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HOTEL AND RESTAURANT BUSINESS OF UKRAINE DURING THE WAR: PROSPECTS OF SURVIVAL

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ГОТЕЛЬНО-РЕСТОРАННИЙ БІЗНЕС УКРАЇНИ У ЧАС ВІЙНИ: ПЕРСПЕКТИВИ ВИЖИВАННЯ

Formulation of the problem. During the last eight months, Ukraine faced an unprecedented threat – a full-scale military invasion of its territory. This resulted not only in huge human losses, but also significant losses in economic sectors, in particular the hotel and restaurant sector. However, despite all the economic challenges that Ukraine has faced during this time, domestic business continues to amaze with its resilience. The hotel and restaurant sector is no exception. Despite economic and often direct physical threats, market participants bravely overcome all challenges and demonstrate extraordinary unity and mutual support.

Analysis of recent research and publications. Many scientists and researchers study the impact of various economic crises on the field of hospitality. Today, leading economists, together with representatives of the hotel and restaurant business, are trying to predict the scale of the impact on the industry, to see the prospects and possible timelines for the recovery of the sector, they are trying in every possible way to save the business, reorienting themselves to the new realities of life. In particular, A. Lupashko studies the impact of the war on the hotel sector, A. Motsa found out the prospects of the post-war recovery of the tourism sector of Ukraine, I. Dvorska focused on studying the experience of the post-war recovery of the hospitality sector of other countries that have experienced military conflicts in their history. However, all researchers consider the impact of the war on the domestic field of hospitality in a long-term perspective and do not focus enough on the practical aspects of solving the problems that the hotel and restaurant business is already facing today. That is why the above is an actual scientific problem.

Setting objectives. The aim of the article is to find out the extent of the impact of the war on the domestic hospitality industry and to propose ways to solve some of the problems caused by it.

Presentation of the main research material. The difficult economic situation in Ukraine, numerous financial crises experienced by domestic business, as well as the coronavirus pandemic, on the one hand, complicated the work of Ukrainian companies on the market, and on the other – hardened them. That is why, if in March 2022, according to the results of the survey of the European Business Association, only 17 % of domestic companies were working in full, and a third only planned to resume work, then as of June, the indicator had already reached 47 % [3].

The restaurant and hotel business is an important part of the domestic hospitality industry. Unfortunately, due to the full-scale invasion of the Russian Federation, the tourism sector, including the hotel and restaurant sector, suffered almost the most. Having not yet recovered from the negative impact of the pandemic in previous years, this business was forced to accept new challenges. The main commercial task for the hotel and restaurant business today is to survive, because some establishments were physically destroyed. Therefore, today the term of strategic planning in most restaurants is no more than a week, and for some – 2-3 days.

However, the situation is more optimistic in the west of Ukraine. Despite a significant slump in the first months of the war, today most of the catering establishments of the western regions have reached the pre-war level in terms of sales. However, this cannot be said about those restaurants whose profile is seafood and sushi, because they suffered the most because the cost of importing products has increased greatly.

Therefore, one of the main trends will be a reduction in the number of foreign ingredients and repurposing to a more familiar cuisine. As for the hotel and restaurant business in the western region of Ukraine, 90 % of companies in this sector did not work for a certain period after February 24. And, as of June 2022, 20 % of them have not resumed their work in full [5].

However, despite the difficult current situation, market participants actively help the defenders and contribute to the future victory. At the beginning of the war, the restaurant community replaced the state, because the Armed Forces of the Armed Forces of Ukraine, the State Emergency Service and the National Police were fed precisely at the expense of catering establishments and volunteers. In addition, there are often menu items in establishments, the profit from which is completely transferred to charity or special needs of the Armed Forces. Almost 100 % of companies assure that in one way or another they help the Armed Forces of Ukraine. They don't even consider it necessary to talk about some small one-time help. 35 % of the surveyed companies inflate their services to the military, do it partially free of charge or at large discounts, in fact at cost price. The rest of the enterprises provided various financial assistance, for example, by transferring a certain percentage of your earnings to the needs of the army. Ukrainian businesses also actively help displaced people by providing food, treatment, and resettlement services free of charge or at significant discounts [1].

In general, the situation on the hospitality market in Ukraine depends very much on the region. Thus, with the onset of a full-scale invasion, many businesses in this sector have suspended operations for security reasons, lack of demand, technical reasons, or damage or destruction from shelling.

As of today, business has stopped in the south and east of our country, but it continues to develop in the center and west. When in the spring, many hotels and restaurants in the center and in the west worked as volunteer hubs, where meals were prepared for refugees or residents of the regions most affected by the war settled in for free, as of today, new food and accommodation establishments are actively being built and opened here.

One of the reasons for such a rapid recovery of the hotel and restaurant sector in western Ukraine was the forced and sudden arrival of a large number of internally displaced persons in this region. For people who were forced to leave their homes unplanned, it became a huge stress. The absence of the usual living conditions, the compacted forced living of a large number of people in small areas, the impossibility of preparing food in their own kitchens led to the fact that disoriented people came to food establishments for breakfast and stayed there for the whole day, working on a laptop and having lunch there. For many IDPs, an evening trip to a restaurant became a kind of anti-stress event, an opportunity to create an imitation of normal life. It is also worth noting the lower prices for the services of local restaurants and hotels compared to the prices for similar services, for example, in Kyiv establishments. This was also an additional reason for the fact that the majority of food establishments in the western region opened and became fully operational already at the beginning of March.

Despite the successful summer season in the west of Ukraine, winter may seem difficult for the hotel business, as prices will rise sharply. Hotels can be advised to bet on rehabilitation services.

It is also worth noting that communication is an important component for business. In this regard, establishments of the hotel and restaurant business must talk about the assistance provided: what is the percentage of the donation to the Armed Forces, how many jobs have been allocated for the displaced, how many people are fed for free every week.

The main problem that took place at the beginning of the war is logistics. After all, in the first months of the war, there were interruptions in supply, lack of usual products. Most of the catering establishments got out of the situation by reducing certain items in the menu or by replacing the usual ingredients with craft ones (for example, they used self-baked bread for sandwiches, etc.).

Most of the restaurateurs of the western and central regions note that in April they managed to get "in the plus", and by the end of May even – to pre-war indicators [6].

As a result of the war, thousands of Ukrainians were forced to leave their homes and move to other regions. As a result, as of the current month, the demand for hotels, cottages and ordinary residential apartments exceeds the supply by at least 15% in the west of Ukraine. In August, the demand for short- and medium-term rental of rooms in Odesa increased by 30–40 % [3].

In addition to the displacement of ordinary people, there is also an active relocation of businesses to Lviv Oblast, Ivano-Frankivsk Oblast, Ternopil Oblast and other relatively safe regions. Therefore, those institutions of the hospitality sector, which are located in relatively safe western regions, should think about investing in the renewal of fixed assets and increasing production capacities. After all, it can be predicted that due to the significant scale of destruction, occupation, and mining of the waters of the Black and Azov seas, the center of domestic tourism will be the western and central parts of Ukraine in the coming years, and therefore, investments in such facilities will pay off in full.

Another feature of the local hotel and restaurant business is that although almost 100 % of companies report losses, not all can name them. The reasons for this are that some institutions try not to count losses, so as not to get upset, others do not consider it appropriate, because they are able to work, unlike their colleagues from the east and south of Ukraine, where businesses were destroyed or occupied.

Another problem in the field of hospitality was the outflow of qualified workers, because a large part of them went abroad. In 2022, the largest reductions in personnel compared to other domestic industries occurred precisely in the hotel and restaurant business. After all, many workers were forced to look for work in other fields, many of them left for Poland and other countries.

Some institutions tried to retain employees, using various methods: they transferred part of the employees from offices to remote work (accounting, management); organized a shift mode of work for employees, carried out professional repurposing (for example, waiters worked as couriers for the delivery of orders), etc. However, today there is a shortage of cooks, waiters, bartenders and other workers in restaurants. According to the Ukrainian Restaurant Association, in fact, each restaurant has vacancies at the level of 15–30 % of the total number of staff [8]. To fill them, restaurants and cafes are willing to hire people without relevant experience and raise wages. So, the unemployed have a good chance not only to find a job, but also to receive a considerable salary, which can be considered a kind of positive phenomenon for the domestic labor market. In this context, the owners of the hotel and restaurant business note an interesting trend: thanks to the internal movement of people under the influence of the war to the western regions to work in local hotels and restaurants, highly qualified cooks, waiters, administrators from other regions of Ukraine began to work. In this way, a kind of exchange of experience and knowledge takes place. And, therefore, local institutions to a certain extent, if they did not win, at least gained interesting experience in their activities.

Undoubtedly, hospitality establishments cannot in any way prevent the devastating impact of war. However, they can at least try to optimize core business processes in order to minimize this impact. For this, it is first of all important to save the business itself and not to lose the cash flow completely. It is necessary to analyze and control the costs and revenues of a hotel or restaurant more often than before. If we talk about profitability, then it can take a back seat, since it is important to save the company itself, employees and market share.

In conditions of reduced income, the owner of the enterprise can offer to pay employees wages for the amount of work performed, and not a fixed amount (for example – for an hour of a shift - for waiters or for the number of cleaned rooms – for maids). You should also not neglect the quality of service, instead, both hotels and restaurants can be recommended to reduce the list of services. Thus, the restaurant should leave on the menu those dishes that are easy to prepare, consist of affordable ingredients and are popular among customers. This allows you to save on warehouse space and facilitates the work of the staff. Hotels may also reduce the range or time of provision of certain services (for example, reduce the opening hours of the spa or kids' club).

Another problem faced by the hospitality industry today is a sharp decline in the purchasing power of customers. This is especially noticeable against the background of the fact that institutions are forced to raise prices due to the increase in the cost of products. Most restaurant owners note that even after a slight increase in prices, the average check did not increase: people simply started ordering less.

Therefore, restaurants cannot afford to raise prices proportionally, because it is almost guaranteed that this will lead to a sharp drop in demand: the purchasing power of a large part of the audience has already decreased [4]. That is why food establishments should show maximum creativity in order to remain on the market. One option may be to reduce marketing costs. Today is not the best time for advertising or various loyalty programs. These measures should be postponed until better times.

Another problem is the constant increase in the cost of products used in cooking. Different strategies can be recommended to institutions here. If the restaurant is small, it should flexibly update the menu, making maximum use of local and seasonal products within its concept (cook with local products, use minimal imports, cook with craft ingredients, etc.). Large restaurants can try to negotiate with key suppliers to buy large batches of products at a fixed price for a certain period of time [7, p.11]. And regardless of size, all food establishments need to create a matrix of alternative suppliers, monitor product prices daily and learn to quickly make decisions about the purchase of certain products.

Another way to reduce the risks associated with product delays is to organize your own imports. Today, this option has been actively used by restaurants that offer seafood. This happens both systematically through the creation of a department in the food establishment that deals with imports, and point by point through the organization of cooperation with local partners on specific products.

Another way to preserve the hotel and restaurant business and to reduce risks is expansion into new cities and countries. Many restaurateurs and chefs from Ukraine are already opening establishments of Ukrainian cuisine abroad: in Switzerland, England, Spain and other countries. But the dishes of Ukrainian cuisine must be rethought and adapted to "European presentation".

In the popularization of national cuisine, Ukraine can turn to the experience of Croatia, which actively distributes restaurants with national seafood dishes throughout Europe. Croatia can become an example for Ukraine in terms of post-war recovery. Tourism in Croatia practically stopped in the 1990s during the war. After its end, a massive PR campaign of the country and its previously unknown tourist "highlights" began. Croatia has more than a thousand islands, of which 66 are inhabited. Thanks to such geographical features, tourists who previously knew only about the Greek islands were attracted to the country. Croatian beaches

began to receive "blue flags" for their environmental friendliness and cleanliness. Beach locations in Croatia began to be written about in foreign publications, later bloggers and social media joined in. Large cruise companies, international tour operators and chain hotels have become interested in the country. The sudden increase in tourism has had a significant impact on the Croatian economy. About ten million guests annually bring substantial income and generate about 15% of Croatia's GDP.

It is important to emphasize in the promotion of cuisine not on a separate dish, but on a quality product [1]. For example, the well-known Lviv Croissants network, which has been operating since 2015 before the war had 141 establishments in Ukraine, although it was forced to close some establishments in the south and east, recently successfully entered the Polish market. The first institution abroad was opened in the Polish border town of Zgozelec. Another institution appeared in Wroclaw (in partnership). They are also preparing to open a facility in Warsaw [2].

But in general, all hospitality establishments, without exception, need to understand that in the conditions of war, it is not profitability that becomes important, but the preservation of business as such.

Conclusions from the conducted research. Thus, the full-scale war in Ukraine became a huge test for many spheres of the economy, including the hospitality sphere. Unfortunately, physically and economically, not all catering and accommodation establishments passed this test. Today, a key indicator of business performance is the absence of losses and facilities that require subsidies.

In today's conditions of total unpredictability, a combination of two principles will allow companies to survive economically: systematicity (understanding of strategic goals, control system, transparent internal processes and analytics) and flexibility (speed of making creative, non-standard decisions).

It is also worth remembering that any crisis has its end. There are many examples in the world when, after large-scale conflicts, countries recovered and became even better than before. This also applies to the field of hospitality. The experience of Croatia, Cyprus, Georgia and other countries is positive in this regard. In this context, Ukraine should rely on the experience of these countries, which have effectively rebuilt the hospitality industry after crisis situations, including wars.

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