

*Asheber Ye., Shkoda M.*

*Kyiv National University of Technologies and Design*

### THE INFLUENCE OF COVID-19 ON THE DEVELOPMENT OF HOTEL AND RESTAURANT BUSINESS IN UKRAINE

**Abstract.** The article discusses the impact of quarantine measures, in particular, Cabinet of Ministers of Ukraine Decree of March 16, 2020 No. 215 on the restaurant and hotel business in Ukraine, which is forced to temporarily stop its full-fledged activity for the period of quarantine. The influence of the coronavirus pandemic on the global HoReCa networks is analyzed. A number of supporting measures for the HoReCa sphere in Ukraine are proposed, which need to be implemented at the state level.

**Keywords:** economic crisis; financial crisis; quarantine; hotel and restaurant business; catering.

*Ашебер Є., Шкода М.С., к.е.н., доц.*

*Київський національний університет технологій та дизайну*

### ВПЛИВ КОРОНАВІРУСУ НОВОГО ТИПУ COVID-19 НА РОЗВИТОК ГОТЕЛЬНО-РЕСТОРАННОГО БІЗНЕСУ В УКРАЇНІ

**Анотація.** В статті розглядається вплив карантинних заходів, зокрема, Постанови КМУ від 16 березня 2020 р. № 215 на ресторанний та готельний бізнес України, який вимушений тимчасово, на період карантину, зупинити свою повноцінну діяльність. Проаналізовано вплив пандемії коронавірусу на світові мережі HoReCa. Запропоновано ряд підтримуючих заходів для сфери HoReCa в Україні, які потрібно здійснити на державному рівні.

**Ключові слова:** економічна криза; фінансова криза; карантин; готельно-ресторанна справа; громадське харчування.

*Ашебер Е., Шкода М.С., к.э.н., доц.*

*Киевский национальный университет технологий и дизайна*

### ВЛИЯНИЕ КОРОНАВИРУСА НОВОГО ТИПА COVID-19 НА РАЗВИТИЕ ГОСТИНИЧНО-РЕСТОРАННОГО БИЗНЕСА В УКРАИНЕ

**Аннотация.** В статье рассматривается влияние карантинных мер, в частности, Постановления КМУ от 16 марта 2020 № 215 на ресторанный и гостиничный бизнес Украины, который вынужден временно, на период карантина, остановить свою полноценную деятельность. Проанализировано влияние пандемии коронавируса на мировые сети HoReCa. Предложен ряд поддерживающих мер для сферы HoReCa в Украине, которые нужно осуществить на государственном уровне.

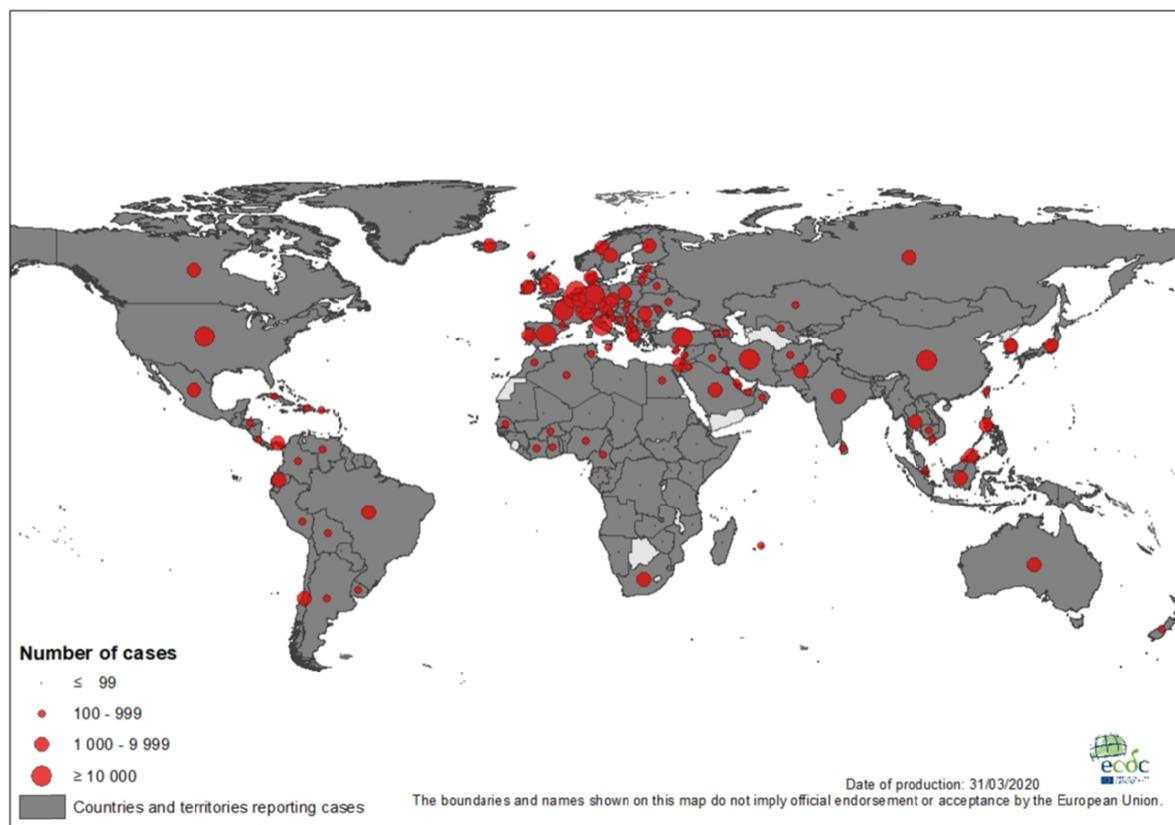
**Ключевые слова:** экономический кризис; финансовый кризис; карантин; гостинично-ресторанное дело; общественное питание.

**Statement of the problem in general.** For several years, experts predicted the onset of the global economic crisis, and now, because of the coronavirus pandemic, these forecasts are beginning to come true. Since 31 December 2019 and as of 31 March 2020, 777,798 cases of COVID-19 were detected (in accordance with the applied case definitions and testing strategies in the affected countries) [1].

The fight against coronavirus harms the economy. The restrictions that governments around the world impose in order to curb the spread of infection in one way or another are detrimental to business.

**Analysis of recent research and publications.** The coronavirus pandemic is a catastrophe for world restaurants. For London and New York, the antisocial effects of Covid-19 put an end to the golden age of bars and restaurants, who over the past three decades have

turned gourmet dishes, or just eating out into the highest form of urban life and an indicator of social status: where you are eat it.



Source: [1].

Figure 1. Geographic distribution of COVID-19 cases worldwide, as of 31 March 2020

Among two cities, New York and London, there are almost 50,000 restaurants, ranging from hard-to-reach reservations such as Momofuku Ko in eastern Manhattan and Core from Clare Smith to London's Notting Hill, to small but popular leaders such as Wildair in the lower east. Now almost every one of them is closed.

The Union Square hotel group, perhaps the most revered restaurant empire in the United States, led by CEO Danny Meyer, who also runs Shake Shack, was forced to free 80% of its workforce, or 2,000 employees [2].

**Highlight previously unsolved aspects of the problem.** Ukraine in this regard was no exception. The introduction of quarantine in its current state over a large territory and for a long period carries very serious economic risks for Ukraine. A possible economic collapse for certain sectors of the economy is in the risk zone of tourism, hotel, restaurant, transport and some other industries. Ukrainian business is preparing for difficult times through the coronavirus crisis. Closed restaurants in cities during quarantine can lead to bankruptcy. As noted in business associations, it is virtually impossible to digitize potential losses due to the pandemic because of the difficulty in predicting the potential scale of the spread of the virus in Ukraine. "We are clearly talking about the economic decline, even considering measures taken by the government to support business. According to a survey of the SUP participants, Ukrainian business expects a quarterly revenue drop by an average of 30–35%," according to the Union of Ukrainian Entrepreneurs. The Union calls such consequences of the financial crisis:

- Firstly, the disruption of supply chains and the suspension of production.
- Secondly, the irrevocable loss of income and the probable bankruptcy of small and medium-sized businesses due to termination of business for an indefinite period.

- Thirdly, cancellation of orders for industrial goods, refusal to conclude new agreements, cancellation of supplies under already concluded contracts.

- Fourthly, loss of work for unofficial workers (in particular, in the service sector).

The economy of Ukraine, although not so attached to foreign tourists, but if the quarantine is prolonged, then industry will lose 3–5 billion dollars. Approximately 80% of hotel industry is small businesses, entrepreneurs that may not survive this quarantine.

**The purpose of the article.** The purpose of this article is to investigate the influence of quarantine measures caused by the coronavirus pandemic on the development of hotel and restaurant business in Ukraine and to propose supporting measures and reforms that should be carried out at the state level.

**Research results.** According to the Poster study, catering sales in Ukraine starting March 12 to March 15, 2020 fell by an average of 26% compared to the same period last week. On the weekend of March 14–15, this figure plunged by as much as 36%.

Sales fell sharply not only in the capital city (by 24% in four days compared to the same period last week), but also in all the largest regional centers. For example, in Lviv, the indicator dipped by an average of 23%, in Kharkiv – by 20%, in Odesa and the Dnipro – by 24%.

"It is already clear that quarantine due to the coronavirus pandemic will cause one of the largest HoReCa crises in Ukraine in recent years," states Rodion Eroshek, co-founder and CEO of Poster restaurant Automation Company.

Many institutions whose activities are officially terminated, are trying to urgently reorient to delivery. Those who did not have time to do this earlier, stand in line for integration with services like Glovo or Uber Eats, who organize their delivery, turning the waiters into temporary couriers.

According to Olga Nasonova, an expert in the restaurant business, global losses in the restaurant business through the coronavirus can reach 50% and even more. Most staff will lose their jobs [3].

The domestic hotel and restaurant industry, which suffers very much from quarantine, needs state support in order to survive, to provide all employees with minimal means of accommodation.

Now is a very difficult time, but it is also an opportunity to carry out reforms. We propose the list of urgent problems for the hotel and restaurant industry:

1) For the quarantine period, take away the taxation of wages and other payments to employees of enterprises in the hotel and restaurant sector, namely PIT and ERUs, as well as continue this benefit for 1 month after the end of the quarantine.

2) Provide the business with a targeted loan at 0% for the payment of salaries and taxes for a period of 6–12 months. After the end of the grace period, lending continues at commercial interest.

3) Provide the business with a targeted loan at a preferential interest rate for a new working capital.

4) Influence three delivery aggregators on reducing its cost to the average in Europe.

5) Provide clarifications on the features of interaction with employees during quarantine and the legal grounds for sending people on vacation at their own expense.

6) Introduce a moratorium on checks.

7) Provide permission for the delivery of alcohol goods locally, for the entire quarantine period.

8) Consider the possibility of granting permission to install bar counters at the entrance to the restaurant, where people can take food with them.

9) To think over a mechanism for organizing “healthy zones” and removing quarantine in these places.

10) Transfer to 10% VAT or extension of the terms of its payment until the end of quarantine.

11) The State Tax Service to meet with the business and facilitate the conclusion of long-term installment agreements for tax arrears in order to mitigate the burden on the business during and after quarantine for complete recovery.

12) Increase the period of leave of your own free will for the entire period of quarantine.

13) The introduction of tax holidays for a business that wants to get out of the shadows and work officially.

14) To establish that for the period from 03.17.2020 until the end of the quarantine rental vacation:

→ the rent for the use of non-residential premises related to the property of the territorial community is not charged or paid;

→ the rent is not charged or paid for the use of individual structural elements of improvement;

→ the cost of house management services provided by utilities for servicing the housing stock is not paid.

15) Consider the possibility of providing state support to target for certain areas of business under the Classification of economic activities. Those who ceased their activities at the request of the state (hotels, restaurants, tourism, etc.).

16) Development of a bill for the tourism industry: the priority of residents in their own market.

17) Simplification of documentation for the opening of summer areas after quarantine and emergency situations in the country.

18) Creating an information campaign to support small and medium-sized businesses, urging people to support local businesses by buying food directly in restaurants without intermediaries.

**Conclusions.** It is clear that in the event of an urgent imperfection of actions for reprofiling the usual operating hours of restaurant and hotel hospitality establishments, this business in Ukraine will be marked by a significant decrease in the number of institutions on the market.

So, there are two ways to overcome the temporary crisis in the hotel and restaurant business.

The first is to start providing services in the field of public catering only on the basis of targeted delivery, expressly permitted by the aforementioned Resolution. For this, the SG needs to check the availability of the appropriate code for the implementation of such economic activities according to the Classifier of Economic Activities and Trade of Ukraine-2010. In the absence of such a code, make appropriate amendments to the Unified State Register of Legal Entities, Individual Entrepreneurs and Public Associations. Mandatory is the need to make changes to the staffing structure of the enterprise to change the list of posts in the institution, and the addition of new posts, for example, couriers for food delivery, or the transfer of some employees to such a position. It is likely that when repurposing a familiar institution into an institution using only targeted delivery, it is advisable to introduce additional units to the staff – an SMM specialist, and / or a marketer. All the above actions must be consolidated by issuing SG relevant administrative documents.

To provide services in the field of public catering with targeted delivery, an entrepreneur needs to decide whether he plans to deliver his products using existing food delivery services, or to do this on his own. So, in the first case, it is necessary to conclude an agreement on the provision of services for the relevant delivery service; in the second case, the purchase and sale of necessary vehicles (moped, passenger car, etc., depending on the

financial capabilities of the entrepreneur), as well as the supply of disposable containers and other means for packaging products. All this necessitates a thorough study of the terms of civil contracts (for the supply, the provision of services, etc.) for their conclusion with the counterparty, and / or the need for legal execution of the vehicle purchase and sale agreement due to the existing restrictions during quarantine.

The second is the conversion of a catering establishment into a food retail store. In this case, we can talk about the sale of food and / or, also, the sale of ready-made dishes, the institution has the right to continue to produce at its facilities. For this, again, it is important to take care of entering the appropriate code for the implementation of such economic activities according to the Classifier of Economic Activities and Trade of Ukraine-2010 in the SG registration card in accordance with the current legislation.

If the SG occupies the area of the institution on a rental basis, it is important to analyze the lease for compliance with the intended use of such a room. It is possible that it may be necessary to make appropriate changes to the lease to provide the tenant with the right to retail food.

The next step is the need to submit an application for registration of capacities to the State Service of Ukraine for Food Safety and Consumer Protection, despite the new type of activity related to the retail sale of food products. It is important that such an application is submitted no later than 10 days before the start of work under the new rules, that is, before the start of the retail sale of food products.

Meanwhile, if the SG plans to sell alcoholic beverages in the store, it needs to make changes to the appendix to the current license for the right to retail trade in alcoholic beverages with regard to changing the name of the place of sale (in case the name of the Union of Artists and the address of the business activity coincide data specified in such a license). It is also important to take care of making changes to the registration certificate of the registrar of settlement transactions (re-registration of PPO). Despite the change in the scope of the PPO, within five working days from the date of such changes.

In the case of reassignment of a catering establishment to a food retail store, it is extremely important to take care of the proper observance of the requirements of labor legislation regarding the transfer of employees to another position.

Further, the owners of the store again will have a long work to conclude supply contracts. If the work of the institution's kitchen does not stop and the desire to sell ready-made dishes through trade in the store is the drawing up and signing of an order agreement (or commission, depending on the purpose of the sale), or the corresponding contract for the delivery of finished dishes from the institution to the store.

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