

THE FUTURE OF RESTAURANT BUSINESS IN UKRAINE: TRENDS AND MARKET DEVELOPMENT OPPORTUNITIES

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The article identifies the challenges faced by the Ukrainian restaurant industry amidst the difficult economic crises, the COVID-19 pandemic, and the ongoing conflict. Market dynamics, consumer preferences, and market trends are analyzed, emphasizing the resilience and adaptability demonstrated by restaurateurs. The author underlines the growing need for adaptive strategies to overcome unprecedented challenges, providing insights into market shifts, changing consumer behavior, and strategies used by businesses to survive and grow. In addition, the article examines the impact of the war on the industry, focusing on the analysis of statistics on the closure and opening of new establishments, and exploring the geographical differences in the restaurant market. The article highlights the role of restaurant business enterprises in supporting society, their resilience and efforts to continue operations despite the adversity. The research aims to guide restaurateurs by offering vital recommendations and insights for the industry's revival and long-term sustainability.

Key words: restaurant business, restaurant establishment, trends, market, development, consumer demand.

МАЙБУТНЄ РЕСТОРАННОГО БІЗНЕСУ В УКРАЇНІ: ТЕНДЕНЦІЇ ТА МОЖЛИВОСТІ РОЗВИТКУ РИНКУ

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У статті охарактеризована траєкторія розвитку галузі ресторанного бізнесу від її зародження у 90-х роках до нещодавніх максимумів та мінімумів на тлі найсильнішого стрес-тесту через загальну кризу, локдаун в зв'язку з пандемією, повномасштабну війну. Визначено закономірності зростання та спаду показників діяльності закладів ресторанного господарства. Проаналізовано споживчі уподобання в умовах кризи, які свідчать про перехід до економного витрачання коштів, збільшення онлайн-замовлень та замовлень "to-go", зростання попиту на послуги гастрономічних підприємств у житлових (спальних) районах та зміни у вподобаннях щодо розваг. У статті розглянуто деструктивний вплив війни, що спричинив закриття частини підприємств, скорочення кількості господарюючих суб'єктів та втрату бізнесу. Також відзначено стійкість, яку продемонстрували окремі регіони, зокрема зростання показників діяльності закладів ресторанного бізнесу у Західній Україні. Висвітлюючи роль підприємств ресторанної галузі у підтримці суспільства, акцентовано на їхньому внеску в економіку та стійкість України, підтримку суспільства, шляхом надання продуктової допомоги на мільйони доларів. Окреслено перспективи галузі на майбутнє, що визначаються демократичними закладами, які не належать до великих мереж, але використовують найсучасніші технології для полегшення своєї роботи. Ці заклади виявляють більшу гнучкість та відкритість до потреб і очікувань гостей, враховуючи особливості кожного міста та регіону. Враховуючи імпорتنі та інвестиційні обмеження, аргументовано необхідність забезпечення адаптивності та концентрації на місцевому ринку, оптимізації меню, шляхом аналізу складників страв та заміни дорогих позицій або тих, які потребують особливих продуктів. Це стане основою для розвитку співпраці з місцевими фермерами та виробниками, сприяючи розвитку сільськогосподарського сектора та стимулюючи місцеву економіку.

Ключові слова: ресторанний бізнес, заклад ресторанного господарства, тенденції, ринок, розвиток, споживчий попит.

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Statement of the problem in general terms and its connection with important scientific or practical tasks

The problem of determining the prospects for the development of the restaurant business market is to solve a number of complex problems that affect the efficiency and stability of this industry. External threats, such as the economic crisis and political situation, energy instability, changes in consumer demand during the war and the pandemic, and the outflow of personnel abroad, require restaurateurs to continuously analyze the market and find ways to adapt to these changes. It is well known that supply and demand in the restaurant industry are heavily influenced by seasonal and social trends, the popularization of healthy eating or vegan products. In turn, the success of the restaurant business is highly dependent on marketing strategies and the ability to build a strong brand, creating a unique offer and attracting customer attention is an important task. Today's critical tasks for restaurateurs are cost optimization, inventory management, and maintaining product quality while reducing costs.

Studying the trends in the restaurant business and possible prospects in the context of the war in Ukraine will not only help to understand the impact of the conflict on the sector, but also provide the necessary information to develop survival and development strategies for restaurateurs and other stakeholders.

Analysis of recent research and publications

The restaurant business market in Ukraine is one of the most dynamic and therefore is of interest to many scholars. At the same time, it is almost impossible to find complete information on the state of its development at the moment, due to its rapid pace of market changes and the peculiarity of reporting by restaurant business enterprises. The issues of development and transformation of the restaurant business in Ukraine were researched by Antoshkova N.A., Malynovska O.Y., Halasiuk S.S., Ostrovska G.Y., Butenko O.P., Hirniak L.I. and others.

Identification of previously unresolved parts of the general problem to which the article is devoted

Recently, the restaurant business industry has been subjected to a significant stress test due to the general crisis, pandemic lockdown, and war. Despite the difficulties that arise, restaurateurs continue to keep working not only to survive in difficult conditions, but also to adapt to new conditions and change their business models and develop, finding new opportunities and ways to maintain the success of their establishments. Particular attention should be focused on analyzing trends in the restaurant business during the war and identifying opportunities for market development.

Definition of the research purposes

The purpose of the research is to analyze and further forecast the prospects for the restaurant business in Ukraine, highlight key trends affecting the industry, identify potential development opportunities, and provide important recommendations for restaurateurs with an understanding of market dynamics and strategies for adapting to future changes.

Summary of the main points

In recent publications, N. Antoshkova, comparing the modern restaurant business in Ukraine with other countries, considers it relatively young, having started developing only in the 90s, while some researchers in this field believe that the development period is still ongoing. However, in almost 30 years, many changes have occurred due to many factors. For instance, in the 90s, new restaurant enterprises were being actively created, but by 2009 their number was constantly decreasing. Of course, new ones were opening, but there were more of those that ceased operations. Only in 2009-2011 the market situation stabilized a while. A new wave of activity occurred in 2012, driven by the Euro 2012 Olympics, followed by another decline, although not significant, especially given the political situation in the country. A new surge occurred in 2018-2021, but since 2022, with the outbreak of hostilities, we have been tracking a decline. [1]

Managing a restaurant business in peacetime was not an easy task, and it is even much more complicated in the current environment. Restaurants require constant attention and full involvement. According to A. Bebko-Menaeva, co-owner of the Rose Family restaurant chain, you need to maintain inner peace and not be distracted by air raids and other everyday problems that now seem insignificant. Everyone, without exception, is affected by the economic factor and the feeling of constant instability. People simply don't know what will happen tomorrow, what they can afford today, and what they should give up. Under the current arrangements, it is important to be flexible and adaptive. After all, war requires decisive actions and decisions. Therefore, it is necessary to redesign concepts, try to attract a new customer base, optimize menus, analyze the ingredients of dishes, and remove expensive items or those that require special products. [2]

The long-lasting crisis caused first by the COVID-2019 pandemic and then by military actions has a significant impact on various spheres of life, including the restaurant industry. Ukraine, being in a difficult geopolitical situation, is facing challenges that are forcing restaurateurs to adapt and reconsider their approaches to business management.

Despite the economic challenges that Ukraine has faced recently, Ukrainian business continues to demonstrate its sustainability. The hotel and restaurant industry are not an exception. Despite the existential threat,

market participants are not only successfully fighting for their survival, but also demonstrate extraordinary unity and mutual support. [3]

Changes in customer demand are also taking place in the war. People are becoming more cautious in their outgoings, giving preference to necessary and more economical spending. This can lead to a decrease in the number of restaurant walk-ins, especially at the height of the crisis. Restaurateurs are forced to look for new ways to attract clients by offering promotions, discounts, and changing their product range and pricing. As a result of investment limits and import restrictions, restaurateurs are looking for opportunities to use local products. This provides an opportunity to develop cooperation with local farmers and producers, contributing to the development of the agricultural sector and stimulating the local economy. Restaurateurs are also looking for new formats and concepts for their enterprises that would better suit the changed environment. For example, fast food or “to-go” concepts, which allow customers to order food for takeaway, are becoming more popular. E-commerce for restaurants is also developing, allowing customers to order food online and have it delivered directly to their homes.

Marketing and promotion strategies are changing and need to be rethought in times of war. Restaurateurs are actively using social media, online advertising and content marketing to promote their services and attract customers. It is important to become more flexible and respond to changes in demand quickly and efficiently. Restaurateurs are also forced to reconsider the costs of managing their establishments, including optimizing working hours, reducing staff, or revising payroll conditions.

The hotel and restaurant business is an important factor in the cultural and economic development of the country. The hospitality industry, based on satisfying a set of material, social and mental needs of the individual, generates a recreational and culture-creating environment through service activities, ensuring the restorative functions of human life. However, the COVID-19 pandemic has negatively affected it: the restaurant business has suffered significant financial losses, most business entities have been unable to stay at the market and have been forced to shut down their business. [9,12]

Ukraine's restaurant sector was severely impacted in 2020, with the number of businesses decreasing by almost 4,000. Over the year, the market decreased by almost a third, reaching a volume of UAH 14.1 billion. [4] Such a decline was the result of a continuous chain of lockdowns, restrictions, and the absence of foreign tourists. The recovery from the difficult 2020 was noted in the restaurant market. Although the growth rate was not rapid, several segments were beginning to recover. The restaurant business demonstrated adaptation to the new conditions - quarantine restrictions and rising costs. This provided optimism and hope for further development of the industry in the near future.

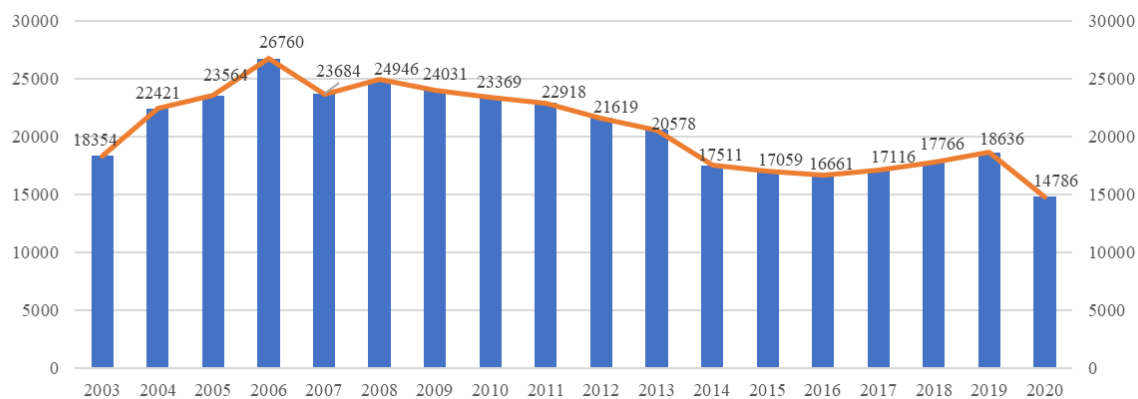


Fig. 1 - Development of the Ukrainian restaurant industry by number of establishments
[According to the data of the Analytical Center "Restaurants of Ukraine" and the State Statistics Committee]

For a visual analysis of the dynamics of the restaurant business market after the full-scale invasion, due to the lack of indicators of the number of establishments, we present the dynamics of operating business entities providing services of food and beverages in Figure 2.

Based on the analysis, it should be noted that the number of business entities in this industry decreased by 16.5% in 2022, and fell to the level of 2017-2018, although since 2017 there has been an increase even during the COVID-19 pandemic. This is mainly caused by the military intervention, occupation of territories and physical destruction of businesses; secondly, by the risks of running business in Ukraine. Since 2022, more than 7,000 restaurants and cafés have closed in Ukraine over the period of the ongoing war, while more than 2,000 new ones have opened.[6] These statistics demonstrate the serious losses in the Ukrainian restaurant market, especially in the regions that have sustained the largest decline - up to 50%. Unfortunately, not all closed restaurants can be accounted for in the reports due to the difficult conditions in the occupied territories and conflict zones. This uncertainty makes it difficult to determine the exact number of closed restaurants and cafes. At the same time, the opening of new businesses represents the incredible adaptability and willpower of Ukrainian entrepreneurs in a difficult period.

Despite the negative trends, restaurant investors' interest in cities in western Ukraine to launch new businesses is growing. Western regions show a very positive trend in the restaurant industry. Growth of 30% in Lviv and the region, as well as 20% in Zakarpattia, Chernivtsi and Ivano-Frankivsk regions, indicates the active development of the restaurant sector in these regions. Such dynamics may indicate positive changes in the economy and consumer demand. Lviv stands out, where more than 500 new restaurants appeared during this period, indicating the intensive development of the industry in this city. Lviv turned out to be the most cosmopolitan and crowded place among all the cities in western Ukraine, which contributes to its active restaurant life.[6]

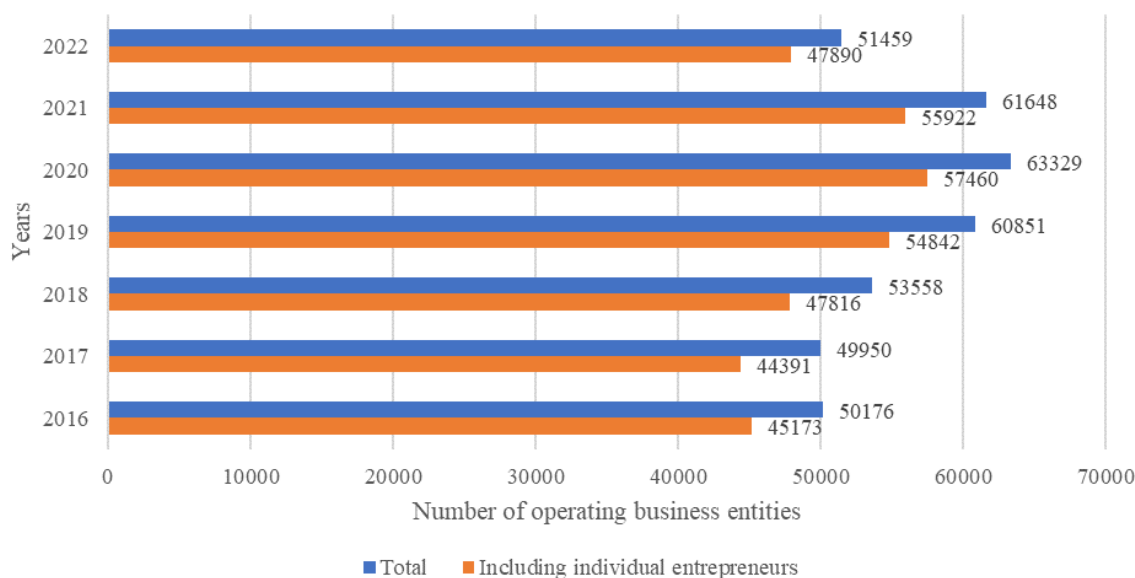


Fig. 2 - Development of the restaurant industry in Ukraine by the number of business entities
[Compiled by the author according to the State Statistics Committee]

Regarding expansion abroad, investors choose Germany less often and Poland more often due to the larger number of Ukrainians and the similarity of the Polish mentality to the Ukrainian one, which creates favorable conditions for the development of the restaurant business. However, expanding abroad can be a challenge for Ukrainian businesses due to differences in market conditions, legislation, and consumer requirements. Intense competition and high standards in Europe may make it difficult to operate successfully.

The stabilization of the situation in Ukraine could be a catalyst for the revitalization of the restaurant industry, particularly in the domestic market. Ukrainian entrepreneurs, especially at the initial stage, can focus on the domestic market, given the complexities and peculiarities of foreign markets.

Despite the difficult current situation, market participants are actively helping Ukraine's defenders. At the beginning of the war, the restaurant community replaced state-owned catering companies, as soldiers of the Armed Forces of Ukraine, territorial defense, the State Emergency Service, and the National Police were fed by catering establishments and volunteers.

Goodwine, McDonald's, and KFC prepare semi-finished products, form food boxes, pack food, and deliver it to checkpoints, the military, and medical centers; "Food vs Marketing", the network of city cafes and bakeries "Khibnyi", "Tisto, Syry, and Aunt Bella", "Naprosecco", and "Salateira" provide food for the territorial defense and the local population. And companies such as "Metro Cash&Carry" and "Molokiya" provided millions of USD of humanitarian aid. The production of freeze-dried food for the military was launched.[7]

Food establishments are now actively involved in charitable aid. They are doing their best to support the IDPs, prepare free meals for soldiers of the Armed Forces, and use their own warehouses to store food [3].

Among the restaurant business formats that managed not only to survive in 2022-2023 but also to develop are kebab shops, coffee shops, and bakeries. For example, in Kyiv, the growth in these sectors is almost 25%. This trend will continue, the industry expects further investment and forecasts the development of small establishments of this type in the future.

Real estate experts emphasize the demand for compact premises (up to 100 sq m) in places of concentration of people. Large, expensive premises that used to be popular for business remain available for rent. 2023 is known as a time for simple, accessible formats of enterprises that offer clear dishes. Gastronomic exclusivity is postponed for better times and for a more affluent audience, most of which is probably outside the country.

The choice of location for restaurants in shopping centers is losing its appeal. Many shopping malls close during economic instability, and they are left without maintenance and technical support, both in terms of electricity and heating. In addition, the audience of customers has changed: family restaurants are losing their popularity compared to youth and men's restaurants, which is caused by the migration of children.

Concerning cuisine, customer demand is dominated by meat and dough-based dishes, often made from available ingredients. It should be noted that in 2022, restaurant prices increased by 30-40%, according to the rising cost of food. The dynamics of consumer opportunities show that the number of solvent customers is decreasing.

This is leading to a refocusing of attention in the Gastronomy industry, but opening cheap cafés is not becoming the best option. People who used to have a limited budget can no longer afford to go out at all. The new strategy is to target those who can still afford to go to restaurants. Thus, new cafes and restaurants will be aimed at the middle class, offering dishes within the average check of 300 to 600 UAH per person. [8]

There is also an interesting trend related to changes in consumer habits during the pandemic and military time. The movement of people has become more restricted, which has led to a rise of business in residential areas. Shops, coffee shops, and restaurants located near homes have become particularly popular. This trend is relevant due to the curfews and constant alarms that force people to stay in a limited area. In this regard, the restaurant business will be actively developing in residential areas, where this new consumer demand is being formed. However, this does not apply to cities where the central part is the main point of attraction.

Low-key entertainment provides new opportunities for gastronomic enterprises. Live, unobtrusive music, concerts, stands and events attract those seeking relief from stress and anxiety. Restaurants, just like during the pandemic, are not only places for consumption, but also as a source of joy, positive emotions and a full sense of life. Experts predict an increased demand for musicians and actors to perform in restaurants. As for formats, nothing completely new is expected to appear in 2024. The focus continues to be on cooking on fire and charcoal. Meat, ribs, and pizza remain very popular among customers and continue to hold an important place in the gastronomic market, as do bakeries and coffee shops. Kebabs also remain popular, but are now aimed at the middle class. Beer kiosks, street food, hookah bars that operate despite the ban, cafes and cooking shops - all these formats will continue to operate.

The role of women in Ukrainian society is important and varies depending on the historical, cultural, and social context. During the wars, women were often the ones who took on the heavy labor. Thus, as the number of men decreases, the duties previously performed by them are being taken over by women. The expanding role of women in public life is reflected in the culture of consumption and the level of sales of products and services.

Sales in beer pubs have started to decline. Women do not prefer beer, so they are more likely to order wine or cocktails in such places. At the same time, however, sales in beer kiosks in residential areas have increased, as men have shown greater interest in consuming at home.

In restaurants, the number of men's companies is noticeably decreasing, with couples taking their place. The queues for kebabs have become shorter. This is not only due to the increase in the number of sales outlets, but also because the number of the main customers of this product has reduced.

A new interested audience has emerged - the military. Their visits to restaurants are accompanied by a great appetite, a passion for meat dishes and the absence of whimsical desserts. The military has not only the financial means but also the desire to enjoy fine cuisine. Their visits to restaurants can become a new incentive for the development of the gastronomic sector and the emergence of new, specialized offers on the menu.

Sushi is growing in popularity. Indeed, sushi is not a typical "male" dish, but women actively support it. Therefore, this year, sushi delivery and restaurants are setting new records of popularity.

There is an increased demand for salads. This is due to several factors. First, in summer there is a greater need for fresh vegetables. Second, women choose salad or pasta instead of steaks or burgers. As a result, restaurants specializing in steaks have become less popular.

Healthy eating is once again becoming an important aspect of our lives. Gluten-free and lactose-free foods are becoming more popular again, demonstrating the increased interest in healthy food.

Conclusions from this article and prospects for further researches in this area

Despite the challenges, which include high fuel and food costs, constant threats of shelling and even power and water cuts, restaurants and cafes in Ukraine continue to operate their business non-stop. Not in addition to generating revenue, paying taxes, and creating jobs, these businesses are also actively involved in volunteer activities, helping their fellow countrymen in difficult times.

The restaurant business is facing extremely challenging times, but its dedication and work is important to support the country's economy and maintain social and economic stability in times of crisis. It is important to keep in mind that even in these difficult conditions, restaurateurs and restaurant owners do not stop. They are taking all possible measures to overcome the difficulties and preserve their businesses in order to continue serving the community and help it recover from the difficulties that arise in conflict situations.

The future of Ukraine's restaurant industry is shaped by democratic establishments that do not belong to large networks but use the latest technology to facilitate their business. These establishments are more flexible and open to the needs and expectations of guests, taking into account the specifics of each city and region.

The main goal of the hotel and restaurant business development is to find new ways to ensure its progress not only in the short term, but also on a global scale in the long-term. This requires a constant search for innovation and adaptation to changes that become the subject of further research and analysis.

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