

Review of literature. Socio-economic development of business entities in the hospitality industry, in particular in the restaurant business, is described in the works of many domestic and foreign researchers, among them by the following authors: I. Anhelko et al. [1], N. Balats'ka [2], N. Bohdan and D. Korchahina [3], D. Denkov et al. [4], N. Popadynets et al. [5; 6], O. Korkuna et al. [7], R. Mukha [8], K. Nazarova et al. [9], T. Skrypko et al. [10], A. Sokolenko and K. Onopriienko [11], A. Yakymchuk et al. [12] and others.

The following should be noted among the issues considered by these scientists: theoretical and methodological principles of tourist attractiveness of territories [1]; problems and directions of transformation of development models of restaurant business in the context of the coronavirus pandemic [2]; factors of tourist attractiveness of the destination in relation to the hotel and restaurant business [3]; analysis and modeling of factor determinants for Ukraine hotels and tourist sphere [5]; green tourism as a factor of development of united territorial communities in Ukraine [7]; the state of the hotel and restaurant industry of Ukraine and the impact of the COVID-19 pandemic on it [8]; tourism risk audit under the Covid-19 impact [9]; analysis and modeling of the impact of factor determinants on functioning of hotel economy in Ukraine [10].

However, studying the problem of the hospitality business functioning in the conditions of adaptation and quick reaction to the introduction of quarantine actions by the state requires a more thorough analysis and more detailed practical coverage in future researches.

Materials and methods. The objective of the article is to study the current state of the restaurant business, to evaluate the impact of the quarantine measures implemented because of the COVID-19 pandemic on the development of economic entities in this branch, and to develop recommendations aimed at minimizing this impact by means of identifying major destabilizing factors.

The fundamental provisions of economic theory in the sphere of tourism form the methodological and theoretical basis of this study. The methodology of this article consists of methods of analysis and synthesis of information, as well as dialectical, comparative, system and graphic methods.

The article is based on data from the State Statistics Service of Ukraine and the results of a survey of restaurant market operators conducted by the Ukrainian Restaurant Association.

Results and discussion. Hotel and restaurant business, as an integral part of the tourism sector, is one of stabilizing and stimulating factors of the economic development of any region and the country as a whole. The hotel and restaurant business is one of the most attractive all over the world. Its efficiency in developed

countries is constantly increasing. The leaders of this industry are the United States, Italy, Germany, France, Portugal, Spain, England, Austria, Greece, Switzerland and other leading countries of the world [13].

It is just this component of the economy which has great potential for the development in our country, but the market of hotel and restaurant services here is still far from perfection. Although under stable conditions development of the restaurant business in Ukraine gives fairly decent income to the state budget, providing the population with new jobs and improving the socio-economic situation at the local and state levels, the COVID-19 pandemic has made adjustments to the functioning of the industry, which was vulnerable even before it. Among the main shortcomings of work of restaurants, we highlight the following ones [8; 11]:

- underserved level of meeting consumer requirements;
- insufficient quality of the management system at the establishments;
- the predominant focus of the restaurant business not on the quality of their products, but on the material support of the establishment;
- inadequate level of establishments management, low level of leadership qualities of heads of establishments;
- choosing the quantity of products instead of their quality as the prerogative of the establishment;
- insufficient level of staff qualification, and hence low quality of service;
- lack of advertising activities of establishments;
- imperfect image strategy of restaurants.

Moreover, after the annexation of the Crimea and the occupation of Luhansk and Donetsk regions a significant collapse in the restaurant industry began, even before the state introduced mass quarantine measures (Figure 1).

According to the State Statistics Service of Ukraine 17511 catering establishments were registered in 2014, a year later this figure dropped to 17059, and yet another year later – to 16661. The year of 2017 was marked by a certain recovery of the restaurant business – 17116 catering establishments, the following year this figure increased by 650 units. In the year before the COVID-19 pandemic entrepreneurs opened about a thousand more establishments.

However, the pandemic COVID-19 again considerably sharpened and complicated the problems of the branch. On March 16, 2020 the Cabinet of Ministers of Ukraine adopted Resolution No. 215 “On preventing the spread of the acute respiratory disease COVID-19 caused by the SARS-CoV-2 coronavirus on the territory of Ukraine” [14], according to which restaurant establishments during the period of quarantine events in action could only provide takeaway or delivery services, which as a result prohibited receiving visitors. Owners of catering establishments faced very serious issues, notably: massive reduction of staff, work shifts or their duration, the need to pay premise rent for the use of premises, although their establishments did not work at full capacity, significant expenditure of financial resources to support their positions, namely: expansion of their establishments’ offers or development of web

sites, providing customers with the possibility to place orders online etc. Therefore, a large number of business entities in the hospitality industry were either on the verge of bankruptcy or were forced to close down. In April–May 2020, a third of Ukrainian cafes and restaurants were working, including those that undertook delivery or takeaway sales. In June, 4 out of 5 public catering establishments were able to return to work (at approximately the same level the industry remains today). The rest, i.e. 20 % of the Ukrainian restaurants have been closed forever. Even the most famous restaurants, despite their beneficial location, good public opinion and regular visitors, have suffered huge losses and are trying to adjust to new reality.

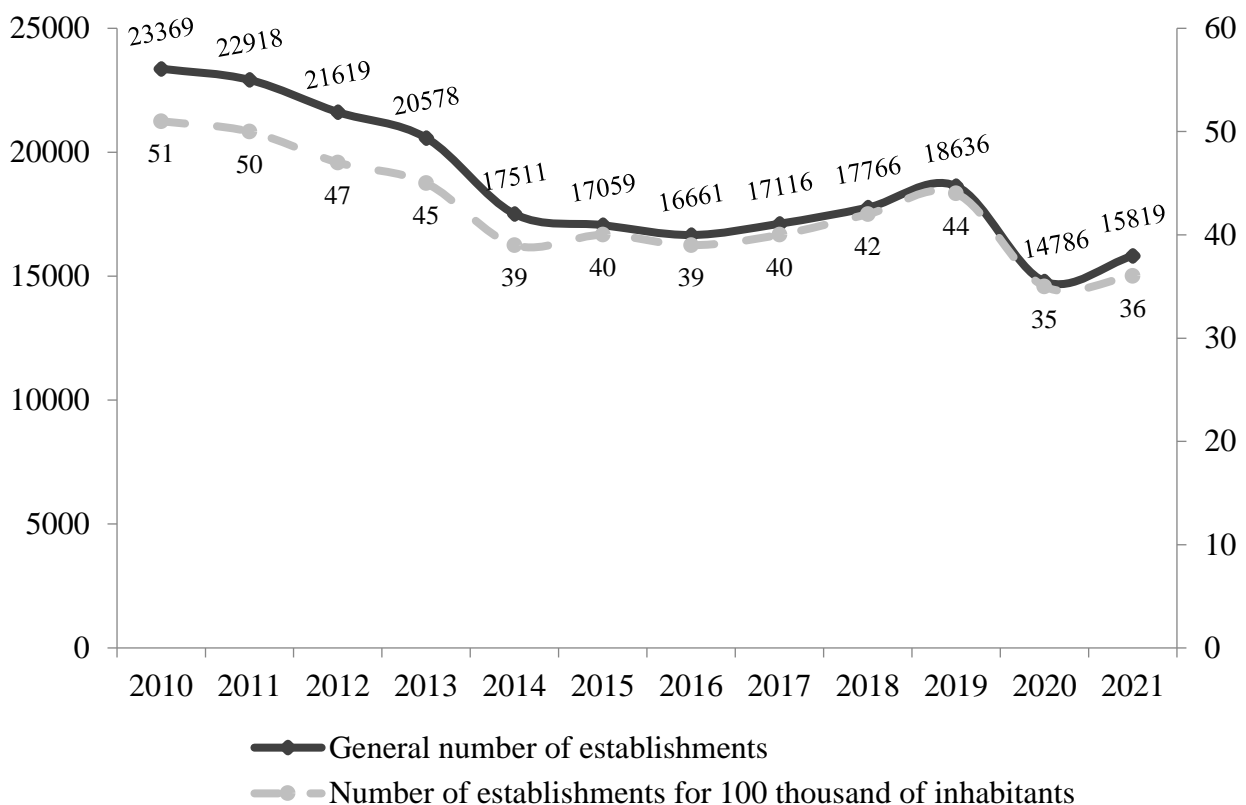


Figure 1. Dynamics of restaurant business development in Ukraine in 2010–2021, units

Source: calculated by the author according to the source [15].

In June of the same year, at the legislative level, catering establishments have been permitted to receive visitors in the halls subject to the rules of physical distance and personal hygiene. However, only about 86 % of food establishments [4] were able to resume their work after the reduction of the quarantine measures due to the timely implementation of new strategies, in particular, rapid restructuring of the business for delivery service or takeaway sales. In the context of this, we understand that only the one who finds the opportunity to deliver food to his consumer in the best possible way and earn money while doing so will be able to survive. In the future, the offered takeaway service can act as a kind of “insurance” for a public catering establishment in the market among competitors and under the conditions of instability.

In the period from July 1 to 4, 2020, the Ukrainian Restaurant Association [16], whose activity is aimed at solving exclusively hyper-competitive issues related to the activity of the public catering sector in Ukraine, conducted an anonymous survey among restaurant owners. In the conducted survey, in which 3,810 respondents took part, there was one question about the ways of functioning the restaurant business subjects in the conditions of the COVID-19 pandemic (Figure 2).

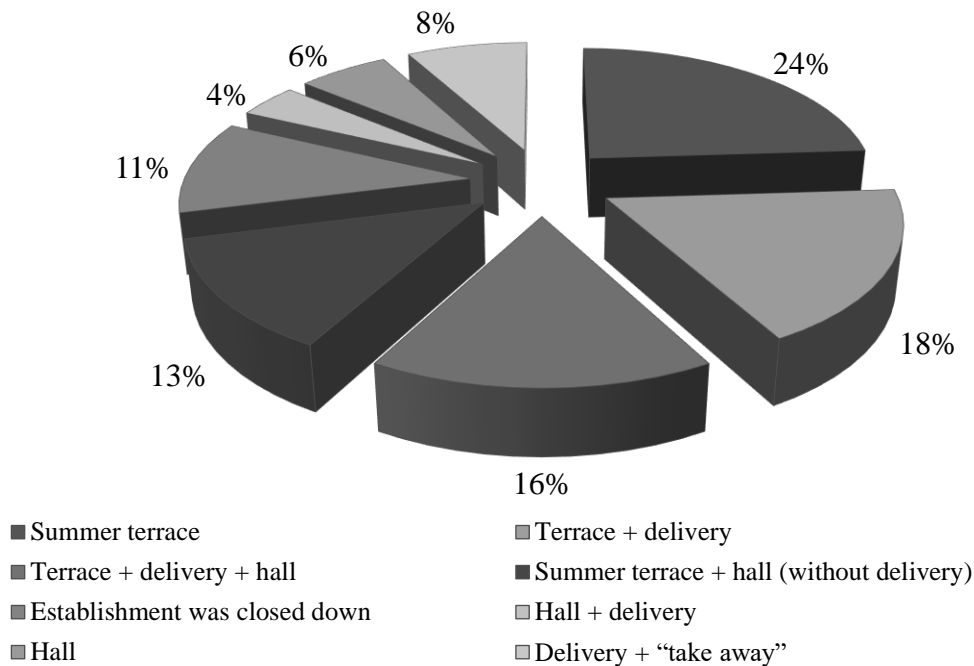


Figure 2. Infographics of the survey of restaurant market operators

Source: [16].

According to the results of the survey, in June 2020, 24 % of catering establishments in Ukraine worked only on their summer terraces, 18 % – worked on the terraces and made deliveries, 16 % of the surveyed respondents noted that their establishments worked for delivery and received guests on the terraces and in the halls, 13 % – received guests on the summer terraces and in the halls, but they were not engaged in delivery, 4 % – worked in the halls and for delivery, 6 % – only in the halls, 8 % – only for delivery and takeaway, and 11 % of the surveyed respondents noted that their establishments were shut down completely [16].

Today the restaurant business is more active than ever in order to maintain its market position by creating new mechanisms for its development and adaptation to new conditions of the external environment [2]. Food establishments are considering their business from the point of view of the Internet, its new culture and opportunities. Mobile applications in virtual facilities contribute to the emergence of creative areas of restaurant business development and new approach to consumers. Gone are the days when going to a restaurant had nothing to do with technology. What used to seem like an innovation – online ordering, free Wi-Fi in the establishment – has now become a general practice.

So, for example, the results of studies of the US restaurant market, announced at

one of the expert sessions of the National Restaurant Association Show indicate that for 71 % of visitors to restaurants the opportunity to order takeaway food is important, 52 % of guests expect free Wi-Fi in the restaurant, 47 % of people expect that it is possible to make an advance order in the establishment by phone, 78 % of respondents look for the establishment's menu on the Internet and 32 % of visitors already pay through Apple Pay and Google Pay [17].

All this suggests that it is no longer enough to meet just the standard criteria of restaurant. People choose not only the guarantee of cleanliness, the quality of the product and service, but also the technology of the services provided, the creative approach and innovativeness of solutions. Today, restaurant is not just delicious food, it is attention, an individual approach to the client, the desire to please guests, provide their comfort and safety. People don't go to restaurants only for healthy food, they want to take pleasure, to enjoy themselves, so it is not just about a tasty meal. Business owners need to understand the simplest rule: if you manage to put yourself in the place of your customer, you will become his king.

It is even more important now, when establishments of the hotel and restaurant business found themselves in very difficult circumstances because of the situation that has developed in the world as the outcome of COVID-19 quarantine measures. Many hotel and restaurant business entities could not withstand the quarantine restrictions and competition and were forced to stop their activities. However, there were those which managed to reformat their activities and remain on the service market due to offering visitors an electronic menu, self-service points, ordering from the car and promoting cleanliness and safety as an integral part of their strategy. So, in order to ensure the efficient functioning of catering establishments, it is advisable to solve the problems outlined above, and first of all to pay attention to the quality of products and diversity of services provided by establishments. The very fact of the significant impact of the coronavirus pandemic on the restaurant business segment is obvious. Self-isolation forces owners to think about savings on every little thing and the COVID-19 pandemic is the present day reality which restaurateurs have to take into account and play by its laws, and in order not to lose this battle, it is necessary to adapt to the new rules of the game.

Given that life teaches us by exact examples, we all understand that unforeseen circumstances can arise again and again, and in order to be ready, it is important to have a reserve of financial resources and emergency decisions, which should be formed during the operation of the restaurant. The COVID-19 pandemic has shown all the strengths and weaknesses of the hospitality industry, in particular the restaurant industry and made restaurateurs pay more attention to their main concepts, effectiveness of establishments strategies, the ability to establish communication with suppliers, landlords, intermediaries or customers, the creativity of the staff and their devotion to the establishment, etc. It is interesting that the factors that determined the popularity of a restaurant before the pandemic are changing. If earlier the location of the subject itself was the primary factor, today people, creativity, innovation and

technology are the priority.

The state and municipal authorities should provide comprehensive clarifications on the restrictions and recommendations for the period of the crisis. If it is necessary to suspend the activities of these entities, the state must partially compensate for the losses (through targeted assistance to employees, tax benefits, etc.), as it is done in EU countries. Responding to the crisis, restaurateurs should develop their own operational plans in case of deterioration of the epidemiological situation in Ukraine and the world [18]. These scenarios should envisage staff reductions, structuring positions changes, saving investments for a longer period, retention of highly qualified personnel etc. Unfortunately, today there is no effective communication between the public authorities and the hospitality business in Ukraine, and therefore the development of the potential of its units is at a low level. In today's reality, when hotel and restaurant business is one of the most attractive branches for investors all over the world, one more important task for the intensive development of the market of hotel and restaurant services in Ukraine is to draw additional investment resources both internal and external ones [1].

Conclusions. To sum up, it can be stated that the current pandemic will not leave any industry untouched, and it will radically change the entire restaurant business. So, owners of catering establishments should no longer be guided by implementation of situational point decisions, they must honestly seek new ways for survival and current formats for their “business children” attracting all key resources. In order for the restaurant business to be able to function successfully in the conditions of the quarantine and after it, it is necessary to develop trends and strategies of establishments functioning in the new conditions. In order to adapt quickly, it is necessary to use the world experience and introduce new trends of adequate business transformation, which will help to get out of the unprecedented crisis and to function, earning additional income. In turn, the state should facilitate the branch first of all by reducing regulatory pressure on the restaurant business. It is necessary to establish direct communication and a rational dialogue between the government structures and business entities to provide further successful partnerships between the public sector and local businesses in the process of development of the infrastructure at the local, regional and national levels. Solution of the above problems will allow restaurants to increase the number of consumers; will raise the efficiency of establishments, as the consequence of increasing their profitability, improving the efficiency of their management, raising the quality and level of service, improving consumers' perception of the company's image and reputation. It will open more opportunities for establishments to enter the international market and increase the number of consumers.

It should be noted that this study does not take into account another challenge – the war involved by Russia. During the full-scale Russia's war against Ukraine, hospitality sphere in Ukraine suffered large losses, and in some places it stopped. Despite the difficult situation, the authorities are already looking for ways out of this situation, as well as making plans to restore the industry after the victory. It is clear

that after the war, the hospitality industry will change anyway and will work by different standards – this context will be the subject of our further researches.

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