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## ANALYSIS OF NETWORKS BRAND DEVELOPMENT IN THE RESTAURANT INDUSTRY OF UKRAINE

*The article demonstrates the main stages in the development of restaurant networks brands in Ukraine since 2000 and up to present day. It analyses the dynamics of the restaurant market and the structure of the restaurant industry in its regional aspect, division of catering firms by segments, and the structure of the catering market. Features of the biggest restaurant networks industry in Ukraine are outlined.*

*Keywords:* brand; restaurant business; regional aspect; market segment; restaurant networks.

*JEL classification:* M31.

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## АНАЛІЗ РОЗВИТКУ БРЕНДІВ МЕРЕЖ ПІДПРИЄМСТВ РЕСТОРАННОГО ГОСПОДАРСТВА В УКРАЇНІ

*У статті наведено основні етапи розвитку брендів мереж підприємств ресторанного господарства України в період з 2000 р. по теперішній час. Проаналізовано динаміку ринку ресторанного бізнесу, структуру ресторанного бізнесу в регіональному аспекті, поділ підприємств ресторанного бізнесу за сегментами, а також структуру ринку мереж закладів ресторанного господарства. Наведено характеристики найбільших мереж ресторанного господарства України.*

*Ключові слова:* бренд; ресторанний бізнес; регіональний аспект; сегмент ринку; ресторани мережі.

*Рис. 6. Табл. 1. Літ. 10.*

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## АНАЛИЗ РАЗВИТИЯ БРЕНДОВ СЕТЕЙ ПРЕДПРИЯТИЙ РЕСТОРАННОГО ХОЗЯЙСТВА УКРАИНЫ

*В статье приведены основные этапы развития брендов ресторанного хозяйства Украины в период с 2000 г. по настоящее время. Проанализирована динамика рынка ресторанного бизнеса, структура ресторанного бизнеса в региональном аспекте, разделение предприятий ресторанного бизнеса по сегментам, а также структура рынка сетей заведений ресторанного хозяйства. Приведены характеристики крупнейших сетей ресторанного хозяйства Украины.*

*Ключевые слова:* бренд; ресторанный бизнес; региональный аспект; сегмент рынка; ресторанные сети.

**Problem statement.** Restaurant industry is one of the biggest elements of the hospitality industry in Ukraine. Restaurant business, if to consider it as a sphere of entrepreneurial activity, performs important social and economic functions. It is a profitable sphere of funding which ensures fast turnover of invested money. Social functions of restaurant business are expressed through serving public interests (Pyatnytska, 2011).

Analysis of the current conditions and marketing technologies shows that development of restaurant business today depends in many ways on the methods of market promotion and customer loyalty towards a brand (Pyatnytska and Pyatnytska, 2013).

Therefore, the research of the development of the networks brand in the restaurant industry of Ukraine is a very actual issue nowadays.

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**Literature review.** Today brand-management as a subject matter is being considered by such authors as F. Daniali (2012), O.M. Golovko et al. (2012), O.L. Ivanik (2008), O.A. Kravchenko et al. (2014), V.O. Lukyanov and G.B. Munin (2012), N.O. Pyatnytska (2011), G.T. Pyatnytska and N.O. Pyatnytska (2013) and others.

**The aim of the article** is to describe the development of today's brands of restaurant enterprises in Ukraine.

**Key research findings.** Starting from the 1990s, public catering in Ukraine as the industry of national economy has been changing greatly under the impact of economic reforms and crises. Nowadays this type of activity has a clearly upward trend in its development (Pyatnytska, 2011).

There may be distinguished 3 stages in the development of restaurant business in Ukraine:

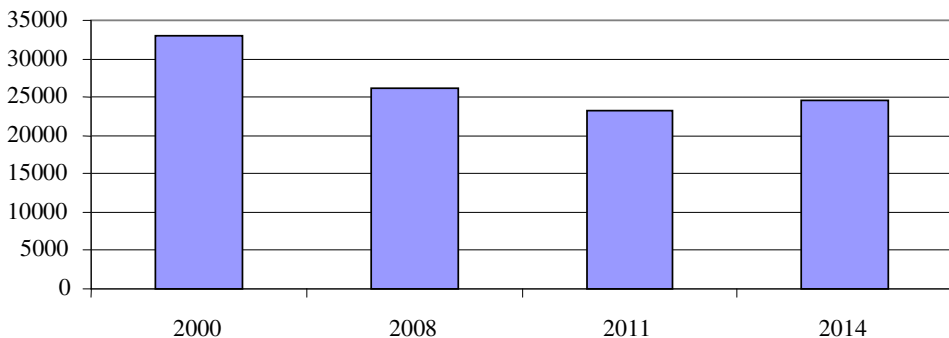
1) before crisis (2000–2008) – this stage is characterised by the increase in the number of catering establishments. At the beginning of 2008 their number in Ukraine exceeded 27,000. This was caused by the emergence of new trends in the industry and the increase of population incomes (State Statistics Service of Ukraine, 2014);

2) during the crisis (2008–2011) – there was a decrease in the number of catering establishments. During this period the restaurant market in Ukraine lost almost 3,000 establishments – about a thousand a year. As a result, out of 26,159 food establishments only 23,369 were left as of January 1st, 2011 (Daniali, 2012);

3) after crisis (since 2011 till now) – the modern stage which is defined by the gradual overcoming of the crisis and partial reduction of its negative consequences. In 2011 the reduction of market operators stopped and the growth began (State Statistics Service of Ukraine, 2014).

As of January 1st, 2010 the turnover of the restaurant industry of Ukraine (taking into account private entrepreneurs) made up 15.4 mlrd UAH. As of January 1st, 2013 the turnover increased by 1.8 and reached 23.5 mlrd UAH. And on January 1st, 2014 the turnover of this industry increased by another 1.4% and reached 24.3 mlrd UAH (Kravchenko, 2014).

Figure 1 shows the dynamics of the restaurant market.



**Figure 1. Dynamics of the restaurant market (by the number of establishments) during 2000–2014** (State Statistics Service of Ukraine, 2014; Daniali, 2012)

Changes observed in Figure 1 have several reasons:

1. Restaurant business is a good value for money, especially for small business. Investment in a restaurant is profitable because the payback period in this business is more than two years, profitability of 15–30% is significantly more than in manufacturing – 3–4%.

2. It is cheaper to open a restaurant now rather than few years ago, despite the crisis depreciation of hryvnia. Suppliers of restaurant equipment make discounts, the choice of materials is now wider, many have lowered their prices.

3. Changes in the Tax Code favoured this market development.

4. Restaurant networks began to develop actively in 2012, added about 2–4 establishments to the already existing ones.

5. Hosting of "Euro 2012" has positively influenced the decision-making of many concerning opening of such establishments in the cities hosting matches, however, unfortunately, the real situation didn't meet the expectations of restaurant owners.

6. Dining in cafes and restaurants has become a part of the lifestyle for many Ukrainians. Every month cafes, bars and restaurants serve 48.3 mln guests, every day 1.6 mln people visit food service establishments. Eating out has ceased to be luxury and a sign of status and is becoming more and more affordable for many people (Daniali, 2012).

Restaurant business is most actively developing in big Ukrainian cities, the leader by market volume is Kyiv, of course (Figure 2).

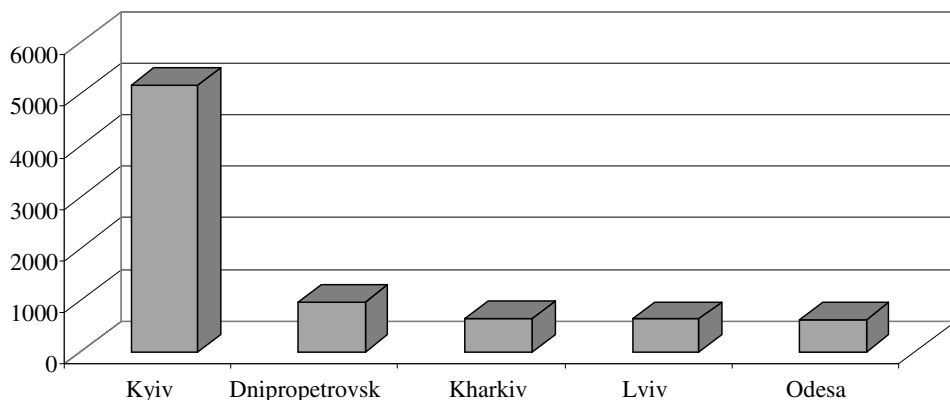


Figure 2. Analysis of restaurant business structure, regional aspect (Daniali, 2012)

In all these cities restaurant business has been developing differently, the development rules are dictated by the economic situation in a particular, traditions and mentality, number of guests, own preferences of restaurant owners etc. Elite establishments occupy bigger market share in Odesa and Kyiv, mid-price – in Lviv, Kyiv and Dnipropetrovsk, the lowest end of market is most active in Lviv and Kharkiv (Figure 3).

All these figures demonstrate the current market tendencies in each particular place, their unique peculiarities.

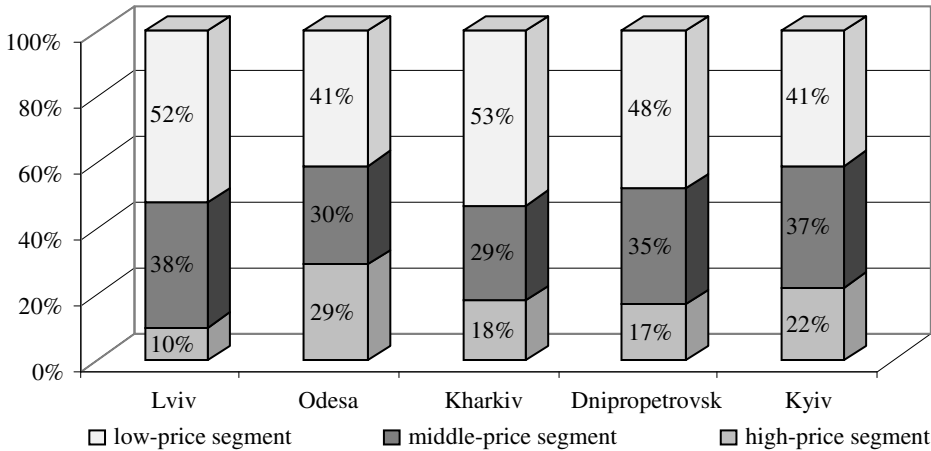


Figure 3. Division of restaurant enterprises by price segments (Daniali, 2012)

Nowadays in Ukraine different cuisines of Europe and Asia have become quite popular. Dishes of approximately 30 countries are offered by restaurants, including Ukrainian, Russian, Georgian, Armenian, Uzbek, Italian, French, English, Japanese, Chinese and many other cuisines (Ivanik, 2008).

The representation of national cuisines can be divided the following way (Figure 4).

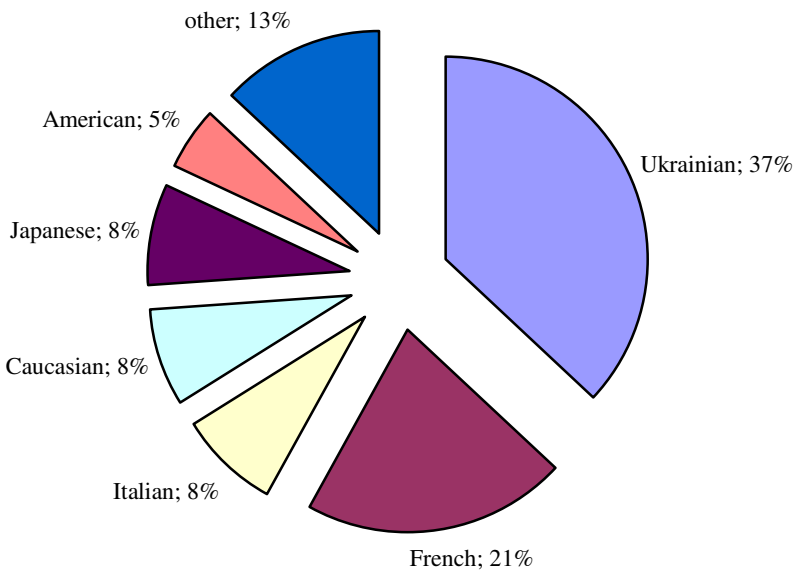


Figure 4. National cuisines in the restaurant industry of Ukraine (Ivanik, 2008)

Over the last years it has become very popular to include dishes from different cuisines of the world into the menu of the same restaurant. It gives consumers a possibility to choose dishes to their taste practically in any restaurant establishment (Ivanik, 2008).

More and more restaurants emphasise the use of natural products rather than the complexity of recipes in their menu (Ivanik, 2008).

Similar situation is observed with the growing number of bar products, their new formats appear: coffee houses, pubs, and establishments specializing in cocktails or wines. In general, restaurants which satisfy the need for communication are visited more actively (Ivanik, 2008).

Today additional services in restaurants have become popular, for example, presentation of dishes, happy hours, sommelier services, gastronomical shows, cooking in guest's presence, karaoke, catering, entertainment etc.

All this is very important for the formation and development of brands of catering establishments (Jashyna, 2010).

Today Ukrainian restaurant business includes more than 65 ths catering establishments with almost 3.5 mln seats.

More than 53% in the networks of catering establishments are occupied by diners, cafes, buffets because modern consumers prefer the products of these very establishments. Canteens today occupy less than 20% of the whole segment, snack bars – 16%, while 7% are occupied by other catering establishments (Figure 5).

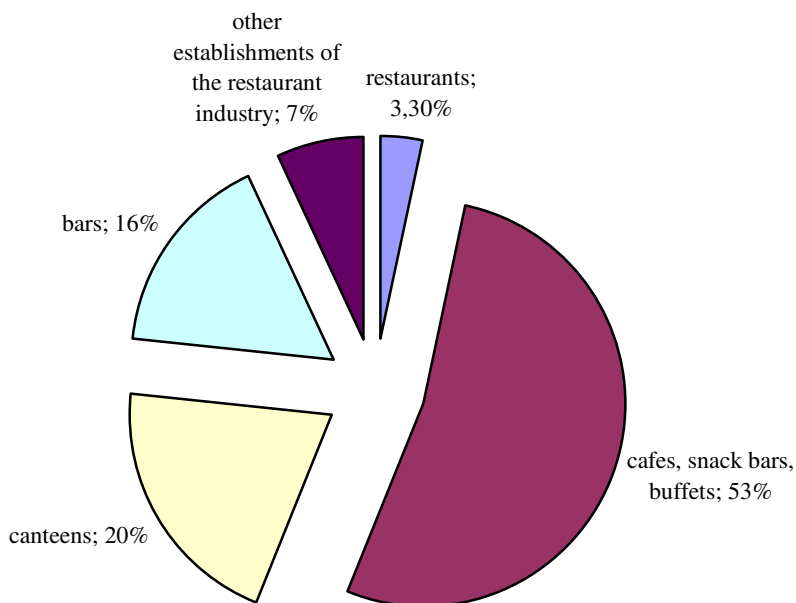


Figure 5. The structure of the networks of catering establishments (Ivanik, 2008)

During the period of market economy changes in capacities of different types of catering establishments have taken place: average spaciousness of one object of a restaurant type decreased by more than 1.5 times, average spaciousness of one cafe, snack bar, buffet, bar is growing steadily, spaciousness of canteens did not change (Pyatnytska, 2011).

Today very successful are considered to be those establishments which were created under franchising, because it minimises risks of possible failure. This way was chosen by "Kozyrna Karta" ("The Trump-card") network (Ivanik, 2008).

Generally, today's networks of restaurant business may develop in two directions: networking and non-networking.

Networks are created on the basis of cooperation and integration of enterprises as subjects which have similar system of values (Pyatnytska, 2011).

Thus, by the level, quality and services specification one can distinguished 3 main networking systems in Ukraine today:

- elite catering establishments;
- quick & casual format;
- fast-service establishments (Pyatnytska, 2011).

Figure 6 shows the restaurant market structure in Ukraine.

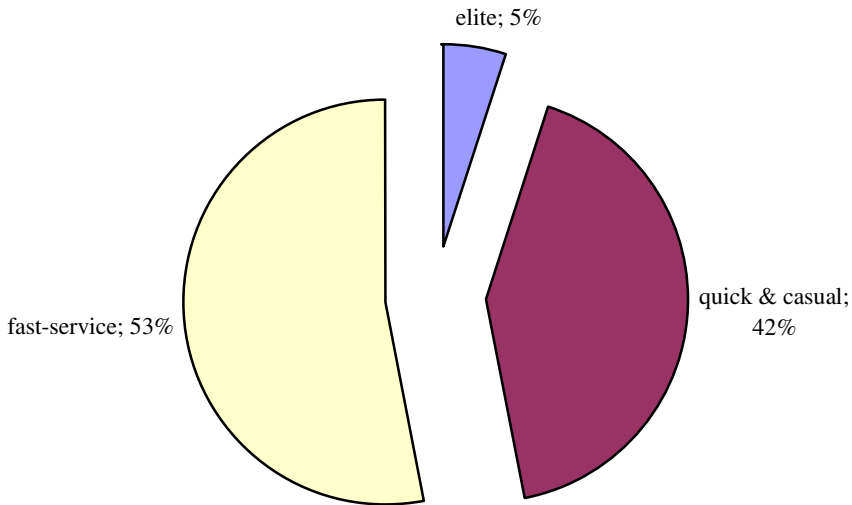


Figure 6. **The market of restaurant enterprises in Ukraine** (Pyatnytska, 2011)

The key representatives of elite enterprises in the restaurant business in Ukraine are "Svitova Karta" ("The World's Map"), "XXI stolittia" ("XXI century"), "Kozyrna Karta" ("The Trump-card"), "Liubov i Golod" ("Love and starving") (Pyatnytska, 2011).

Each of these networks is a mixed networking structure because, as practice shows, it is the most effective form for restaurant promotion business at the market. There are establishments of different types within these networks, but most of them are still restaurants (Pyatnytska, 2011).

Representatives of the quick & casual format can be divided into two groups: those which position themselves in the format (for example, "Pan Pizza" ("Mister Pizza"), and those being very close to it (for example, "Domashnia kuhnia" ("The home food"), "Dva gusia" ("Two geese"). At the quick & casual market there are distinguished subtypes: pizzerias – such as "Pizza Chelentano", "Mario"; express caf  – "Puzata Hata" ("The paunchy hut"), "Evrohata" ("The Eurohut"), "Smak espress-caffe" ("The Taste of express-cafe"), "Drova" ("The Firewood"), "Yakitoria", "Domashnia kuhnia" ("The home food") etc.) (Pyatnytska, 2011).

The main representatives of the fast-food segment are the subsidiary of "McDonald's", "Shvydko" ("Quickly"), "Try Tovstuny" ("Three Fat Men"), "Mister

Snack" ("Mr. Snack"), "Pechena Kartoplia" ("Baked potatoes"), "Mac Smack" ("The Mac's Taste") and others (Pyatnytska, 2011).

The analysis of restaurant networks in Ukraine gave us the possibility to create the table for the analysis of peculiarities for each brands.

Table 1 shows the key data on the biggest restaurant networks of Ukraine.

*Table 1. The biggest networks of restaurants in Ukraine, as of January, 1st, 2015, author's*

#	Network name	Year of foundation	Number of establishments	Market share, %
1	"Kozyrna Karta" ("The Trump-card")	1990	100	5.5
2	"Svitova Karta" ("The World's Map")	1996	85	3.8
3	"Pizza Chelentano" ("Celentano's pizza")	2001	141	15
4	"Puzata Hata" ("The paunchy hut")	2003	31	7.4
5	"Kartopliana Hata" ("The House of Potatoes")	1995	42	6.8
6	McDonalds	1997	260	28.1
7	"Shvydko" ("Quickly")	2000	45	2.5
8	"Try Tovstuny" ("Three Fat Men")	1992	27	2.3
9	Others	-	-	28.6

Table 1 clearly shows that the biggest market share belongs to the fast-food restaurant "McDonald's" and other networks, the second place belongs to the representative of the quick & casual segment – "Pizza Chelentano" ("Celentano's pizza"), they are followed by other representatives of the same format, premium class restaurants occupy only 3–5.5% due to the price rate of this segment not affordable to many customers'.

Every restaurant network is characterised by its price segment, peculiarities of service, cuisine and colouring.

It is possible to outline common and distinctive features for the brands of each catering network. As a rule, popularity of this or that restaurant is caused by its distinctive features, which serve the basis for determining consumer tastes and needs.

At the moment it is impossible to choose objectively the best and only branded restaurant network, because all of them have certain features and each of them is unique in its own way.

It would be more correctly to compare restaurant networks in the framework of one price segment, because in the greatest demand among premium class are the restaurants of the network "Kozyrna Karta" ("The Trump-card"), among the fast-service restaurants one can distinguish the restaurant "Pizza Chelentano" ("Celentano's pizza") and among the fast-food restaurants "McDonald's" leads.

**Conclusions and prospects for further research.** Indispensable part of the restaurant market is competition. Since consumers in catering have the possibility of rather wide choice, the main task of the restaurants today is the development of product and service quality. Competition at the market of restaurant business is very high.

General trends in restaurant business in Ukraine have in several key features:

1. Restaurants for the "elite narrow circle" have been proceeding towards the average statistical consumer over the last 15 years. The so-called "democratisation" of business will continue in the future. The format "restaurant for the poor" is in demand now – it has beautiful interior, furniture, good ventilation system and tableware, but with

quite affordable prices. Visually – this is restaurant, according to prices – it is a cafe. This format is in greatest demand in our country and it will stay so in the near future.

2. More and more often the main criterion for the choice of a restaurant becomes not interior or prestige, but the quality of cuisine. Therefore, there is little use to have unique interior and expensive tableware if there is not enough room, equipment in the kitchen or if the cooks are not qualified enough. However, only during the last few years the Ukrainians have begun to come to restaurants for the sake of cuisine.

3. The formats most actively developing in 2014 tell us a lot about change in the needs and capacities of the Ukrainians (Daniali, 2012).

Are developing and will continue to develop:

- cafes with Ukrainian cuisine, which is in greatest demand in our country, especially in mid- and low-price segments:

- establishments with Italian cuisine, pizzerias being the first place. Pizza as a product is becoming very popular in different formats, even in pubs. Apparently, it is connected with the fact, that it is difficult to cook real Italian pizza at home, while for a chef pizza is quite an easy dish;

- sushi bars and restaurants with Japanese cuisine in the mid-price segment. Young Ukrainians, mostly females, aged 20–30 got accustomed to Japanese in culture and cuisine our country;

- coffee houses, confectionaries, bakeries – these formats can be found one and the same establishment. Coffee-beans have almost superseded instant coffee, the taste of good coffee is no longer a secret for the Ukrainians. Pastry, confectionery, sweets are also becoming more and more attractive, especially when it is well-made, has a flavour and is beautifully served;

- beer pubs. After gaming was banned in Ukraine excellent cellars have been vacated which are difficult to be used in any other way except pubs. Boom of pubs and beer restaurants is also connected with the rise in the need for communication outside home, and beer is a beverage for a company. In the nearest future restaurant business expects boom for mini-breweries and own beer production. Bottled beer just like instant coffee attract less and less consumers;

- fast-food and street-food restaurants will be actual just as previously, especially in places with large people flows and in places with high pace of life. Food on the move is becoming more and more popular;

- delicatessen-cafes – a kind of restaurant business which only starts its successful way, but in 10–15 years they potentially can become wide-spread (Daniali, 2012).

Brands analysis in restaurant business has shown that today this market can be divided into 3 segments: elite restaurants, quick & casual format and fast-food.

The representatives of all 3 segments which are popular in Ukraine today have been considered in the article and we have reached following conclusion: it is impossible to name the most popular brand, because all of them have a lot of differences and each is unique in its own way.

Analysis of brands development in the restaurant sector has shown that this branch has become very popular today, there is a tendency for further growth in numbers and also in the quality of service.



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