USING THE BLUE OCEAN STRATEGY IN THE POST-WAR RESTORATION OF TOURIST AND HOTEL-RESTAURANT SPHERES OF UKRAINE

DOI: 10.32702/2306-6814.2023.4.19
To function effectively in post-war conditions, the business entity of tourism and hotel-restaurant spheres should not focus on a fierce fight against competitors, but rather use the Blue Ocean strategies, where competition is absent, but exist opportunities to grow and gain profits. Thus, the research is aimed at defining the peculiarities of the use of the Blue Ocean strategies in the post-war reconstruction of tourist and hotel-restaurant Ukraine spheres. To achieve the goal of the research, the authors focused on methods of system analysis, classification, and combined analysis (designed to solve the problems of choosing a strategy for business entity development and forming elements of value creation). Within the framework of the study, it is proved that the use of the Blue Ocean strategies ensures the formation of a temporary monopoly. Naturally, for the post-war restoration of tourist and hotel-restaurant spheres of Ukraine, its subjects should use such a strategy, the content of which is oriented to the plans for expansion of market borders within the core of the business (at that, business entities should not focus on clients and should not go beyond the limits of their activity, turning to related industries). In addition, it is noted that the overall content of the strategy should be directed at simple innovations, the essence of which changes in the view of clients the general idea about technologies (therefore, business entities do not need ultra-modern, technological innovations because they do not constitute a decisive sign of the profitability of tourist and hotel-restaurant products), focuses on the combination of values and innovations (naturally, business entities that entered the market with innovative proposals should combine them with value), as well as the differentiation strategy and cost reduction (the authors pay attention to the fact that some components of the value proposition can be removed or reduced to simultaneously achieve a cost reduction of product production that implements them). The prospects of further developments in this direction lie in the development of the strategy of the post-war renewal of the tourist and hotel-restaurant Ukraine sphere by creating monopolies, which are held not by administrative levers, and innovations and creativity, thus producing a much higher, classical flow of profits.

PROBLEM SETTING (DESCRIPTION OF THE PROBLEM BEING ANALYZED IN GENERAL AND ITS CONNECTION WITH IMPORTANT ACADEMIC OR PRACTICAL TASKS)

The breaking influence from military invasion and active military actions have suffered most spheres of Ukraine’s economy among which tourist and hotel-restaurant spheres. Most trips from external tourism are not required at this time. Because the reduction of incomes of the population was caused by restrictions imposed on military forces (who are unable to travel abroad with their family). Besides, there are difficulties connected with logistics. Foreign tourists are not expected to arrive at least until the country will not be safe (at present, Ukraine is visited mainly by representatives of foreign mass media, and officials of the agencies). As the war continues, the situation with external tourism will worsen. The structure of the services offer within the tourist and hotel-restaurant Ukraine spheres has changed radically; the changes aimed exclusively at the demand of domestic clients. In such conditions, there was already a new specificity of tourist product production. It’s conditioned by the need to plan and organize new types of recreational travel, in particular

Ключові слова: стратегія Блакитного Океану; стратегія Червоного Океану; суб’єкт бізнесу; інновації.

Key words: Blue Ocean strategies; Red Ocean strategies; business entity; innovations.
Table 1. Analysis of the content of the Blue and Red Ocean strategies of tourist and hotel-restaurant business entity

<table>
<thead>
<tr>
<th>The specific features</th>
<th>Red Ocean Strategy</th>
<th>Blue Ocean Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Content of development</td>
<td>The development plan in the functioning market space, which has: 1) limited demand; 2) a significant quantity of substitute products</td>
<td>Plan for maximum expansion of market boundaries (which is formed by the business entity independently), which is characterized by: 1) unlimited demand; 2) lack of substitute products</td>
</tr>
<tr>
<td>The goal of development</td>
<td>Win over competitors and increase product sales</td>
<td>Maximize market profit without competitors</td>
</tr>
<tr>
<td>The development nature</td>
<td>Operation of the available demand for the product at the parallel search for a compromise between expenses and income</td>
<td>Create a new product demand without the need to find a compromise between costs and revenues</td>
</tr>
<tr>
<td>Construction of the business entity activity</td>
<td>Construction depends on strategic choice and cost reduction opportunities</td>
<td>Construction depends on the strategic choice</td>
</tr>
<tr>
<td>Basic position on the demand corrects</td>
<td>Differentiation of the offer, low expenses for product production</td>
<td>Adjustment of demand according to the content of differentiation of supply simultaneously with reduction of expenses</td>
</tr>
<tr>
<td>The nature of the product produced by the business entity</td>
<td>Classic tourist and hotel-restaurant product</td>
<td>Innovative tourist and hotel-restaurant product (unique, original, high-value and low-cost) *</td>
</tr>
<tr>
<td>Special needs</td>
<td>The classic model of action, which reveals a common approach to value creation, by combining systemic actions on standardization and unification</td>
<td>A specific model of action that reveals a new approach to value creation by combining systemic actions to reduce, create, increase, and abolish</td>
</tr>
</tbody>
</table>

Note:
* The product is easy to use, pleasant and productive, that customers just love it.
Source: formed on the basis of [1].

for some tourists, which now requires moving from dangerous places in the western Ukrainian direction (to get the opportunity for some time to escape from those realities, which brought a full-scale invasion) and qualitative psychological assistance. The above-mentioned changes in the demand and supply characteristics require specific changes in the production of hotel and restaurant products, which are aimed at reducing their cost. Vacationers with economic goals try to organize their food independently more often. This invariably reduces the profitability of such a business. To function effectively in such conditions, the above-mentioned areas need not be focused on fighting hard against competitors and constant cost reduction but rather on using the Blue Ocean strategies. When a business entity is in the blue ocean, there is no competition and existing opportunities to develop and maximize profits.

THE ANALYSIS OF THE LAST RESEARCH AND PUBLICATIONS IN WHICH THE SOLUTION TO THIS PROBLEM IS BEGUN

Within the framework of modern research, most authors pay attention to the practice of Blue Ocean strategies using, for which considerable concentration is a possible rapid post-war recovery of the tourist and hotel-restaurant Ukraine sphere. These articles are not just creative, but provide a rapid maximization of profits for business entities. In particular, the Blue Ocean strategies were successfully used by business entities for the post-war restoration of the tourism sector along the Adriatic coast of Croatia (after the War of Independence and integrity) and on the eastern shore of the Lake Ohrid of North Macedonia (after the Armed conflict of 2001) and in other countries participating in the Yugoslav Wars. It should be noted that the description of such a strategy and principles of its formation by economic actors is available in the works of Sorky I. [1] and Sheremet P. [2]. In addition, the Kim W study [3—4] is interesting, which not only shows that the entire market space should be divided into 2 “oceans” — “red” and “blue” — but also systematically assesses the effectiveness of each strategy, including those in economies that need rapid recovery. Although all of the above works are not industry-specific, generically, the article authors used them as a basis for solving the problem of illustrated efficiency and application of the Blue Ocean strategies in the post-war reconstruction of the tourist and hotel-restaurant sector of Ukraine. This study is based on the opportunities already realized by business entities of countries participating in the Yugoslav Wars, which, using the Blue Ocean strategies, quickly created an environment of accumulation and income diffusion, by deactivating the competitive factor.

THE WORDING OF THE PURPOSES OF THE ARTICLE (PROBLEM)

The article aimed at defining the peculiarities of the use of the Blue Ocean strategies in the post-war reconstruction of tourist and hotel-restaurant Ukraine spheres.

RESULTS AND DISCUSSION (PRESENTATION OF THE MAIN STAGES OF THE WORK WITH THE FULL SUBSTANTIATION OF SCIENTIFIC RESULTS, COMPARISON WITH THE LATEST RESEARCH ON SELECTED TOPICS)

To understand what environment should be created for the rapid post-war restoration of the tourist and hotel-restaurant Ukraine spheres, the authors focused on the preliminary details and the content of strategies for the development of business connections to them. In particular, the following strategic details were adopted as a basis:

— the Red Ocean (namely, the development in the fight against competitors in the existing market);
— the Blue Ocean (namely development by combining innovation and value to create a new market where no competitors).

We note that the basic difference between the types of strategies outlined (including their usefulness for the post-war recovery of economic spheres) creates their specific features, which manifest themselves through:
— the content and purpose of development; 
— development nature; 
— construction of the business entity activity system; 
— the main position on the demand corrects; 
— nature of the product produced by the business entity (or BE); 
— special needs.

We will analyze each of the above-mentioned strategies of business entities belonging to the tourism and hotel and restaurant sector according to the content of the indicated elements (Table 1) to determine the general character of their influence on the economy.

Note that the Blue Ocean strategies are more likely to generate profits for the business. These strategies differ:

1) use of the development of unique, original high-value, and low-cost products;
2) the paralysis of a significant concentration of products that can quickly restore the investment attractiveness of tourist and hotel-restaurant sectors.

At the same time, the Blue Ocean strategies application is possible only if it provides for the use of a specific model of action, which is most strongly reflected by the domestic experience of business entities. In particular, we have identified a new approach to creating value achieved by combining systemic actions with:

1) reducing (narrowing) components compared to generally accepted;
2) creating a unique value proposition;
3) increasing components compared to generally accepted;
4) eliminating (extraction) components that do not provide significant value.

At the same time, the creation of unique offers and the increase of importance of its separate components reduce the number of competitors and maximize profit. Reducing or removing (extraction) components that do not provide significant value ensures that product production costs are minimized.

This, the most active strategy of the blue oceans is implemented in the hotel sphere. Among the actors who have implemented such a strategy already during the military aggression of the Russian Federation against Ukraine, one can distinguish:

1. Butik-hotel "Bakkara" (it's a floating barge on the bank of the river Dnipro, turned into a cozy hotel); 
2. Design-hotel "History" (located 2 km from the ski resort Bukovel, where each of the rooms reflects a certain stage in the history of our country); 
3. Design hotel 11 Mirrors (where each room is simple and direct lines of interior); 
4. Hotel in the castle "Radomsil" (it's an unruly part of the museum complex "Radomišl", the rooms are executed in an ascetic style of early modern and slightly resemble the cherry cells);
5. the Eco-hotel "Friend House" (built on a special project of bio-storage materials, the interior of the rooms in places reminds a cave with numerous holes, where sunlight penetrates, which creates a special atmosphere in the room).

All business entities for creating value apply actions from:

1) creation of a unique hotel offers; 
2) increase of importance of certain components in value-creating; 
3) removal (extraction) of components that do not provide significant value (which clients perceive as something that does not matter); 
4) reduction (narrowing) of components in comparison with hospitality standards.

The latter category mainly concerns the simplicity of interior design and the minimization of contact between guests and staff. For example, the components of business entities' models of action within the Blue Ocean strategies application in the hotel sphere are shown in Fig. 1. It's special that maximum simplification of the interior and minimization of personnel participating in the settlement and accommodation of hotel guests is positioned as part of a unique service. Also, assumed that the guests will replace contact with the service personnel, to interactive services (there are many ways to quickly meet the needs of the client). At the same time, the new market without competitors creates innovation embodied in the value of the hotel product.

The models of actions available in the application of the Blue Ocean strategies in the restaurant business are quite specific during the military aggression of the Russian Federation against Ukraine. This model can be distinguished in general terms by the practice of restaurant company "I FEST".

This company has a brewery; it produces bread, sweets, and ice cream. At the same time, it deserves the fact that it has implemented the Blue Ocean strategy in various business projects.

One of the most interesting business projects is the "Ribs" network or democratic restaurant, which is no
In the restaurant sector, the "Ribs" network includes L'viv restaurants (in particular, on the street Podivalna, on the street Starasnesenskaya street Stryiska), Kyiv restaurants (in particular, on the Andriyivsky Uzviz St. and on the Mazepa St.), Ternopol restaurant (by B. T. Shevchenko), Odesa restaurants (in particular, on the Savannah St. and near Arcadia beach). The restaurant company "! FEST" for the creation of value applies actions from:

1. creation of a unique offer, which is embodied in assortment and technologies of preparation of food;
2. increase of importance of separate components (among which options of choice, fun and adventure spirit);
3. removal (extraction) of components that do not provide significant value (among which address code for visitors and classic cuisine);
4. reduction (narrowing) of components, compared with existing standards in the restaurant sector (due to maximum optimization of assortment and low-cost service).

For example, the components of business entities’ models of action within the Blue Ocean strategies application in the restaurant sphere are shown in Fig. 2.

It should be noted that the restaurant company "! FEST" has implemented a similar model of action (within the framework of the strategy of the blue oceans) in quite different projects, including:

- Creation of a "Pravda" beer theater (which invites the best beer brewers in the world to cook);
- Creation of the first L'viv Grille Restaurant of Meat and Justice (this institution offers dishes from 100% organic Ukrainian meat in a manmade or hospice);
- Creation of L'viv master chocolate (this institution offers author’s sweets and chocolate);
- Creation of the institution "very high cuisine" (this institution develops restaurant products according to modern L'viv restaurant culture) etc.

The peculiarity of the restaurant company projects is the addition of emotions to the production functions. Typically, companies create their products based on either functional or emotional attractiveness. To achieve the best result, the restaurant company "! FEST" has added one to the other.

Another interesting example of the application of the model of action within the framework of the strategy of the blue oceans in the tourism sphere is the one applied by the international center of the public organization "Center Pripyat.com" whose specialists organized and conducted the author's tours on the Exclusion Zone before the war. At the same time to create value applies actions from:

1. creation of a unique offer, embodied in visiting places that aren’t even available to many (in particular, guides showing different places in the Exclusion Zone);
2. increase the importance of certain components (including choice option, address code, and route safety);
3. removal (extraction) of components that do not provide significant value (among which increased comfort and provision of related services);
4. reduction of the components, compared to the existing tourism sector standards (due to the monotony of objects on display and applying the Rule of taking food with you).

For example, the components of business entities' models of action within the Blue Ocean strategies application in the tourism sphere are shown in Fig. 3.

According to the above, it is possible to conclude that the component models of business entities' actions within the framework of the application of the Blue Ocean strategies are the focus on the factors highlighted in Fig. 2—4, divergence (business entity...
should form such a product of tourist and hotel-restaurant sector, which is absent on the market before its development), a clear plan of market development (which provides higher profit than in other markets).

The followers of René Moborne, who first identified and studied the Blue Ocean strategy, say that it should be implemented [3—5]:

1. to outline the limits of the new market (which will offer an innovative product);
2. focus on the general picture of the market;
3. to go beyond the available demand (creativity and innovations should create a lawful space);
4. to define the strategic sequence of value-creation activities.

Naturally, the value of all the above-mentioned models of business entities (within the framework of the application of the Blue Ocean strategies) is ensured by their compliance with the principles of increase of demand and sales of innovative tourist and hotel-restaurant products (Table 2).

The above-mentioned content of the principles draws attention to the fact that the application of the Blue Ocean strategy forms a temporary monopoly created not by administrative levers but by innovations and creative levers [2]. Thus, as with any monopoly, the income flow is much higher than the classical one.

We note that for rapid post-war recovery, it is necessary exactly those measures that will give a quick boost to the economy. We propose to start with the realization of high-profit business projects in tourist and hotel-restaurant spheres, as they will provide the greatest multiplier effect in the economy in parallel income diffusion. Large business projects implemented within the framework of the Blue Ocean strategy can become the basis of diffusion as it forms a high price corridor for the supply of products.

The thesis confirms the experience of realization of business projects of restaurant company "I FEST", design-hotel "History and public organization "Center Pripyat.com" which choose for their project’s strategy of the Blue Ocean and their comparison with business entities realizing projects within the strategy of the Red Oceans. Thus, according to the summarized data, the average estimated cost of the initial investment in a large business project within the Blue Oceans strategy is always 40—47% higher than the cost of similar classical projects (Fig. 4).

The higher cost of the initial investment in projects within the Blue Oceans strategy is due to additional costs in the analysis of the non-clients (in particular, why non-clients refuse to become permanent users of services), development and testing of business ideas, creation of design, search, and purchase of unique equipment, training of staff, etc. At the same time, the difference in initial investments produces a much greater stream of revenue from projects within the Blue Ocean Strategy (Fig. 5).

This is because the value of the projects of restaurant company "I FEST", design-hotel "History,

### Table 2. Principles of Blue Ocean strategies that increase the demand and sales of tourist and hotel-restaurant products

<table>
<thead>
<tr>
<th>Principles of Blue Ocean strategies (uses)</th>
<th>Concretization of the principal content</th>
</tr>
</thead>
<tbody>
<tr>
<td>the Blue Ocean strategy is an approach that aims to expand market boundaries</td>
<td>business entities do not focus on existing clients, but rather study non-clients</td>
</tr>
<tr>
<td>the Blue Ocean strategies can be created within the core of business</td>
<td>business entities should not go beyond their own activities, referring to related industries</td>
</tr>
<tr>
<td>the Blue Ocean strategies should focus on innovation: the essence of which is completely removed from the client's perception of technology</td>
<td>business entities do not need ultra-modern, technological innovations</td>
</tr>
<tr>
<td>the Blue Ocean's strategies are to become the first in the market, combining values and innovations.</td>
<td>business entities that enter the market with new proposals should link them to the value</td>
</tr>
<tr>
<td>the Blue Ocean strategy is to become synonymous with differentiation</td>
<td>business entity must simultaneously differentiate and reduce costs (paying attention to what can be removed or reduced)</td>
</tr>
<tr>
<td>the Blue Ocean strategy is not synonymous with a low-cost strategy</td>
<td></td>
</tr>
</tbody>
</table>

Source: formed on the basis of [1; 3—5].

![Fig. 4. Comparison of the average estimated cost of initial investments in a large business project tourist and hotel-restaurant sphere, $ million](image-url)
and public organization "Center Pripyat.com" does not coincide with the value curves of their competitors. Within the framework of these projects not exist excessive supply, which does not form returns.

Thus, according to the above data, it is clear that the profit stream from all business projects in the tourism and hotel and restaurant sphere within the strategy of the Blue Oceans is 60—80% higher than the profit on the classical project. This is confirmed by other studies [3—5]. Although we have no data on the cost-effectiveness of projects in the Red and Blue Oceans, the global differences in their profitability indicate the priority of such projects in the post-war reconstruction of the tourist and hotel-restaurant Ukraine sphere.

**CONCLUSIONS FROM THIS STUDY AND PROSPECTS FOR FURTHER EXPLORATION IN THIS AREA**

Within the study proved that the use of the Blue Ocean strategies ensures the formation of a temporary monopoly.

Naturally, for the post-war restoration of the tourist and hotel-restaurant sphere of Ukraine, business entities should use the following strategy, the content of which is:

1. Focuses on plans to maximize the expansion of market boundaries within the core of the business. At the same time, business entities should focus on non-clients and should not go beyond their activities, referring to related industries.

2. Focuses on simple innovations, the essence of which completely extracts the clients’ ideas about technology. At the same time, business entities do not need ultra-modern, technological innovations (since it does not constitute a determining sign of profitability of tourist and hotel-restaurant products).

3. Focus on combining values and innovations. Naturally, business entities that enter the market with innovative proposals should link them to the value for the clients.

4. Focus on differentiation strategy and cost reduction. Naturally, business entities should pay attention to items that can be removed or reduced to simultaneously reduce product production costs.

The prospects of further developments in this direction lie in the development of the strategy of the post-war renewal of the tourist and hotel-restaurant Ukraine sphere by creating monopolies, which are held not by administrative levers, and innovations and creativity, thus producing a much higher, classical flow of profits.

**Fig. 5. Comparison of the average net profit from the large business project implementation of a tourist and hotel-restaurant sphere, $thous**

Note:

* Ernst & Young Global Limited has been formed according to the average data of restaurant company "FEST", design-hotel "History and public organization "Center Pripyat.com"

** Ernst & Young Global Limited has been formed according to the average data of other business entities implementing the Red Ocean strategy

References:

2. Sheremet P. Monopoliiya moyu byti kreativny, zbruc.eu, URL.: https://zbruc.eu/node/2530

Література:


Стаття надійшла до редакції 07.02.2023 р.