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DEVELOPMENT PROSPECTS OF HOTEL AND RESTAURANT BUSINESS IN UKRAINE

Hotel and restaurant sector as one of the highly-profitable branches of the world economy is a leading direction of Ukraine's economic and social development in the XXI century. International experience shows that modern tourist infrastructure is a necessary condition of mainstreaming and successful progress of this branch in a state's market. Nowadays tourism forms economics of the states and regions, and becomes an important factor of the stable development of the world hospitality industry.

Hotel and restaurant business is one of the most attractive ones for investors in the world, and its profitability in the developed countries is seldom under 40%, at the same time running up 100% in "tourist" zones.

Being a unique country with unique climatic and natural potential, Ukraine has all the necessary resources to enhance the economy competitiveness in the future on the basis of its cultural and natural potential use. But for satisfying the needs of a tourist, a leisure traveler, a businessman it is necessary to ensure accommodation comfort, high quality of service, that is to create hospitable atmosphere.

A lot of the scientists and hotel and restaurant business personnel address the issue of this sector development. On the basis of literature review it was found that there is a considerable interest and prospects regarding demand increase for hotel and restaurant business service [1, 2]. The share and role of eco hotels in the hotel business of Ukraine and the world has been investigated [3].

At the current stage of development hospitality business provides accommodation, food and services, namely it represents full board to satisfy the customer needs, meanwhile ensuring guests' comfortable staying. The main purpose of the hospitality industry businesses' activity is providing a perfect service. To achieve this goal, hospitality industry businesses have to set and achieve the following tasks:

- to strive for perfection, introducing innovation technologies in providing hotel services and hotel activity management (including energy management), as well as non-standard approach to the best satisfying of customer needs and efficient personnel performance;
- create hospitable atmosphere, targeting the customer needs and comfortable guest staying;
- advance service providing and carrying on business activity to the international standards;
- adhere to the best value for money;
- take care about environment and its protection.

Promoting workplace increase, tourist industry ensures decreased social strain caused by unemployment. The world tourism system employs 130 mln employees; moreover, the creation of one workplace in this sector is 20 times cheaper than in industrial sector.

In the world export structure tourism ranks the 3-rd, giving place to the leading oil production and oil refining industries, as well as automotive industry ranking the 2-nd place.

Tourist business stimulates development of other branches of economy: construction, communication, food industry, agriculture, commerce, consumer goods production etc.

Currently the world hospitality industry totals about 350 000 comfortable hotels with more than 14 mln room numbers (26 mln hotel beds) [4]. Hotel room numbers have increased by 3–4% each year during the last 20 years. It is evidence that there is an increasing dynamics of the tourist places of accommodation [5]. Some indicators of hotel industry development on a country-by-country basis are represented in Table 1.

Table 1 – Hotel Industry Development Dynamics in the World

World indicators of hotel industry development	
Hotel number, thous.	350
Hotel room number, mln	14,1
Hotel room capacity growth rate, %	10-15
Hotel industry staff number, mln people	11,2
Average hotel occupancy in the world, %	67,7
Average income per room in the world, US dollar	84,4

Hotel and restaurant branch in Europe is an important economy component due to its impact on employment, growth and tax revenues, ensuring employment for 10 mln people.

Hotel and restaurant sector provides 16.6 mln of workplaces having 7,8% of workforce in Europe or one of every workplace in Europe.

Current state of Europe's tourism branch activity is represented in Table 2.

Table 2 – Current state of Europe's tourism branch activity

№	Country	Hotels and equivalent places of accommodation, units	Room number in hotels and equivalent places of accommodation, thous. units	Average number of rooms per hotel, beds	Providing country's population with hotel beds, beds /thousand people	Hotel occupancy factor, %
1	Great Britain	38 306	1243	64	20	36,5
2	Germany	35 814	1694	47	21	35,0
3	Italy	33 967	2228	66	37	30,3
4	Spain	18 387	1737	94	38	39,6
5	France	17 723	1248	70	19	42,1
6	Austria	13 645	588	43	70	37,3
7	Russia	12 388	1258	102	9	35,4
8	Greece	9 554	732	77	65	24,1
9	Switzerland	5 533	274	50	35	35,6

10	Romania	4 566	247	54	12	18,3
11	Czechia	4 469	261	58	25	26,6
12	Netherlands	3 151	204	65	12	42,3
13	Poland	2 836	222	78	6	30,3
14	Ukraine	2 485	69	80	1,6	26,0
15	Hungary	2 042	157	77	16	26,1
16	Belgium	2 036	126	62	12	34,7
17	Portugal	1 988	274	138	26	36,5
18	Sweden	1 982	222	32	24	32,0
19	Bulgaria	1 784	249	140	33	15,5
20	Slovakia	1 324	74	138	14	23,5
21	Norway	1 122	169	50	35	28,6
22	Croatia	819	150	183	34	34,0
23	Finland	867	120	112	22	34,5
24	Cyprus	699	84	120	105	41,8
25	Slovenia	667	44	66	21	36,8
26	Denmark	471	77	163	14	35,5
27	Latvia	451	25	55	11	24,0
28	Estonia	387	31	80	23	30,9
29	Lithuania	380	24	63	7	23,7
30	Iceland	296	19	24	60	28,0
31	Luxemburg	261	15	57	30	23,4
32	Malta	158	39	247	94	47,3
33	Liechtenstein	41	1	151	28	33,4

Having analyzed the abovementioned data, one can say that Great Britain is the leader among the countries with the most places of accommodation – 38 306 hotels. Germany and Italy rank 2nd and 3rd among European countries, although they are beforehand the leader with the hotel room capacity. Italy is the champion in terms of hotel beds and equivalent places of accommodation (2228 thousand units).

Ukraine ranks 14th in this rating with 2 485 hotels. Lichtenstein has the fewest places of accommodation – 41, but taking into account the country size (160 km²), it has good enough index.

Taking into account the difference between the square and population of Europe's countries, the index of providing population

with hotel beds has been calculated. Cyprus (105 beds), Austria (70 beds), Greece (65 beds) have the uppermost indices, while Ukraine, Poland, Lithuania, Russia and Latvia have the lowest ones.

Big hotels have 15–25 % of the total hospitality industry, 75–85% are the motels and hostels in the European countries. According to the analysis of hospitality industry structure, such forms of hotel business as motels, camping, camps popular in other countries, are not virtually developed in Ukraine. As international experience shows, these particular enterprises could boost the development of hospitality industry, as well as formation of additional workplaces.

In 2016 hospitality industry of Ukraine counted 2 478 hotels and equivalent places of accommodation. Hotel room capacity of the hospitality industry is made up of 52 462 rooms [6]. Dynamics of hospitality industry development is represented in Table 3.

Table 3 – Dynamics of Ukraine’s hotel industry development during 2011–2016

Year	Number of hotel-type facilities, units		Number of hotel rooms, units	
	Absolute indicator value, units	Growth rate, %	Absolute indicator value, units	Growth rate, %
2011	3162	182,7	76986	96,4
2012	3144	99,4	81441	105,8
2013	3682	113,9	89685	110,1
2014	2644	73,8	69237	77,2
2015	2478	93,7	48 588	70,2
2016	2485	100,3	52 462	107,9

Growth rate increase was observed in 2011, probably due to EURO-2012 preparation. There was a slight decline of the growth rate of the hotel-type facilities number in 2012. And there was an increase of hotel-type facilities number in 2013 compared with 2012.

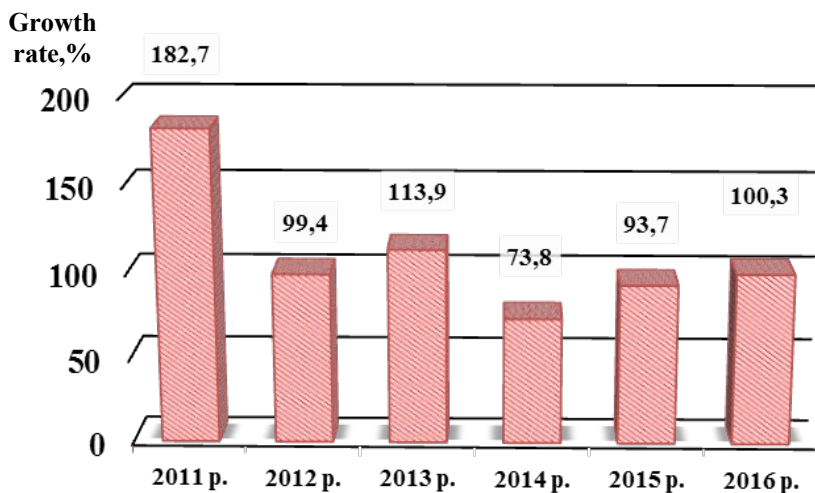


Figure 1 – Growth rate of hotel-type facilities number

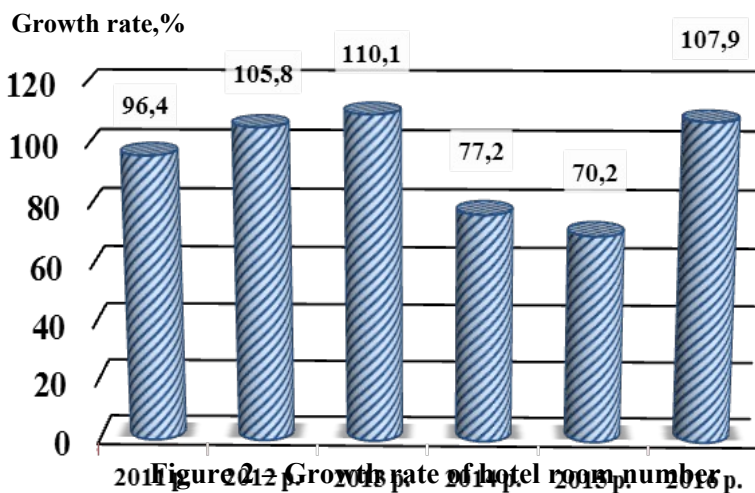


Figure 2 – Growth rate of hotel room number

In 2014–2015 the decreased growth rate was observed, caused by ATO, economic, political and financial instability of Ukraine. In 2016 the growth rate of hotel-type facilities number increased because of preparation to Eurovision Song Contest.

Even Kyiv with hotel room provision index about 6-7 beds per 1 thousand people, is far from European standards. For instance, this index is 26 beds per 1 thousand people in Vienna, and Paris – 35 beds. That is why expansion of hotel room capacity is necessary for Ukraine.

The number of employed people of business entities – temporary accommodation and catering arrangement – 195,2 thousand people (6,2% of the total workforce).

Hotel facilities are functioning primarily in the resort zones or business regions of Ukraine. Hotel facilities division on a region-by-region basis is depicted in Figure 3.

Most of the hospitality industry enterprises are located in Lviv region (0,33%), Odessa region (8,89%), Transcarpathia (8,86%), Ivano-Frankivsk region (8,08%) and the city of Kyiv (5,94%). Least in number of hotel facilities are located in Luhansk region: 0,49% of the total hotels and equivalent places of accommodation.

As a matter of interest, hotel occupancy is seasonal (in the regions that do not belong to active tourist zones; in summer it is the lowest, in summer and winter in the resort zones it is the highest). Besides, hotel occupancy during the year is erratic as a rule, as well as in terms of the week days – at the weekend it is decreasing, and increasing on the weekdays due to the people on business.

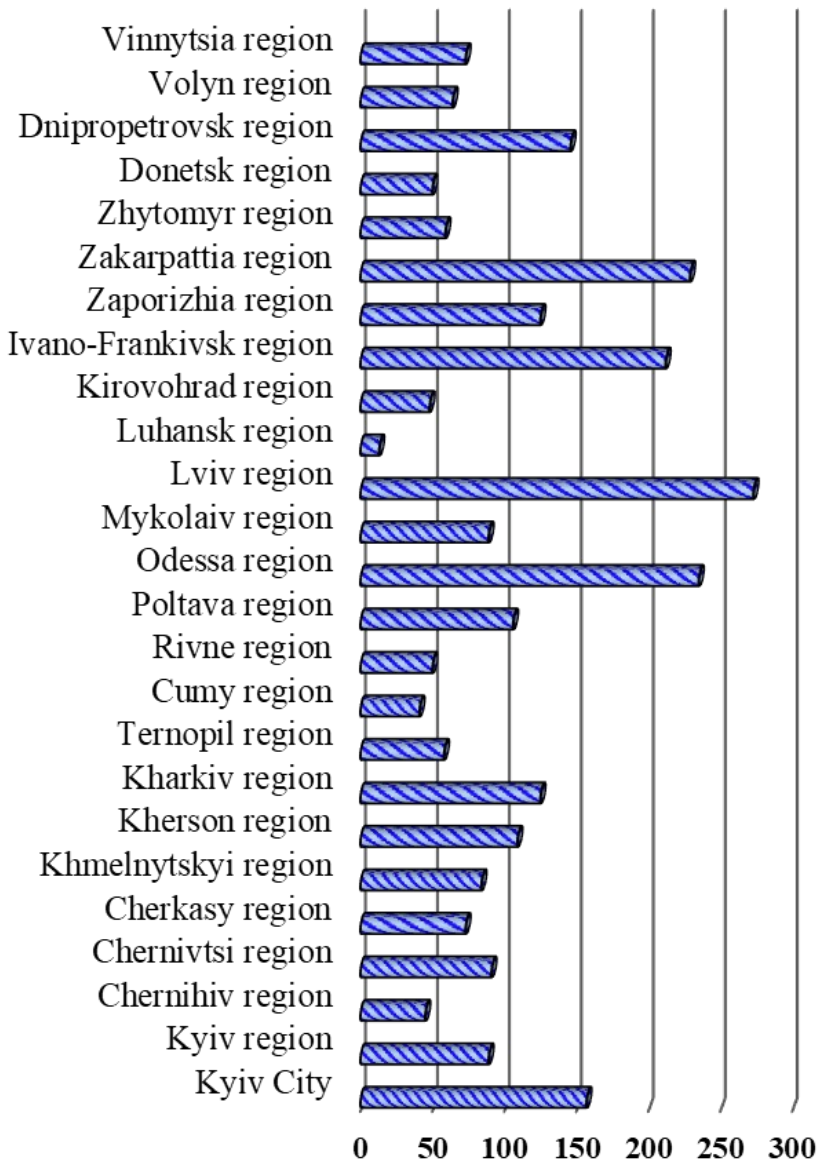


Figure 3 – Distribution of hotel industry enterprises of Ukraine on a region-by-region basis

Tourist enterprise chain has been burgeoned at the end of 1970-s – during 1980-s. As analysis confirms, most hotels, motels, camping areas, health resorts, recreation facilities and tourist sites were built from designs that did not meet international standards. Their intensive operation in the period of mass tourism (1960-1980-s), as well as delayed major and current repairs caused considerable wear of the buildings and facilities.

In the hotels built in Soviet times, there are a lot of double rooms, while according to the European standards the room inventory has to contain 70-80% of single rooms with one big bed. Our rooms are rather small, and room area does not correspond to the European room area amounting to 30 m². In many hotels there no air conditioning, public space (halls, lobby lounge, conference halls, fitness centers, underground car parks and parking area habitual for foreign tourists). That is why reconstruction works, modernization and building of tourist industry venues should be the focus area of the improvement of facilities and resources of touristic enterprises. And all these should be done at the expense of internal funds and by means of investments, including foreign investments.

In accordance with the standards, there should be at least 20 thousand of hotel beds in Kyiv (total amount of beds is currently 8,7 thousand beds, that is twice as small as in Moscow, and six times less as in Paris).

One of the main focus area of Ukraine' hotel market development is activation of interest to our country from international operators which are looking for Ukrainian partners interested in hotel projects implementation. Coming of international brands and management companies is a natural factor of hotel sector development of Ukraine. There are three international operators in Ukrainian market – Global Hyatt Corporation, Rezidor Hotel Group, Rixos Hotel, as well as Premier International national management company. Such companies as Hilton Hotels Corporation, InterContinental Hotels&Resorts, Marriott International, Kempinski Hotels&Resorts, Accor Group, Starwood Hotels&Resorts, Magic Life, Continent Hotels&Resort, Choice Hotel International, Wyndham Worldwide and others have reported their interest towards Ukraine.

Nowadays Ukrainian hotel business is gradually getting out of the crisis. Domestic hospitality industry has experienced all the aspects

of the crisis. Decline of individual and corporate tourism, cost reduction on business trips and business event execution led to financial resources outflow. Some tourist operators began to unload assets because of bankruptcy threat, and considerable part of investors froze the building of new hotels due to the scarcity of materials.

The market of hotel services was developed in two directions before the crisis of 2008. The first direction we inherited from Soviet Union – vestiges of Soviet times with vague star-rating, inappropriate service and total absence of comfort but with cheap price. The second direction resulted from Europeanisation: all the previous years there were built four-star and five-star hotels in Ukraine, and their price is too high for the majority of tourists. Thus, today's strategic task for the development of hospitality industry in the country is not only to build new hotels but also regulate the market – to provide it with hotels of lower categories with suitable conditions and reasonable price.

The experts confirm that hospitality industry development in Ukraine should be focused on the building of new hotels of different hotel classes which could satisfy the demand of population. This refers to the deluxe hotels and business hotels located in the resort centers, as well as to the hotels of medium and low price class.

Objective potential of Ukraine is considerable. There are 46 million people in Ukraine – this is a big country in the center of Europe where there are opportunities for hotel business industry, both for outbound and inbound tourism sector. Thus, having advantageous location in Europe and rich recreation resources, Ukraine has big prospects in hotel and restaurant business development in the nearest future.

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