

# **THE DEVELOPMENT OF HOTEL BUSINESS IN UKRAINE**

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Hotel business is one of the most promising and successful business areas in Ukraine. Orientation toward European service standards and vigorous transition to such standards make up the distinctive feature of this sector. Similarly to any other economic activities, the hotel business aims at increasing its income and looks for tools and efficient ways to achieve the desired financial results.

In general, foreign capital representatives consider the Ukrainian market of hotel services as complicated but promising for investors and pay more attention to implementation of projects in other regions of the country. In regions the land sites are much cheaper now than they will be in future and land privatization issues as well as many other problems are easier to solve. The Crimea and the cities of Kharkov, Donetsk, Dnepropetrovsk and Odessa are the most attractive now for hotel projects. The tourist industry as an independent sector of economy is only springing up in Ukraine.

In the process of establishment the hotel market of Ukraine has encountered a number of problems. One of them is a weak interior competition caused by the lack of free means and a high tax rate which makes it difficult to ensure economic stability, maximize profits and increase competitive capability of hosting companies on the hotel services market. Another one is the absence of powerful international hotel chains. The low competitive ability index of hotel services is formed by a price level and services quality. Because of high tax rates (hotel fees) hotels have to keep high prices. The hotel fee levels are different for different hotel categories in Ukraine. The prices are specified by conditions of competition, state and interaction of the demand and supply.

Currently Ukrainian hotel market is dynamically developing. Real estate businessmen prefer to invest into small and medium hotels for 200-400 rooms able to provide elite class accommodations. The presence of major international hotel chains on the

Ukrainian market has considerably increased. Previously such major world chains as Hilton, Marriott, Sheraton, Radisson, Kempinski or Accor used to pay no attention to Ukraine preferring to invest into building hotels in Turkey and Egypt. Now the situation is different. According to researches, everywhere investors have become more active in the hotel segment of commercial real estate, and first of all this is true for the hotel market of Ukraine.

Ukrainian hotel market has attractive prospects and is one of the most promising in Eastern Europe. The number of existing hotels in Ukraine is far from being enough to satisfy the demands of the country with high investment attractiveness, rich history and diversified tourist opportunities. The hotel business in Ukraine is a promising challenge for at least four reasons:

Firstly, business activity in the country is increasing which inevitably causes extension of so-called 'business traveling' both inside the country and from abroad.

Secondly, according to world practices, higher incomes (population's incomes are increasing now in Ukraine) make people travel more and subsequently stay more in hotels.

Thirdly, having declared its intention to integrate into European structures Ukraine is becoming more attractive for Europeans (in this particular case for European tourists).

And finally the fourth, the hotel fees are expected to be reduced and unified. Thus, the compulsory payments by hotels to the budget are going to decrease.

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