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### **Perspectives for the Development of the Restaurant Business in Ukraine in a Pandemic**

**Abstract. Introduction.** *The restaurant business is different from all other businesses. It is an enterprise that combines traditions, management mechanisms and experience, philosophy and economics, as well as psychology. At the same time, to be in trend, you need to be able to respond quickly to new economic and global challenges in the form of a pandemic and, as a result, reduced purchasing power.*

*By the beginning of 2020, about 550,000 people worked in the restaurant sector. Now they are almost a third less. And this is a big problem for catering, many institutions simply can not find enough professional staff. But in spite of everything, food always remains one of the essential attributes of human life, and the food industry is one of the most profitable if the business is properly organized. Every year the number of establishments, especially fast food, grows, and people are willing to pay more for quality service and delicious food. Ironically, the pandemic has increased interest in the restaurant business. However, numerous studies have shown that in 2019-2020 the restaurant business was reduced to almost zero. Today, restaurants, focusing on their audience, are adapting to the new challenges and crises caused by the pandemic to protect their businesses from risks and losses. However, the prospects of the restaurant business require analysis, a personalized approach and the ability to adapt quickly to market conditions.*

**Purpose.** *The purpose of the article is to analyze the prospects for the development of the restaurant business and its main trends in a pandemic in Ukraine.*

**Results.** *All Ukrainian restaurants were forced to reconsider the principles of operation and customer service. Analysis of statistics, analysis of publications on the restaurant business showed that restaurants in 2021 are more focused on Ukrainian cuisine and traditional dishes of other countries. The reorientation also affected target groups of restaurants. Today, almost all restaurants are democratic in terms of the price of the average check and the dishes offered. Institutions are created with a certain design, music, menu, as well as a fascinating legend. Now popular are themed restaurants or art cafes with beautiful design and history.*

**Conclusions.** *Identified trends in the restaurant business 2021-2022 showed that many restaurateurs were able to adapt, reduce costs, reorient and apply new trends to develop their business. Restaurants with a good reputation and loyal customers have felt mostly a change in the preferences of visitors (they began to order less). However, the restaurant business is still considered quite profitable and attractive for investment. It is worth mentioning the fact that the most visited places after the end of the lockdown in 2020 were restaurants, bars and cafes.*

**Keywords:** *public catering, catering sector, restaurant business, trends, development prospects, pandemic.*

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### **Перспективи розвитку ресторанного бізнесу в Україні в період пандемії**

**Анотація.** *Ресторанний бізнес відрізняється від усіх інших видів бізнесу. Це підприємство, яке поєднує традиції, механізми управління та досвід, філософію та економіку, а також психологію. Водночас щоб бути в тренді, потрібно мати можливість швидко реагувати на нові економічні та глобальні виклики у вигляді пандемії та, як наслідок, зниження купівельної спроможності. Численні дослідження показали, що у 2019-2020 рр. ресторанний бізнес був зведений практично до нуля. На сьогодні, ресторани, зосереджуючись на своїй аудиторії, адаптуються до нових викликів та кризи, спричиненої пандемією, щоб захистити свій бізнес від ризиків та збитків. Однак перспективи ресторанного бізнесу потребують аналізу, персоналізованого підходу та здатності швидко адаптуватися до ринкових умов.*

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*Усі українські ресторани були змушені переглянути принципи роботи та обслуговування клієнтів. Аналіз статистичних даних, аналіз публікацій про ресторанний бізнес показали, що ресторани 2021 р. більше зосереджені на українській кухні та традиційних стравах інших країн. Переорієнтація також торкнулася цільових груп ресторанів. На сьогодні майже всі ресторани демократичні з точки зору ціни на середній чек та пропонованих страв. Заклади створюються з певним дизайном, музичним супроводом, меню, а також із захопливою легендою. Зараз популярними є тематичні ресторани або арт-кафе з прекрасним дизайном та історією.*

*Виявлені тренди ресторанного бізнесу 2021-2022 рр. показали, багато рестораторів змогли адаптуватися, скоротити витрати, переорієнтуватися та застосувати нові тенденції для розвитку свого бізнесу. Ресторани з хорошою репутацією та лояльними клієнтами відчували переважно зміну уподобань відвідувачів (вони стали замовляти менше). Однак сфера ресторанного бізнесу як і раніше вважається досить прибутковою й привабливою для інвестицій. Варто згадати той факт, що місцями найбільшого відвідування після завершення локдауна у 2020 р. були ресторани, бари й кафе.*

**Ключові слова:** громадське харчування; сектор громадського харчування; ресторанний бізнес; тенденції; перспективи розвитку; пандемія.

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**Formulation of the problem.** The number of restaurants, cafes and bars at the beginning of 2021 was 14786, 3850 establishments less than in 2020 in Ukraine (18.6 thousand enterprises) [7]. Accordingly, the volume of the restaurant market in 2020 decreased by almost 30% and amounted to UAH 14.1 billion. In 2020, the restaurant market lost almost UAH 6 billion. This is the result of several Lockdowns, restaurant quarantines and a lack of foreign tourists [8].

About 150,000 public catering workers have lost their jobs due to Lockdown and quarantine in Ukraine. These are those who worked in cafes and restaurants, closed and those who were fired because of the drop in attendance. Most of these people will not return to work in catering sector. Someone has already found another job in a different direction, or went home from the big cities. The professional labor market, which has evolved over the years, has suffered heavy losses. By the beginning of 2020, the restaurant sector employed about 550,000 people. There are now almost a third fewer. And this is a big problem for catering, many establishments simply cannot find enough professional staff [8].

But in spite of everything, food always remains one of the indispensable attributes of human life, and the food industry is one of the most profitable, if business is properly organized. Every year the number of establishments, especially fast food, is growing, and people are ready to pay more for quality service and delicious food. Strangely enough, the pandemic has increased interest in the restaurant business. Closed for a long time during quarantine measures, people are happy to spend money in restaurants, cafes, and bars after leaving Lockdown. According to experts, the increase in the turnover of the restaurant business took place partly due to the rise in prices for food and alcoholic beverages. On the other hand, restaurant prices did not rise significantly for fear of scaring off visitors. In this regard, the profitability of the establishments themselves suffers, which is constantly decreasing. However, the crisis largely helped the further development of the restaurant market in Ukraine. It left unprofessional and casual operators, most often non-networked establishments, who could not cope with the consequences of the crisis [3]. Restaurants, focusing on

their audience, are adapting to new challenges and the crisis caused by the pandemic in order to protect their business from risks and losses. However, the prospects for the restaurant business require analysis, a personalized approach and the ability to quickly adapt to market conditions.

**Analysis of recent research and publications.** The issues in which the economic foundations of the restaurant business are revealed were dealt with by such scientists as: V. V. Arkhipov, L. G. Agafonova, V. L. Dikan, O. S. Agafonova, N. E. Kalychev.

**Formulation of research goals.** The purpose of the article is to analyze the prospects for the development of the restaurant business and its main trends in the context of a pandemic in Ukraine.

**Outline of the main research material.** In recent years, the restaurant business has evolved from a catering service business to promising investment projects that help realize the investment ambitions of investors, generate profits and diversify their investment risks. Recently, the idea that investment in public catering is a profitable business and, with minimal skill, is a win-win, has been popular among businessmen. Investments in restaurants and restaurant chains attract with their simplicity, clarity and accessibility [6].

Since 2016, when the growth of the restaurant business in Ukraine began, restaurants are considered to be a way of even though sometimes small, but relatively stable earnings, and some businessmen before the crisis expanded their areas of activity without the necessary knowledge. The pandemic crisis has shown that this approach is wrong, and some businessmen had to leave the restaurant business in order to focus on saving their main activities (fig. 1).

In modern conditions, the functioning of the sphere of the restaurant business is becoming more and more dynamic and has a significant impact on the development of the national economy. This is primarily due to the impact of globalization processes, which entails the need to introduce technological, information, management innovations into the production process, and, as a consequence, the growth of their investment attractiveness [1].



Figure 1 – Dynamics of development of the restaurant business in Ukraine 2003-2020

Source: built by the authors according to [8]

The restaurant business is an enterprise that combines the art and traditions of many generations, the management mechanisms and experience of marketers, the philosophy of the experience economy and the concept of psychological modeling. The most famous and successful Restaurateurs are of the opinion that the concept of a restaurant today is an institution where not only food is sold, but also the atmosphere, impressions, pleasure, social status, etc. (I. V. Volovelskaya, E. Kalinkovskaya, Goncharova, 2017).

However, the consumption of food in restaurants is not a necessity in itself and depends on the income dynamics of the population. The development of average-price restaurants (cafes, bars, etc.) is an indicator of both the economic development of the city and the civilization of society. In Ukraine (especially in Kiev), the rise of the institutions of the average price segment (average check 100-150 UAH per person), while the opening of new elite establishments has considerably slowed down. The influence of macroeconomic factors has affected - large business with millions of incomes does not grow as actively as small and medium ones, which means that the elite audience is not expanding. In this connection, the circle of clients who can afford to visit elite establishments has already formed, it is practically not expanding.

In turn, the lower price segment in the restaurant business in Ukraine is lower in the rate of development of the average. Experts note that there are several reasons for this: an establishment with a low average cheque wins by turnover (the turnover rate of one seat must be at least 1.2). In order to achieve this, it is necessary to find a front room with a passenger traffic of at least 1500-2000 people per hour, and for most large cities of Ukraine (except Odessa) this is a rather difficult task. In cheap places, as a rule, they do not come on purpose, the spontaneity of making a decision to visit them is more than 70%. Therefore, the currently relevant

formats of cheap establishments (fast foods, cafes, bars) can only be successful if the premises are selected correctly, and the rental rate allows you to make a profit. In this regard, the Quick & Casual format, which is extremely popular today, is developed only by 20-25% of the possible [2].

The growing attractiveness of the restaurant business leads to increased competition, which creates certain difficulties in the conditions of the viability of enterprises in the industry. According to statistics, 70 out of 100 restaurants are closed within 2-3 years, the restaurant business takes a very high place in the world in terms of turnover (for example, in the USA - the third).

Experts determine the amount of initial investment for opening a restaurant-type establishment from 50 thousand to 1 million USD. The payback of these funds, depending on various reasons, is on average about three years. However, elite restaurants should be "removed" from the list of fast-paying restaurants. They are called "business for the soul", as they require huge investments, and not everyone will be able to go to such a restaurant. At the same time, it is worth making a reservation that often the invested funds do not pay off at all [1].

According to the main classifications, restaurant business establishments can be divided into the following types [16]:

3. y the principle of customer service:

- classic - dishes are prepared immediately after receiving the order. Semi-finished products are not used;
- fast food restaurant - based on the attendance of the restaurant, it assumes the use of preparations made by the staff of the restaurant only from fresh products;
- fast food restaurant (fast food) - involves the quick preparation of meals from semi-finished products.

4. By ethnicity:

- Italian food;
- Ukrainian food;

- Chinese cuisine;
- European cuisine;
- Georgian cuisine, etc.

3. By the level of service provided (only for classic restaurants).

4. According to the price criterion, based on the size of the average check:

- Elite restaurants, or premium restaurants [1].
- Mid-priced restaurants.
- In the lower price segment there are inexpensive restaurants, cafes and bars.

The desire of restaurants to resist the period of Covid and Post-covid constraints (while serving as many customers as possible with quality and low cost and maintaining profitability of the restaurant) leads to new offers in the restaurant market. Restaurants are being created for new categories of users - restaurants with entertainment for children, restaurants for animals, democratic coffee shops, restaurants tied to the place of recreation - a resort, a hotel, etc. At the same time, experts note that restaurant owners make a mistake when, in an attempt to keep up with the growing requirements of the client, they add services to the assortment that do not fall into the overall concept of the institution (for example, hookah in beer bars or bowling alleys in a Georgian restaurant, etc [5].

During the pandemic, a fast food restaurant McDonald's turned out to be a unique phenomenon. Due to Lockdown in Ukraine, McDonald's number of visitors fell by 20% in 2020. However, in 2021, McDonald's plans to increase its share of the fast food market and opens about 10 new establishments - twice as many as in 2020. The company spent about UAH 82 million on protective equipment against COVID-19. Paid more than UAH 50 million in compensation for downtime and

forced vacations to staff during Lockdowns and did not lay off any of the nearly 10,000 employees [9].

At the same time, sales through McDrive, express windows and delivery did not stop, even when the restaurant halls were closed. Despite the quarantine, sales through the delivery service grew 4.5 times compared to 2019. Long lines formed at McDrive: the restaurant's visitors, on average, were twice as many as in the EU countries. Today McDonald's plans for 2021 are a recovery in sales and the opening of new restaurants [10]. Also an interesting example of business sustainability during the quarantine period may be several pizzerias in the United States. Management decided to hire, during the quarantine period, more than a thousand new employees, due to the increase in demand after the opening of «pizza delivery service». Institutions that have not been able to reformat for delivery have closed down or are suffering significant losses. Survey data from McKinsey across Europe and in the United States show that most restaurants expect to cut their expenses during the crisis, due to the opening of the service «delivery from the restaurant» and «take away food». At the same time, polls in China showed that after the pandemic, people are likely to spend more on food delivery, and it is also likely that the demand for delivery will quickly return to pre-crisis levels [9].

The analysis of statistical data, analysis of publications about restaurant business and a cross-section of purchasing power of restaurant industry helped to determine the main trends and trends of restaurant business development in Ukraine in 2021-2022. Modern trends in the restaurant business can be divided into other groups. The first one is gospel novelties of customer service in restaurants (table 1), the second one is food trends in the food industry (table 2).

Table 1. The main technical trends of restaurant business in Ukraine in 2021-2022

№	Trends	Trends Features
1.	Delivery and takeaway food	The most important and relevant trend of recent years will only intensify in 2021 due to quarantine restrictions
2.	Variety of channels and delivery methods	To meet the needs of their customers, delivery services introduce new technologies and simplify the ordering mechanism as much as possible. You can order on social networks, using virtual assistants and from the car's navigation system
3.	Multichannel	Multichannel in public catering is also a combination of online and offline sales. Most offline establishments that have already adopted this are effectively using their resources to increase sales, inviting customers not only to visit the establishment, but also order food at home, or place an order and pick it up themselves
4.	Automation and digitalization - Self-service kiosks	This is a trend for fast food and fast casual formats. In fact, the cashier becomes an extra link in establishments of this format, and restaurateurs are trying to replace him and minimize costs. This option is safer during quarantine, since there is no crowding near the cash register
5.	QR codes	A QR code can contain different information: menu, delivery terms, restaurant history or personal loyalty card data. Using the code, you can also create a note in the calendar with a promotion or event that will be in the institution, or you can simply redirect the visitor to the reviews page
6.	Robotization in restaurants	- front of the house - work with guests;

		- back of the house - close tasks in the kitchen. Examples of back of the house (robotic arms) that fry burgers (Miso Robotics), or vending machines that prepare salads to go (Spyce)
7.	Face recognition	Self-service kiosks can also be smart: identify a guest by face, offer him to repeat the previous order, and then automatically write off money from the card. For example, in experimental mode, Face ID works on the Cali Burger network
8.	Supplier aggregators	«From the farmer to the table» Guests who are increasingly thinking about a healthy lifestyle. They want to get quality local products and know where and how they were grown, how they were transported and how they affect the environment. As a result of these changes in consumer behaviour, marketplaces are emerging that link farmers and geographically referenced restaurants

Source: generated by the authors

Table 2. The main food trends of restaurant business in Ukraine in 2021-2022

	Trends	Trends Features
1.	Casual segment and healthy food	A popular format for those who love healthy food but don't like to wait long. In such establishments, guests receive food that is close in quality to expensive restaurants for little money, and the service here is slightly better than in fast food
2.	Monoproduct	Become smaller than universal restaurants «sushi - pizza - hookah - karaoke». Increasingly, guests prefer more focused cafés, pizzerias or hookens - places where their favorite dishes are really delicious
3.	Baking and sweets	Fresh pastries are in demand year-round, and such establishments can be located in both sleeping areas and central streets with high traffic
4.	National and regional cuisine	In many cities of Ukraine, restaurants of national and local cuisine are opening in rather interesting interpretations: a coffee house, a pub, a pastry shop and fast food
5.	Craft drinks and meals	An interesting and fresh Kraft trend in everything: dishes, glasses and drinks. This is not only a trendy phenomenon, but also a creative approach to reduce costs. Prices for imported products in Ukraine are constantly growing, and by the end of 2020 the difference had already become almost 3 times. A couple of years ago, restaurateurs who wanted to stay on the market revised their menu options and tried to switch to those products that they could afford in the new conditions

Source: generated by the authors

The 2019-2021 crisis associated with the Covid-19 pandemic turned out to be a test both for the economies of the world in general and for the restaurant business in particular. Many restaurateurs have been able to adapt, cut costs, refocus and apply new trends to grow their businesses. Many catering establishments were forced to close. Restaurants with a good reputation and loyal customers experienced mainly a change in the preferences of visitors (they began to order less) and a decrease in the average check. Those who stayed on the market over the past two years have learned the anti-crisis lessons well (restaurateurs were actively looking for marketing moves to retain visitors, became more attentive to the quality of service, etc.) [3].

**Conclusions.** The restaurant business is different from all other types of business. It is an enterprise that combines tradition, management mechanisms and experience, philosophy and economics, as well as psychology. At the same time, in order to be in trend, you need to be able to quickly respond to new economic and global challenges in the form of a pandemic and, as a result, a decrease in purchasing power. Numerous

studies have shown that in 2019-2021, the restaurant business was reset to zero. All Ukrainian restaurants were forced to revise the principles of work and customer service. Restaurants in 2021 are more focused on Ukrainian cuisine and traditional dishes from other countries. The reorientation also affected the target groups of restaurants. Today, almost all restaurants are democratic in terms of the price of the average check and the dishes offered.

Establishments are created with a specific design, musical accompaniment, a menu, as well as a fascinating legend. Now themed restaurants or art cafes with a beautiful design and history are popular. In such an institution you can hold presentations, exhibitions, film screenings, concerts and parties. Places of this kind in the basement, wrapping everything up in an atmosphere of mystery and twilight. At the same time, the demand remains for coffee shops. Anti-cafes are becoming a popular novelty, where the visitor pays for the time, and not for the coffee they drink.

The market outlook is also reflected in the fact that many restaurant projects are currently in the design,

approval and construction stages, despite the crisis in the industry. With the aim of launching new projects in 1-2 years the purchase of cheaper premises for restaurants is under way.

At the same time, new operators try to invest as little as possible in the restaurant business and strive to recoup their investment as soon as possible, and therefore demand is in formats that do not require much

investment. However, due to the reduced profitability of the restaurant projects, their payback period increased, which before the crisis was about two years on average. This in the near future will lead to a change in the format of «restaurant in classical form», and new collaborations forms of catering establishments will appear to minimize costs and attract more visitors.

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