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RISKS OF INVESTING IN THE RESTAURANT BUSINESS: STRUCTURAL DIFFICULTIES EXACERBATED BY THE HEALTH CRISIS

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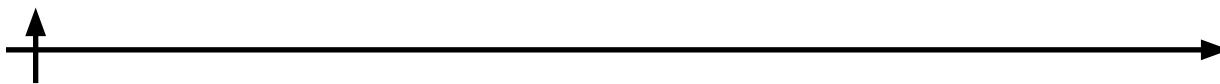
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Abstract. In recent years, the pandemic and related restrictions have hit catering establishments hard. The market did not have time to adapt to the new realities, because in 2022 the company faced new and unforeseen problems related to sanctions. Supply chains are collapsing, suppliers are raising prices, and some of them stop working in the Russian market, there are problems with equipment. The purpose of the study is to assess the risk of investing in the restaurant business in modern economic conditions. In the course of the study, the assessment of the sphere of public catering enterprises until 2021 was carried out, the dynamics of opening and closing restaurants in St. Petersburg was shown, the dynamics of the turnover index and producer prices were analyzed. As a result of the study, the potential risks of investing in the field of public catering are considered and opportunities for investment in the current realities are identified. Despite the attractive image for investment, the catering market remains very difficult, especially considering its tendency to competition. In addition, the study revealed a number of key problems specific to this sector that a potential investor will have to deal with.

Keywords: catering, restaurant business, investment risk, investment, investor, risk assessment

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РИСКИ ИНВЕСТИРОВАНИЯ В РЕСТОРАННЫЙ БИЗНЕС: СТРУКТУРНЫЕ ТРУДНОСТИ, УСУГУБЛЕННЫЕ КРИЗИСОМ В ОБЛАСТИ ЗДРАВООХРАНЕНИЯ

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Аннотация. В последние годы пандемия и связанные с ней ограничения сильно ударили по предприятиям общественного питания. У рынка не было времени адаптироваться к новым реалиям, поскольку в 2022 года компания столкнулась с новыми и непредвиденными проблемами, связанными с санкциями. Цепочки поставок рушатся, поставщики повышают цены, а некоторые из них прекращают свою работу на российском рынке, возникают проблемы с оборудованием. Целью исследования является оценка риска инвестирования в ресторанный бизнес в современных экономических условиях. В процессе исследования проведена оценка сферы предприятий общественного питания до 2021 года, показана динамика открытия и закрытия ресторанов в СПб, проведен анализ динамики индекса товарооборота и цен производителей. В результате исследования рассмотрены потенциальные риски инвестирования в сферу общественного питания и выявлены возможности для инвестирования в текущих реалиях. Несмотря на привлекательный образ для инвестирования, рынок общественного питания остается очень сложным, особенно учитывая его склонность к конкуренции. Помимо этого, в результате исследования выявлен ряд ключевых проблем, характерных для данного сектора, с которым придется иметь дело потенциальному инвестору.

Ключевые слова: общественное питание, ресторанный бизнес, инвестиционный риск, инвестиции, инвестор, оценка риска

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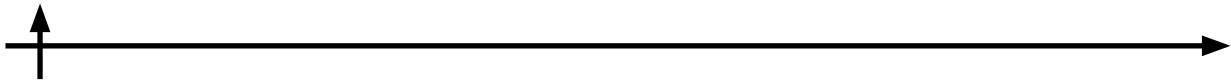
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Introduction

In the period from 2010 to 2020, there was a significant growth in the field of public catering. Indeed, from 2010 to 2020, GDP grew by an average of 1.5% per year. These rates are much higher than the average annual growth rate of the entire economy (0.4%). All growth in this sector was observed in the subsector of catering and catering establishments, where an average annual growth of 2.3% was observed over the same period, while accommodation services remained stable. Two trends contributed to the growth of the sector. Firstly, the constant growth of the population and wages stimulated local demand for restaurants and drinking establishments.

The influx of immigrants to the region, especially in the last three years, has led to population growth reaching recent highs. Secondly, the decline in the value of the ruble on the international market since 2014 has made trips to the region relatively less expensive for tourists. Employment in the field of accommodation and food in St. Petersburg has grown by an average of 0.8% per year over the past decade. The greatest growth occurred in the period from 2019 to 2020, when employment in the sector reached a record high of 80,800 people (Shorikov and Butsenko, 2019).

Employment growth in the sector lagged behind GDP as employers tried to fill vacancies. After



healthcare and social assistance, the largest number of vacancies in the region is in the field of accommodation and catering (in the third quarter of 2020, slightly less than 4,200 vacancies were registered). The accommodation and catering services sector, measured as a percentage of total employment in the sector, has the highest vacancy rate among all sectors in the region, with the number of vacancies accounting for 4.8% of the total number of employees. A recent survey of tour operators showed that the positions of chef, cleaner, cleaner and check-in desk are the most difficult to fill. Although many new restaurants have opened in the area to meet the growing demand, some have closed permanently or temporarily due to staff problems.

Before the arrival of covid, 2019 was a positive year for the catering market:

- Petersburgers spent +1.7% on eating out.
- In places of public catering, attendance is +0.8%.
- Things were going very well in the sector, and he was promised a good tomorrow, but this was without taking into account the arrival of Covid.

In 2021, the figures have changed a lot, and the attitude of St. Petersburg residents to food, too. The covid-19 epidemic has led to the following results for the industry:

1. The turnover of the restaurant in 2020 amounted to 35.6 billion rubles, which is 38% less than in 2019.
2. Restaurant attendance dropped by 35%.
3. The first quarantine in 2020 led to the closure of catering establishments. Attendance dropped by 71% in April and May 2020.
4. In the period from June to October 2020, the outbound catering market fell by 28%.

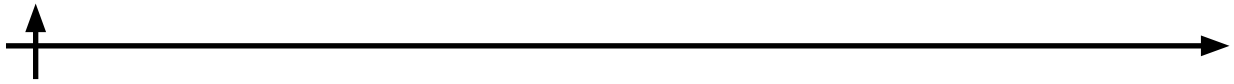
According to a study by Food Service Vision:

- in April 2020, the drop in turnover from catering was estimated at 2.4 billion rubles.
- at the beginning of the quarantine, the turnover of restaurants fell by 88%;
- there has also been a net decline in business reputation, investors and entrepreneurs no longer want to take risks in a dangerous sector.

The takeaway sale, in fact, minimized the losses of restaurateurs. Having doubled its market share in the catering sector, it amounted to 15% in 2020 and 30% in 2021. In this line, fast food managed to take advantage of the situation. He lost only a quarter of turnover and visits. This category of food products scored 7 points in terms of market share and accounted for 43% of the total number of visitors to outbound catering (36% in 2019). Delivery and drive increased by 25% in expenses and visits. According to RBC, fast food occupies two thirds of the market in the drive. They manage to survive this period with less hassle, because this method of restoring food is fully adapted to the covid: distancing, very little contact, no obligation to wear a mask, etc. (Shulepina, 2016). This new way of eating at home has also proven to be extremely positive for ghost kitchens. These are restaurants that do not have a covered reception and are designed for door-to-door sales. These structures are possible thanks to delivery companies such as Delivery club or Yandex.Food. They are also the big winners of the health crisis.

Today, hygiene is becoming an even higher priority for catering professionals. This applies to customers, as well as the kitchen and service staff. Training will now be essential in the field of safety and hygiene. Transparency will be required, it is necessary to reassure the client more and more and show that barrier gestures and other obligations are fully respected (Kushcheva, 2015). Food companies are also the winners of 2021. Bakeries, for example, have never seen a decline in their attendance. This proves that restaurants need to diversify their business in order to remain as sustainable as possible and adapt to changes (InvestInRussia, 2021; Moiseeva and Gordeeva, 2017; Tashmukhamedova and Matyakubov, 2019). Takeaway sales with packed lunches, the creation of a grocery store, "push and take", home cooking are all ways of thinking about survival in a sector that has been largely affected by the crisis of 2021 (Ilyina and Kapustina, 2015).

Eating out is growing: in the period from 2008 to 2018, household consumption in the catering sec-



tor increased by 5.7% and amounted to 4.9 billion. 36% of household spending on food goes outside the home; and this is also an important fact that confirms the trend of recent years to prefer food in a restaurant to food at home. In addition, preference is given to places offering unusual taste sensations that tickle the taste and senses, but at the same time attention to traditional dishes and local products is declared. In the field of public catering in 2020, about 40% of the turnover recorded in 2019, a record year for food purchases outside the home with a turnover of 86 billion rubles, was lost: 1,692 companies in this sector closed, its doors and 407 were launched, which is a record low.

2020 was also the year when 77% of premises operated in delivery mode, and 27% of entrepreneurs in this sector opened a dark kitchen designed only for delivery, or a virtual brand to cope with forced closure, and this opened the door to capillary technological innovations both in the ways of cooking and distributing food, and in her choice (Mironova, 2020). As for delivery, according to the report, 43% of restaurateurs said that they deliver directly, with their own fleet of visitors and ordering systems, 3% rely exclusively on external platforms, and 9% use both methods. The remaining 45% is collected by those who have not yet focused on delivery, and those who have decided not to use it. 10% of respondents said they would like to keep the delivery or dark kitchen even after opening.

In 2020, 2.9 million people visited St. Petersburg. Of these, 2.4 million are citizens of the Russian Federation, 0.5 million are foreign citizens. In comparison with 2019, the tourist flow has actually decreased by 70% (Kuryaeva and Mazaleva, 2018).

The diagram of the division of market segments is shown in Figure 1.

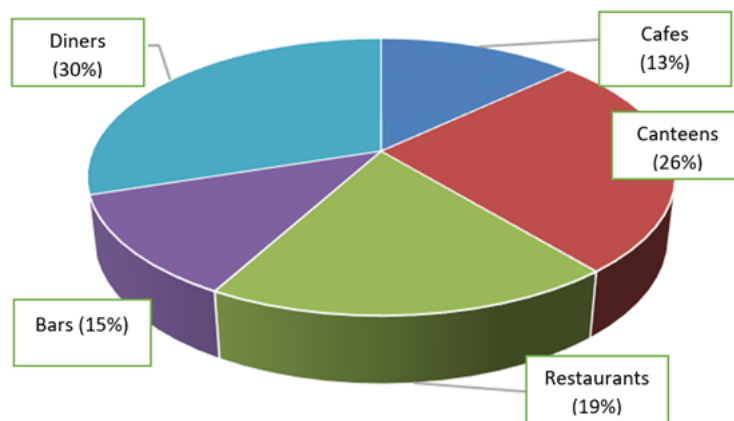


Fig. 1. Accommodation facilities by category in St. Petersburg

Most of the dishes of European cuisine are served in the restaurant market. The next one is Russian, with a share of 22%. Japanese cuisine occupies 8% of the total range of cuisines presented. The share of Italian cuisine is 5%. The remaining 26% falls on other types of cuisines: Spanish, Latin American, Chinese, Caucasian and others. For more information, see Figure 2.

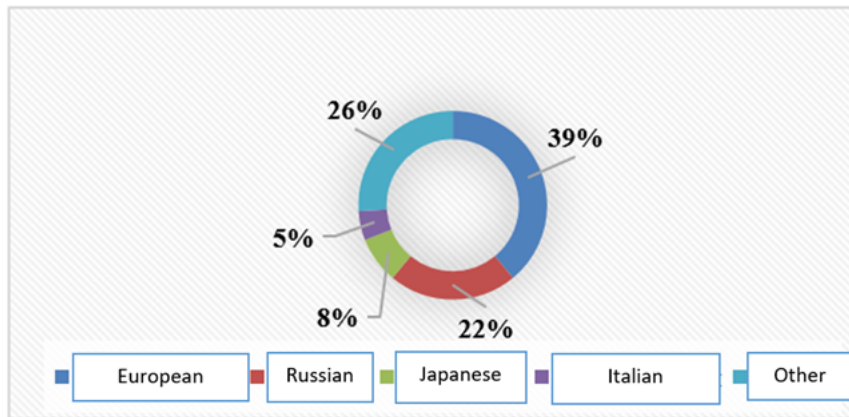
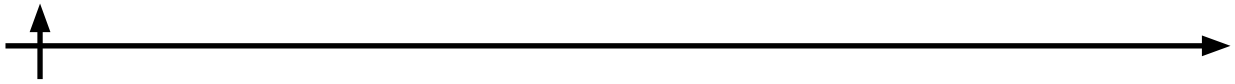


Fig. 2. Various types of kitchens located on the territory of St. Petersburg

During the pandemic, the occupancy rate of all restaurants, without exception, decreased several times compared to the values traditional for this time of year. Occupancy decreased to only 28%, but returned to normal in 2021 (Figure 4).

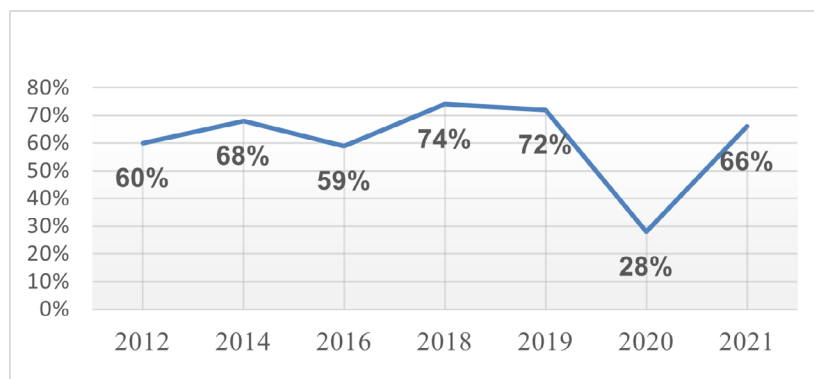
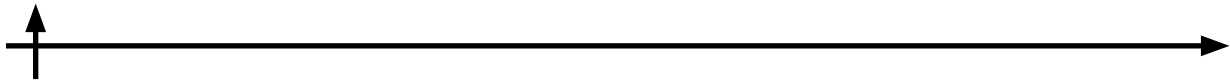


Fig. 3. Average load of LUXURY restaurants in St. Petersburg

Summarizing the latest reports, we can say that the market of outbound catering, affected by the Covid-19 crisis, showed losses of 35% of visits and 37% of expenses in the first eight months of the year compared to the previous year. Unsurprisingly, catering, which operated at only 15% of its normal capacity between March and May, is the most affected sector, with a drop of almost 45% in visits and costs. The decline is smaller for fast food restaurants: from January to August, losses amounted to about 25% (Kuryaeva and Mazaleva, 2018).

During the three months of containment, the fast food sector lost about two-thirds of visits and expenses compared to the same period in 2019: 64% fewer visits and 70% less expenses. Fast food was able to succeed, but no matter what, from March to May, it split the revenue in half. Three segments were able to adapt and limit their losses by focusing, in particular, on takeaways: supermarkets (with ready-to-eat meals/snacks), bakeries and pizzerias. Thanks to the delivery and removal, they were able to maintain activity, knowing that nomadic consumption traditionally accounts for 80% to 90% of their visits. As for the time of consumption, lunch was most affected by the restriction of freedom: the greatest loss of attendance (70%) was recorded from March to May and for eight months (40%).

During the first three months of restaurant openings (June, July and August 2020), the market recovered only 70% of its value compared to the summer of 2019. Showing a much faster recovery, fast food lost only 16% in price compared to the summer. 2019. The takeaway pizza and hamburger segments, in turn, have grown dramatically, demonstrating that fast takeaway options that appeal to a young audience



stimulate market dynamism. In the catering sector, the recovery is slower: the scheme restores only 70% of the previous year's cost (Kabir, 2013).

The meridian gap continues to suffer, in particular, due to the slowdown in the work of canteens and the practice of remote work adopted by many Russians. Lunch time, which seems to have lasted better during childbirth thanks to delivery (minus 64%), shows a resumption of attendance in June, July and August, while the number of visits decreased by 29% compared to 2019. As for profiles, the data clearly show the gap between generations: those who are "older than 55" returned to restaurants less (a 40% decrease in attendance compared to the summer of 2019) than the older generation. Young people (less than 20%) in visits. Women were also less likely than men to return to restaurants. The effect of Covid-19 is also felt in terms of consumer motivation and selection criteria.

Almost 75% of them say that compliance with sanitary standards and the implementation of an accurate protocol in a restaurant play an important role in choosing a point of sale. Finally, if Russians have less visited restaurants at the table in the summer of 2020, they have not given up entertainment, as evidenced by an 8% increase in the average ticket during dinners due to the consumption of additional products such as desserts, alcoholic aperitifs, etc. Both consumers and restaurateurs had to adapt very quickly and learn new habits during their incarceration. New practices and new proposals are shaping the HDR of tomorrow.

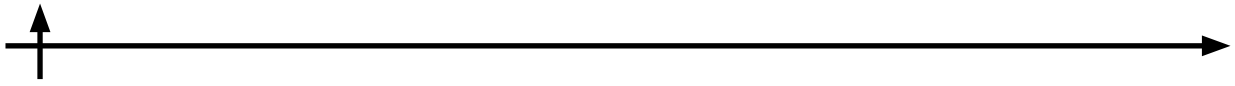
Although sales growth of 6% and expenses of 5% were recorded in this sector in 2021 compared to 2020, it is still "far" from the level of 2019. Commercial catering recovered last year despite being closed for five months due to the health crisis, but its turnover is still down by more than a third, according to a study conducted by RBC. 2021 ended with "a 6% increase in visits and 5% increase in expenses," but "it is still far from the results of 2019, as the market decreased by 30% of visits and 35% of expenses" compared to the period before the health crisis, the report says.

In 2019, the turnover of this sector amounted to 37 billion rubles. Commercial catering "out of the house" includes table service (cafes, bars, beer bars, cafeterias), fast food (fast food, takeaway/delivery, sandwich shops, bakeries, catering), meals in transport and on vacation (museums, train stations). Table food has been most affected by the health crisis: establishments had to close their premises to the public for five months last year, as in 2020. it fell again in 2021, with a turnover of -8% compared to 2020 and -53% compared to 2019, RBC clarifies. On the other hand, fast food has increased by 13% in terms of the number of visits and by 15% in terms of cost for the year, and is only 12% of the results of 2019 in terms of attendance and 11% in terms of cost (Kravets, 2008; Sultaneva, 2012). As for the digitization of orders, it "jumped": "orders made through an application, computer or terminal account for 470 million visits," "or 7% of the total number of visits against only 2% in 2019," RBC notes.

At the end of last year, large restaurant chains warned of a price increase of up to 15% in 2022. The main reasons for this reaction of market participants were the increase in prices for products and logistics services. In recent years, the pandemic and related restrictions have hit gastronomy hard. The market did not have time to adapt to the new realities, because at the end of February 2022, the company faced new and unforeseen problems related to sanctions. Supply chains are collapsing, suppliers are raising prices, and some of them stop working in the Russian market, there are problems with equipment. The situation has not yet affected the operation of restaurants. None of the market participants has significantly changed the way they work. Currently, the main processes are focused on the level of interaction between suppliers and restaurants.

With each such crisis, more and more ingredients that restaurants use are of ruble origin, which makes crisis processes smoother each time. Gastronomy, especially in Moscow and St. Petersburg, has already reached such heights that food in a catering establishment is sometimes cheaper than at home. The consumer will return to fast food, but visiting restaurants will not stop. We have already seen this during the 2014 crisis and at certain stages of the pandemic.

But the restaurant industry itself may change. Nevertheless, the most important sign of a successful



establishment is the ratio of price and quality of the restaurant. It is unknown how much more prices will rise. In order not to reduce the quality, we need to look for new forms of service. The most noticeable changes are expected by Russian consumers in the field of imported alcohol. Most of the most famous brands here belong to international companies. For example, the suspension of supplies by the French company Pernod Ricard means that importers cannot, as usual, import Chivas Regal, Jameson and Ballantine's whiskey, Olmec tequila, Absolut vodka and several dozen other brands to Russia. The Frenchman's main competitor, American Diageo, has stopped supplying Johnnie Walker whiskey, Captain Morgan rum, Baileys liqueur and Guinness beer (by the way, this is not a complete list of brands).

However, the restaurateurs themselves hope that the brands on the list will not disappear completely from the market. They are simply supported not by direct agreements, but by third countries that are not subject to sanctions. This will increase expenses, which have already doubled in the last two weeks due to the depreciation of the ruble. However, even if this does not happen, it does not mean that whiskey, tequila, rum and European wines will disappear from Russian establishments in principle. Neither the US nor the EU have imposed any restrictions on the supply of food and beverages to Russia, so even if well-known brands disappear from the Russian market for a while, they will be quickly replaced by less advertised brands that are still available in Russia, which are unknown, but not known.

The decline in the ruble exchange rate over the past eight years has already prompted many companies to pay attention to dyes. In addition to reducing the cost of entry, tinctures make it possible to get relatively unique drinks. The Russian Union of Shopping Centers and the Russian Union of Industrialists and Entrepreneurs are ready to negotiate with the Ministry of Trade of Russia on state support for Turkish companies in Russia. It mentions the provision of tariff preferences and loans, as well as grants for the opening of a shopping center to a new partner.

But in order to enter the market, you need to understand which kitchens will be the most profitable and in demand. As mentioned earlier, Georgian cuisine almost does not depend on foreign suppliers, so it has every chance to be considered one of the most profitable, along with Caucasian, Armenian and Turkish cuisine. At the same time, Mediterranean cuisine, which is so loved by Russian consumers, is extremely risky, due to possible supply disruptions and prices set by suppliers. In addition, it will be very ill-conceived to open Japanese-themed establishments, since the issue of seafood has not yet been established, and it may take some time for a decent import substitution of these products.

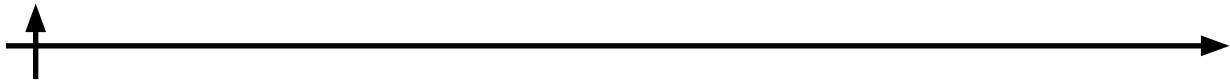
To increase the attractiveness of projects, land for the construction of new industries will be provided at the rate of 1 ruble. The crisis has led to the fact that Russians are forced to cut some items of expenditure from their budget, so in the restaurant business they have moved strongly towards fast food and trattorias. However, the overall dynamics of the sector is growing. The sector has been in a difficult situation for many years: the financial crisis of 2008 led to a sharp reduction in wage employment in the private sector and the closure of sites, which represented much fewer markets for catering enterprises. This also caused a decrease in purchasing power, which affected the size of the "average check" spent in restaurants.

Materials and Methods

Such methods as analysis, synthesis, generalization, methods of economic analysis (division of economic phenomena into factors or categories affecting the allocation of resources) were used for the statistical and economic methods, and computational and constructive method in terms of identifying patterns between economic phenomena and processes.

Results and Discussion

The traditional catering sector depends on the evolution of the purchasing power of households, which affects the level of attendance at establishments, as well as the average check. Competition between independent and restaurant chains, combined with the re-equipment of urban and tourist regions,



weakens traditional independent restaurateurs. Indeed, it is difficult for them to compete with the price positioning of non-branded networks. In addition, catering groups attract the interest of investment funds, which increases their investment ability. Moreover, this competition is intensified by the boom of fast food and "alternative" schemes (in particular, dark cuisine). The investment needs necessary to acquire and develop a business reputation are high and cause damage to companies with limited capital. In addition, due to the importance of location quality, rents are often very high.

Staff costs should be fully controlled. Wages are unattractive, and working conditions remain difficult (complexity, stressful pace, irregular working hours, etc.), restaurateurs have difficulty coping with high staff turnover and absenteeism. Qualified staff is hard to find. The use of non-standard jobs can jeopardize the quality of service (lack of motivation, problems with training newcomers, etc.). These recruitment difficulties are more acute for independent restaurateurs, as most structured groups now have an internal training center and are more attractive because of the mobility and development opportunities they offer to their employees. The development of online review sites (such as TripAdvisor) forces restaurants to monitor their electronic reputation (respond to reviews, encourage customers to leave reviews, use an agency).

Since 2010, the dynamics of the sector has slowed down sharply (+0.6% per year in volume versus +2.5% in the period from 2005 to 2010). The sector employs 110,000 full-time employees (+1% per year since 2010). These employees are mostly unskilled and often work part-time. Since 2010, the margin rate and economic profitability have deteriorated. The investment rate remains low (6% in 2021). In 2020, collective nutrition was severely affected by the Covid-19 health crisis during the first quarantine (-40% turnover in May compared to January). The opening of the school market was not enough to increase activity in general (-24% in September). Commercial chains are entering the catering market, which have ready-to-eat shops and their own cafes, more and more food industry enterprises, the development of the ready-to-eat segment and the intention to open their own ready-to-eat dishes. But the biggest problem is that large delivery aggregators are entering the market. Small restaurants that use the services are digging their own grave: they give away their already small profit and, in addition, all their valuable data about the guests. If aggregators choose dumping, they can lower prices so that all small and medium-sized restaurants abandon their business

In the period from 2010 to 2019, the dynamics of the catering sector slowed down sharply (+0.6% in volume per year compared to +2.5% in the period from 2005 to 2010), developing at a much slower pace than in the catering sector (+3.4%.) or market services (+3.0%) (fig. 1). In 2020, activities seriously disrupted by the Covid-19 pandemic recorded a sharp drop in production in the second quarter. Like the entire catering sector, catering companies have been hit hard by the health crisis associated with the Covid-19 pandemic. Their turnover fell sharply in the 2nd quarter of 2020 (-40% in May to January). However, all things considered, they suffered less from this first wave of the epidemic than their colleagues from commercial catering.

The resumption of activity after the first quarantine was not as noticeable in collective nutrition as in commercial catering, which fully benefited from summer holidays (-32% vs. -7% in August compared to January 2020). On the other hand, corporate restaurants were still influenced by the preservation of remote work, distancing rules limiting the number of guests present at the table at the same time, and fears of infection. Many employees present at the facility bring or order food delivery. The second quarantine had only a limited impact on the activities of collective nutrition, unlike commercial nutrition. For more information, see Table 1.

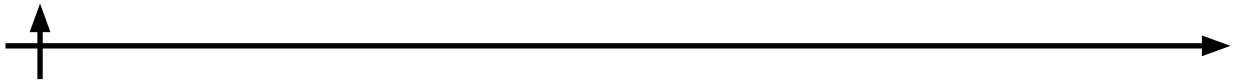


Table 1. Dynamics of the trade turnover index in 2021

Month	Collective meals are provided	Commercial catering	Complex nutrition	All outlets
January	100,0	100,0	100,0	100,0
February	99,6	99,9	98,9	97,5
March	81,7	43,7	48,7	84,5
April	64,3	29,6	27,2	74,0
May	60,0	25,9	29,6	75,3
June	59,5	69,6	68,1	83,9
July	56,9	86,8	82,5	87,7
August	67,9	93,1	89,4	90,7
September	75,5	89,4	87,3	92,4
October	80,3	77,7	76,0	92,5
November	77,6	36,5	40,0	88,0
December	72,3	51,2	41	90,1

At the same time, the dynamics of price growth from the manufacturer shows itself to be quite stable, and despite the fact that there is a tendency to rise in price, the growth rate is extremely low. The price dynamics are described in more detail in Table 2.

Table 2. Dynamics of producer prices since 2017

Period	Collective meals are provided	Commercial catering	Complex nutrition	All trading services
2017	100,0	100,0	100,0	100,0
2018	99,7	101,2	101,2	100,4
2019	100,6	102,5	102,5	101,0
2020	101,0	104,1	104,0	102,0
2021	101,7	105,6	105,4	103,2

The restaurant business accounts for more than four-fifths (84%) of sales. Almost three quarters (72%) of the sector's turnover is accounted for by collective catering: cooking (52%) and canteen management (20%). These revenues are supplemented by other types of catering: fast food (4.1% of sales), table food (3.9%), catering establishments, mainly providing meals and home delivery (1.9%), cafeterias (0.8%) and other types of restaurant activities (1.3%).

In 2021, 200,000 people worked in contract catering, that is, 110,000 people in full-time equivalent. There is widespread underemployment, especially in the field of cleaning (75% of jobs). This applies more to women than men: 42% of women work part-time compared to 15% of their colleagues. [21]. Contract catering is an unskilled activity compared to all market services: employees and workers predominate (42% and 32%, respectively, compared to 27% and 14%), and managers rarely (6% vs. 27%). Collective catering mainly recruits workers specializing in the food trade: kitchen assistants and apprentices (18.5% of the workforce), cooks and kitchen employees (13.5%), kitchen masters (6.6%), facility management (5.8%). For more information, see Table 3.

Table service occupies a prominent place, regardless of whether the staff is qualified (3.4%) or unskilled (9.3%), as well as cleaning (10.8%). Management is carried out by administrative and financial managers (2.0%), restaurant managers (1.7%) and sales managers (1.3%).

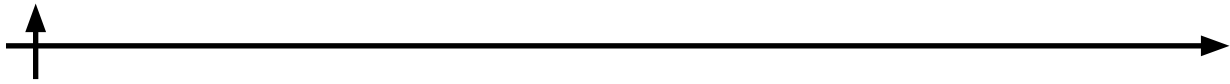


Table 3. Distribution of employees by socio-professional categories in 2021

Staff	Restaurants	Portable points	Trading
Entrepreneurs	0,2	17.2	9.4
Management team	6.3	4,5	27.1
Handyman	20.1	13.1	22.1
Staff	41,8	45,1	27,0
Laborer	31,6	20.1	14.3
Total	100,0	100,0	100,0

The distribution of jobs in the sector is relatively balanced: women occupy 55% of jobs, and men 45%. However, women are more likely to be engaged in unskilled work (70% of women compared to 25% of men). At this point, it is worth paying attention to the policy of social investment, the main obstacle of which is a simplified interpretation of social investments, which reduces them to a logic that is antonymous with respect to insurance. In addition, social investments are not a cheap option in the short term, although they can be profitable in the long term.

This financing problem arises, in particular, in the Russian Federation, which already have high social expenditures or are experiencing budgetary difficulties. There is a need to diversify social protection resources. For example, it is necessary to go beyond financing through contributions that burden the cost of labor. In addition, social investments are constrained by simplified budgetary supervision based on excessively uniform rules of the game, poorly suited to the very heterogeneous realities of the member countries, as well as the lack of foresight in budget arbitration. For example, under the influence of austerity policies in a number of countries, savings on education have been achieved, which is a blatant contradiction with the strategy of social investment, and as a result, many suffer from a lack of qualified personnel. Many of the expected benefits of social investment materialize only in the long term. The standard economic approach is to discount future costs and benefits.

There are several ways to do this, but they all proceed from the principle that future benefits (or costs) should be reduced by an amount (discount rate) reflecting the choice of expenses in the present, and not in the future (and vice versa for expenses of future periods). Investment is usually defined as spending on future benefits, not on consumption in the present. For private investors, the rate of return on investment should compensate for the costs of resource mobilization (Shevchenko, 2008; Voronova et al., 2019).

This is a program that is rather aimed at the potential protection of personnel, which contributes to increased motivation, as well as labor productivity, and accordingly increases the revenue indicator. Moreover, social investment is able to solve such problems as the hanged turnover of personnel, the outflow of qualified personnel, and as a result – the downgrading of the qualifications of the entire staff of the institution, which leads to financial losses. Also, the state encourages enterprises that have developed a system of social investment and personnel protection. Purchases of raw materials and other materials (mainly food) used for the production of dishes are structurally high in contract catering. In 2018, they accounted for 29% of the sector's turnover. For comparison, in commercial nutrition, this weight is only 20%, probably due to less use of already processed products. As a result, the industry's economy is very sensitive to food prices. Table 4 shows the proportion of intermediate consumption.

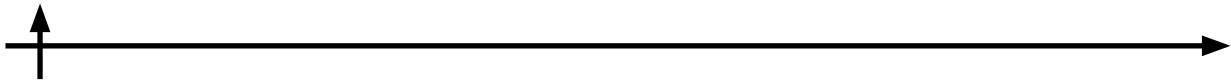


Table 4. Share of intermediate consumption in turnover in 2021

Representatives of public catering	Intermediate consumption	Product	Raw material	Purchase of services
Collective meals are provided	52,0	2,1	29,1	20,7
Commercial catering	55,0	9,8	20,1	25,0
Retail outlets	55,0	9,5	20,7	24,5

In 2021, intermediate consumption accounted for 52% of turnover in the catering sector under the contract, compared with 55% in commercial catering. Conversely, collective catering enterprises buy fewer finished products (2% of turnover compared to 10%) and fewer services, such as renting premises or equipment or using temporary workers (21% compared to 25%). However, they use subcontractors more: 8% of turnover compared to 1%. The margin rate of contract catering has halved over the period 2010-2018, from 13% in 2010 to 7% in 2021. This decline was especially noticeable in 2015 (-3 points), a year marked by general stagnation in activity, but also in 2020 (-2 points), in a much more favorable economic context. Indeed, the wage fund is growing (+3.2% per year) faster than the value added (+2.2%), due to the pressure exerted on the prices of collective food. [21]. In commercial catering, the margin indicator decreased by the same amount during this period (-6 points), but was higher (23% in 2010). The results are shown in Table 5.

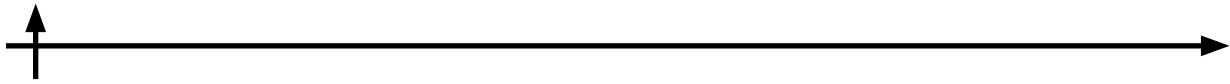
Table 5. Margin value change rate starting from 2013

Period	Collective meals provided	Commercial catering	All trading services
2013	13,1	22,5	31,1
2014	12,9	21,1	29,9
2015	9,5	17,7	27,8
2016	8,7	17,9	28,2
2017	9,2	13,7	27,3
2018	8,8	18,5	27,7
2019	9,8	16,6	27,2
2020	9,5	18,4	28,3
2021	7,2	16,6	27,5

Despite a very sharp decline, the economic profit margin of catering players remains high (16%) compared to catering (12%) or commercial services (8%). This is due to the presence of a large amount of cash associated with the payment method (payment to suppliers in the long term, but immediate or rapid charging for food) and allowing you to create a negative need for working capital.

This is also the result of a lower level of fixed assets in the industry: the level of investment is relatively low (6% compared to 13% in the whole catering industry in 2021), as capital intensity (21% vs. 49%), even if the latter increased sharply and regularly during the period (12% in 2010 G.). Canteen management requires more investment than cooking since 2015: for example, companies specializing in the first type of activity show an investment level of 8% in 2018 compared to 4% for the rest. Supplier risk refers to any risk associated with the supplier's activities or organization that may affect the activities of the client company. For many years, supplier risk management has been a major challenge for the purchasing department. Today, 71% of procurement decision makers claim to be objective in this area.

The Standardization Association gives us its official definition: "Supplier risk is defined as the probability that the principal will see that his economic activity will deteriorate or even be interrupted due



to a failure in his relations with his suppliers and service providers or undesirable behavior on the part of one of them." There are many risks depending on the activities of the companies concerned or the nature of the purchases made. However, we can generalize these risks into four main categories. Strategic and financial risk concerns the financial condition of suppliers; this can take the form of economic dependence, bankruptcy, etc. It is important for the purchasing department to know how to manage the financial risks of its suppliers so as not to find themselves in such situations (Smirnov and Ilyina, 2017).

Contractual and legal risks include non-compliance with contracts and/or applicable legislation; example: legal interrogation, fraud, etc. Operational risk is associated with the goods/services offered; example: quality, breakdown or delay in production, delivery, etc. Reputational risk is associated with ethical, social and environmental aspects; example: scandal, disaster, etc. Remembering the collapse of Rana Plaza in 2013, which led to the deaths of more than 1,000 Bengalis working for well-known brands of ready-to-wear, and showed the difficult conditions in which they worked. To these four main families, of course, you can add others: cybersecurity, hygiene, economics, politics, customer satisfaction, etc.

In conclusion, it should be noted that in recent years, regulatory requirements on many issues have been strengthened by provisions on payment terms to suppliers. To this is added the pandemic that the market is experiencing, and its consequences: a major socio-economic crisis. In this context, it seems more important than ever to manage, anticipate and control supplier risks by conducting a complete and methodical mapping.

Conclusions

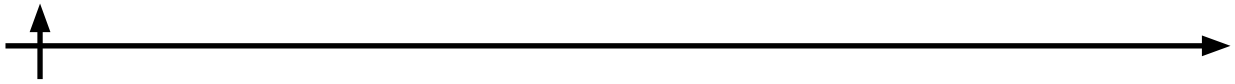
Thus, we can conclude that despite the attractive image for investment, the catering market remains very difficult, especially taking into account its tendency to competition. In addition, there are a number of key problems specific to this sector that a potential investor will have to deal with, namely:

1. Supplies of raw materials. The issue with suppliers has always been one of the most important in the restaurant industry. Enterprises have been building relationships with suppliers for years, trying new directions and alternating partners to find the most reliable and profitable supplies. To date, there is a question about the expediency of working with suppliers who supply food raw materials from abroad, since this type of supply can seriously increase in price, and is unacceptable for restaurateurs.

2. The ability to find an analogue of foreign products. There are certain types of products that are currently supplied only from abroad. This hits the Italian cuisine sector especially hard, where it is recommended to buy even flour from Italian producers. The seafood sector is also suffering, which has long built relationships with suppliers, and has not so often used the services of local producers. The danger here is whether it is possible to supply an analogue of food raw materials. So there is a possibility of replacing imported salmon with chum salmon and trout, which can be found in abundance among domestic producers.

3. Difficulty in finding qualified personnel. The restaurant business cannot boast of an excess of quality staff, and there are a number of reasons for this. This is a small salary, difficult working conditions, a large emotional load and a stereotype of youth for this area. The latter is especially important for the staff working in the hall. In addition, there is a more ethical problem when competing restaurants simply poach a qualified employee, instead of educating their own. This creates a huge problem, and restaurateurs have to hire people for certain positions, without certain skills and education. This leads to such problems as: a drop in the quality of service, a drop in the level of hygiene, an increased likelihood of personnel risks.

4. Reduction of margin value. This problem is one of the key ones, as it affects the restaurant's profit. The fall occurs for a combination of two reasons. The first is the increase in prices for products, which continues to grow, albeit at a small pace. The second is the lack of strong growth in household incomes, which puts restaurateurs in a situation where they pay more for raw materials, and they cannot change



prices because of the risk of customers leaving. This usually leads to a deterioration in the quality of the purchased products, as well as to a decrease in the portion volumes of dishes.

Sanctions have certainly changed the restaurant industry, and it's too early to make any predictions, but the prospects that have emerged are clearly visible. Due to the departure of a number of companies, the usual way of working in restaurants, which was developed during the pandemic, may change. The biggest changes are expected in the delivery sector, as fast food accounted for a large share of orders. Thus, it can be assumed that the consumer will return to the rhythm of visiting public catering places, as it was in the pre-covid period. Already today, many restaurants are narrowing their delivery activities by switching to working with the hall. This is a rather unexpected development, since during the pandemic period, many experts predicted that some restaurants would switch exclusively to delivery, following preferences. But in 2022, there is an unprecedented trend of new players entering the market. McDonald's alone had more than 800 establishments on the territory of the Russian Federation, and now, having left the market, there is a place for the same number of catering establishments that domestic restaurateurs want to use. Such a chance to capture market share has not been observed since the collapse of the USSR, so today St. Petersburg is the most attractive for investment in the food industry. Moreover, it should be done quickly, since major global players are already willing to take the places vacated after the departure of global food industry brands.

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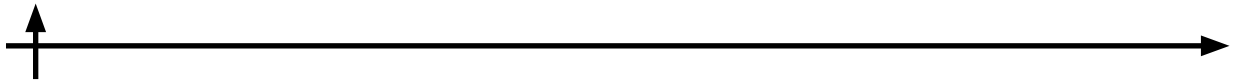
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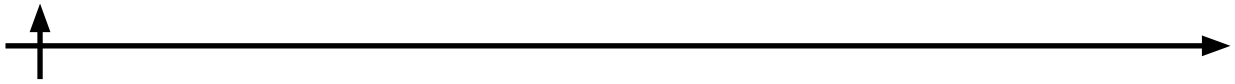
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