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**DEVELOPMENT
OF RESTAURANT
AND HOTEL
BUSINESS IN THE
CONDITION OF
THE COVID-19
PANDEMIC**

Due to the crisis caused by the COVID-19 pandemic, Ukrainian business in 2020 is on the verge of survival. The economic downturn, declining purchasing power and changing behavior of citizens, inefficient support from the state have led to a reduction in production, or even the shutdown of entire sectors of the economy [8].

One of the economy's sectors that has suffered the most from the strict quarantine restrictions caused by the spread of COVID-19 is the hospitality industry. Closure of state borders, cancellation of air connections, restriction of movement within Ukraine, between regions and absolute isolation of countries from each other have provoked many problems in the hotel sector [6]. While the needs of social distancing, the ban on visiting public places to prevent congestion, reduce its solvency, restrictions on travel and mobility, have led to the temporary closure of many restaurants [13]. Over time, the process of resuming hospitality and slightly easing quarantine restrictions has begun: for example, allowing restaurants, cafes, and low-capacity bars to operate in strict compliance with social distance guidelines, and gradually reducing restrictions on domestic and foreign travel [13], however the demand for hospitality services has decreased significantly.

The hotel industry was the first to feel the effects of the active phase of quarantine. The hotels were completely closed for two months. The hotel business has suffered significant losses due to the

need to refund for canceled bookings (for chain hotels the amount was millions UAH) [8, 12]. The quarantine restrictions also affected tourist, resort, recreational and health facilities (camps, sanatoriums, boarding houses, health complexes), which almost completely ceased their activities [2].

During the quarantine period, hotels tried to reduce the cost of maintaining the number of rooms (by closing the floors, turning off the elevators), but this did not significantly reduce the cost of utilities. In addition, hotel owners have been forced to reduce costs by implementing measures such as staff reductions and/or salaries, forced leave [14]. Unfortunately, up to 25 % of staff who were not satisfied with such working conditions resigned and changed their field of activity, realizing the vulnerability of the hotel and restaurant business during such a crisis [8].

Analysis of the results of the survey from Colliers International (Ukraine) and Vertex Hotel Group showed that the losses from quarantine from March 13 to April 3, 2020 are estimated at significant amounts: 40 % of 5* hotels mentioned losses of 3 million UAH, 10 % – more 8 million UAH. More than half (60 %) of representatives of 3* and 4* hotels estimate economic losses from 500,000 UAH up to 3 million UAH, 70 % of respondents representing hotels of other categories estimate losses up to 500 thousand UAH [6].

During the period of adaptive quarantine (from June 2020), tourism gradually began to recover. Restrictions on movement (closed borders) have contributed to an increase in demand for holidays in Ukraine, which has led to a slight improvement in the occupancy of accommodation in traditional Ukrainian resorts. However, an important deterrent to domestic tourism was the psychological factor (fear of COVID-19 infection) [2]. The results of a study conducted by the editorial team of the Journal of Hospitality Marketing & Management [13] show that only 18 % of hotel consumers feel comfortable when staying at a hotel when traveling, when the incidence of coronavirus is low in this locality. About 17 % of respondents said they would use hotel services when the COVID-19 vaccine became available. The main trends in the hotel business, which took place during the quarantine restrictions, according to the research presented in [15], include:

- 1) the segment of five-star hotels suffered more than four- and three-star hotels, due to a sharp drop in the flow of foreign tourists to Ukraine;
- 2) during the second wave of the crisis, urban business hotels, which lost 75 to 90 % of their guests, and hostels, which did not have the opportunity to comply with anti-epidemic requirements, had the hardest time;
- 3) almost complete reduction of conference services due to the lack of adequate halls (20 square meters per a person in the “orange” zone) and a high risk of organizing large-scale events due to the risk of getting into the “red” zone at any time;
- 4) quite good results of country hotels, where guests spent their holidays. Many of them were loaded by 80-100 % actually from the beginning of quarantine until the end of the summer;
- 5) hotels in Yaremche, Slavske, Verkhovyna, Bukovel functioned with good net profit indicators;
- 6) the season was successful for the objects of the Black Sea coast of the segment “medium plus” and above. There was also a high demand for domestic leave from mid-June to the beginning of the school year in Ukraine. In summer, the average occupancy of hotels in Odessa was from 60 to 75 %. Hotels on the Sea of Azov also had a significant occupancy rate, and those that were able to provide nominally separate accommodation (cottages or houses) were generally loaded at 70-85 % [15].

Restaurant business in Ukraine, unlike a number of other countries, did not receive state aid, entrepreneurs were alone with the crisis [5]. Due to the coronavirus pandemic from March to May 2020, a large number of domestic restaurants were temporarily closed, only some continued to work exclusively in the mode of delivery or issuance of orders “to go” [2]. The introduction of targeted delivery services for food companies did not significantly affect their income under quarantine – delivery allowed to compensate only up to 5 % of total profits. The situation was a bit better with establishments that had a car service line (like McDrive of McDonald’s). At the beginning of the quarantine, their profits decreased by only 25 % due to a significant increase in car traffic [8]. At the same time, due to the decline in the solvency of the

population, instead of visiting restaurants, a significant number of Ukrainians began to prefer home-cooked meals [2].

The opening of summer terraces in mid-May, according to a survey of restaurateurs, allowed to restore about 20-30 %, and by the end of the summer – up to 50 % of revenues compared to the planned figures. However, restaurants operating on the basis of shopping centers were closed for the longest time - almost 6 months of quarantine. The dynamics of profitability of such institutions after the opening showed a decline of up to 60 % compared to last year [8]. At the beginning of July, only 86 % of pre-crisis cafes and restaurants in Ukraine resumed operations [2]. Until the end of 2020 and in January-February 2021, the network of restaurants continued to face a large number of visitors due to quarantine restrictions, periodic lockdowns, the departure of a significant number of people from regional centers to other regions, their transition to remote work, etc.

The state of hotel and restaurant business in modern conditions is of considerable scientific interest. In today's environment, the focus of research by researchers in marketing and management in the field of hospitality, as well as specialists in this field, is aimed at developing new solutions to maintain competitiveness and ensure the efficiency of the hotel and restaurant industry.

Thus, the critical situation determines the search for ways to restore the effective operation of enterprises, one of which may be the growth of innovation activity. In the hotel and restaurant industry, innovative business models cover the full range of traditional business upgrades, including new product and service offerings, as well as technological, managerial and marketing innovations [3].

For hotel and restaurant enterprises, hygiene and safety are the most important factors in shaping future demand. The availability of disinfectants (such as sanitizers at the entrance, staff in masks and gloves), social distancing, limiting customer service, more thorough and frequent cleaning of surfaces in public areas, employee training are the most important safety measures that consumers expect from the restaurant and hotel [13; 14]. These safety measures increase the cost of labor protection; however, hoteliers and restaurateurs cannot compromise on these costs to support their business. Thus, according

to opinion polls [14], about a third of visitors to restaurants and about 40 % of hotel guests are willing to pay more for improving safety.

Quarantine restrictions have also significantly affected the digital transformation of the hotel business through the introduction of electronic document management and an increase of up to 50 % in the number of online bookings through external services [8] order to preserve the hotel business and its development in the face of the loss of a large number of potential consumers, it is necessary to properly select the hotel strategy, which is based on a correct assessment of the price-quality ratio of the proposed hotel product. According to research by scientists [6], such strategies include:

1) differentiation of the hotel product, i.e. adding to the existing basic and additional services of new consumer properties, the most valuable in terms of potential guests;

2) diversification of the hotel product, namely increasing the level of quality and safety of hotel service; simplification of the algorithm of booking, registration, as well as settlements with customers; ensuring compliance with modern environmental, sanitary-epidemiological and other norms; providing the hotel product with new consumer properties that increase social status, prestige for the guest;

3) search for opportunities to simultaneously reduce costs and differentiate the hotel product or provide potential consumers with hotel services with greater consumer value without changing the pricing policy;

4) meeting the needs of certain target groups of consumers of hotel services, for example, in accordance with the geographical location or classification of the hotel enterprise to a separate type, category (for small capacity hotels);

5) the formation of strategic alliances of hotel enterprises through the conclusion of a cooperation agreement that goes beyond the contractual relationship between the two means of accommodation – partners, but does not provide for the merger of the hotel enterprises;

6) the presence of standardized algorithms for the production and sale of hotel products, as well as operational hotel management in the form of a management agreement or franchise agreement between the hotel operator and the owner at the expense of accommodation [6].

It should be noted that in modern conditions the application of these areas of strategic planning is promising in the activities of not only hotel enterprises but also restaurants..

One of the effective way to revive the restaurant business in a pandemic is to organize quality and safe services of targeted delivery of products [7]. According to the Rewards Network, the cost of running an in-house delivery service generally ranges from 0 \$ to 10,000 \$, averaging 1,923 \$. However, the use of third-party delivery services for some restaurants is not cost-effective due to exorbitant fees, which are usually charged by companies and some other factors [11]. For example, in Ukraine, delivery services have too high prices – on average 30 % of the order amount. Marketing research has shown that the UberEats delivery service has left Ukraine, there are many complaints about Glovo, Raketa is still the strongest delivery service, but has set a high percentage for services – almost 40 % [5].

Among the new trends in the activities of restaurants using the service of targeted delivery of culinary products or “take away” are relevant to the following marketing tools [7; 9; 10]:

1) stimulating “take away” – providing significant discounts, adding free meals or gifts for consumers who pick up orders directly at the restaurant;

2) encouraging guests to the next visit – with each delivery or order “take away” establishments recommended to include in the order a coupon or gift card, the use of which is possible during the next visit to the restaurant;

3) free dishes for children – offering free meals from the children's menu when ordering food for adults is a great tactic to increase the amount of the check, especially during distance learning in schools and closing kindergartens for quarantine. Yes, parents may be more inclined to choose such a restaurant instead of a competitor's restaurant, if they know that the child's food does not require additional costs;

4) “more - better” – an offer for consumers to order food in bulk with delivery or "takeaway" with explanations of how to store them and add instructions for heating, which is a stimulus to make large orders;

5) delivery without contact with the courier – a service that was popular during the strict quarantine, still remains relevant. When

providing it, the employee leaves the package with the order on the hood of the car or at the door, having previously called or rang the doorbell;

6) the evolution of packaging design for branding and protection against courier encroachment – back in 2017, a US Foods study found that almost 30 percent of drivers who deliver food have tasted the food for which they are responsible. However, during the COVID-19 era, secure packaging became an extremely important necessity for restaurants and food delivery services.

An integral part of the operation of restaurants and hotels in the current realities and the near future is the integration of digital technologies in the hospitality industry. Their use for the provision of restaurant and hotel services in the COVID-19 environment is due to the need to minimize human contact. In particular, such technologies include: office work, contactless payments, such as Apply pay or contactless bank cards, digital menus that can be viewed on personal mobile devices using QR-codes, contactless digital payments, organization of “electronic tips”, keyless entry, contactless elevators, etc. [13].

In a pandemic, restaurateurs should pay more attention to Internet marketing tools that promote the restaurant product, the company itself and its brand through the use of social media (SMM) [7]. The implementation of effective SMM today is an important factor in the successful operation of hospitality companies to attract more fans, expand the target audience, develop, improve and protect the reputation through the formation of consumer loyalty to the brand. Popular platforms used by the population include social networks (Facebook, Instagram, Twitter, LinkedIn), video hosting (YouTube), individual messengers (Telegram, Viber, WhatsApp) and others [1; 4].

In the management of crisis management, restaurant businesses are promising to use digital marketing methods such as contextual advertising Google Adwords (various ads (text, graphics, video), which are displayed to users according to their search queries, interests or behavior on the Internet) and retargeting. That is, advertisements are aimed at the target audience of users who have already interacted with the restaurant business: visited the site, browsed the restaurant menu, began to place an order, but did not

make a positive decision to order [4].

In order to minimize the consequences of losing visitors, some restaurant chains under strict quarantine have expanded their offerings by developing and launching their own brand of semi-finished products (Lviv chain “! FEST”) [8], which is relevant given that a large proportion of the population began to give preference for food at home.

The use of remote technologies is effective to keep restaurants in touch with consumers during a pandemic. For example, services of this format include interactive cooking classes online or on social networks, where it is possible to communicate with chefs without leaving your home; virtual themed events, including online themed parties, virtual game evenings or quizzes with themed recipes that viewers-consumers of a restaurant, cafe or bar can prepare at home [9].

An important activity of the hotel and restaurant business is also their social orientation, which is to inform the customer base about the security measures taken, special offers, as well as the adaptation of institutions to the situation in the industry, which is constantly changing [7].

Thus, the hospitality industry is now facing the biggest test in recent times. The changes taking place in the modern world as a result of the coronavirus pandemic are causing a transformation in the behavior of consumers of hotel and restaurant services, which are becoming more cautious and demanding. The issue of finding optimization of the functioning of hotel and restaurant facilities during quarantine restrictions is quite acute. Summarizing the results of the study suggests that in a pandemic COVID-19 the most effective tools for crisis development of the hospitality industry is the development and implementation of plans for innovative strategic activities, namely the differentiation and diversification of hotel and restaurant services, cooperation between institutions, modeling new ways, organization of safe customer service, providing quality delivery, active use of Internet marketing and remote technologies.

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