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SCIENTIFIC PAPER

STRATEGY FOR THE RESTAURANT BUSINESS IN RUSSIA IN TERMS OF SANCTIONS AND IMPORT SUBSTITUTION

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Abstract: *This article describes the situation established in August 2014 in Russia. The article considers an example of a famous restaurant «Metropol» (Moscow), taking into account the prevailing situation in Russia. The study of customer attendance, assortment and price policy towards the main products forming the restaurant's menu was conducted. As a result, recommendations were given, in order to preserve the client base and revise the assortment of dishes.*

Keywords: *restaurant business, import substitution, sanctions, embargo.*(JEL CODE: *M21*)

INTRODUCTION

For a long period catering remained one of the fastest growing sectors of the services market, outpacing the dynamics of its growth many sectors of the economy. In August 2014 the Russian Federation imposed sanctions against the import of a number of products that directly affected the work in the restaurant business, creating the most critical and uncertain conditions.

The aim of the work is to develop anti-crisis measures and new directions of the restaurant business development in terms of sanctions and import substitution.

In accordance with these tasks, the following problems were set and solved:

- to identify the features of the restaurant business development before and after August 2014;
- to examine the issues of the restaurant business in terms of sanctions and import substitution;
- to identify the specific development of the restaurant market in the economic crisis;
- to formulate crisis management recommendations.

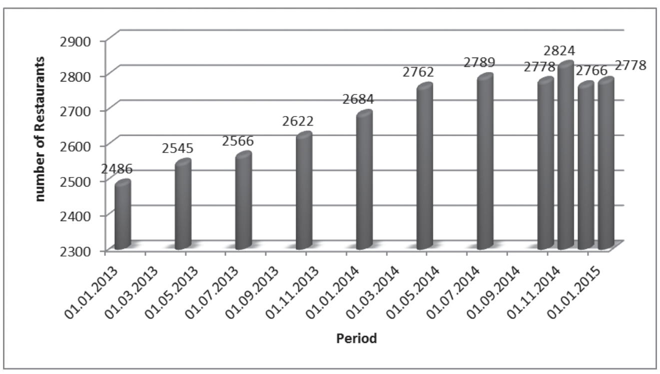
Currently there are more than 70,000 cafes, restaurants and other catering companies of different formats in Russia. From 2009 to 2013, the number of restaurants and cafes in Russia increased by 21.2% and amounted to 70.5 thousand.

Table 1. Number of restaurants and cafes, Russia, 2009-2013 (thousand)

Parameter	2009	2010	2011	2012	2013
The number of restaurants and cafes	58,2	60,4	63,7	66,7	70,5
% to previous year	-	3,8	5,5	4,7	5,7

According to data presented in Figure 1, it is seen that from January 2013 to July 2014 there is a positive trend, but in September 2014 there is evident decrease in the number of restaurants, at the same time in November 2014 was the growth, which is probably connected with the New Year holidays and investment projects.

Figure 1. How to change the number of restaurants in Moscow



Source: 2 GIS. Figures are formed based on regular monitoring conducted by call center 2 GIS.

2014 for the Russian restaurant market, as well as for the country as a whole, was rich in events.

Serious challenge to business was in August, when Russia in response to the economic sanctions from the West imposed a ban on import of agricultural products, raw materials and foodstuffs from the European Union, Norway, the USA, Canada and Australia.

Ban on import forced vendors and restaurateurs promptly to seek the replacement of banned products in Latin America, the Middle East and the CIS. Interest in Russian-made products increased. In this case, with a substantial rise in the price restaurant owners try not to raise the prices in the menu.

Naturally, the need to replace the import of domestic food products is today the main task of the domestic agricultural sector.

In the first month after the embargo the prices of products for HoReCa (Hotel, Restaurant, Cafe) increased by 15-20%. It was a blow to the catering economy, causing serious chefs menu changes in an attempt to keep growing food cost. In autumn ruble fell, which caused a further increase in import prices.

Agriculture in modern Russia has considerable potential: over 40% of the world black soil, 20% of fresh water, the leading place in the world engaged in the production of fertilizers, more than 100 million ha of arable land, etc.

For the last 3-5 years public authorities at the federal level and in the regions of the Russian Federation took economic and legal measures aimed at strategic agricultural development, technological modernization of food processing industry, the social resettlement of rural areas. The Russian Government is currently developing a list of emergency measures on import substitution of agricultural raw materials and food products.

The EU has already estimated the losses from the import prohibition in Russia -12,000,000,000 euros.

Table 2 presents the data characterizing the dynamics of food import from 2000 to 2013.

Table 2. Food import in the Russian Federation (bln. $)

Year	2000	2005	2010	2011	2012	2013
billion $	7,4	17,4	36,4	42,5	40,2	43,5

According to the table, we can say that the dynamics is positive.

Import of food products and agricultural products in Russia for 2000-2013 years has grown about 6 times - from $ 7 billion to $ 43 billion. The Institute gave such data for Complex Strategic Studies (ICSS) in April 2014. From Table 3 we can see that import increased until 2010 - about 43% of household spending on food in 2013 accounted for imported products, whereas in 2009 it was about 40%.

Table 3 provides information on the volume of basic foodstuffs import.

Table 3. Import of basic food commodities, thousand tons

№	Foodstuffs	2000	2005	2010	2012	2013	deviation (+/-)
1.	Fresh and frozen meat	517	1340	1614	1406	1259	+742
2.	Fresh meat and frozen poultry	694	1329	688	531	500	-194
3.	Fresh and frozen fish	328	787	791	739	765	+437
4.	Milk and cream, condensed	77	314	238	163	191	+114
5.	Butter and other dairy fats	71	133	134	118	135	+64
6.	Sunflower oil	150	131	115	17	18	-132
7.	Raw sugar	4547	2893	2086	520	520	-4027
8.	white sugar	467	625	285	68	69	-398
9.	Cereals	4677	1449	444	974	1302	-3375
10.	Flour and grains	175	74	120	68	123	-52
11.	Pasta	36	79	59	81	92	+36
12.	Potato	359	103	711	461	444	+85
13.	Tomatoes	162	355	717	800	829	+667
14.	Fresh apples	367	730	1206	1279	1282	+915
15.	Fruit and vegetable juices	125	274	278	264	241	+116

According to Table 3 there is positive dynamics, but in 2012 the volume of certain types of food products compared to the year 2011 reduced, and in 2013 there is an increase. Assessing the whole period, it may be noted that the decrease in imported food has been in the following areas: poultry and fresh and frozen (-27.9%), sunflower oil (-88%), raw sugar (-89%), white sugar (-85.2%), cereals (-72.2%), flour and cereals (-29.7%).

In order to understand the development of domestic agriculture of these years, we present statistics in Table 4.

However, for the sustainable economic development, domestic agriculture requires significant amounts of money. History gives a chance to add 10-12 billion dollars to the state budget of the Russian Federation, which are expected by Russian and foreign experts to be released in connection with the prohibition of import to the Russian Federation of certain food groups.

In 2013 import of food in our country amounted to 43.5 billion dollars.

If there is a decrease in import to 12 billion dollars, that is still more than 20 billion dollars for the purchase of agricultural products business in foreign countries.

The problem is that those money should be used on the delivery of products, which will not be fully provided by domestic agricultural producers.

Restrictions on food products import means that annually the Russian food import from the EU, Norway, USA, Canada and Australia fell by $ 9.4 billion. At the same time food import from the EU should be reduced by $ 6 billion.

Table 4. Production of main food per capita, kg

№	Foodstuffs	2000	2005	2010	2012	2013	deviation (+/-)
1.	Grain	450	546	427	495	637	187
2.	Potato	233	200	148	206	211	-22
3.	Vegetables	86	80	85	102	102	16

№	Foodstuffs	2000	2005	2010	2012	2013	deviation (+/-)
4.	Meat (slaughter weight)	30	34	50	57	59	29
5.	Milk	222	218	223	222	214	-8
6.	Eggs, pieces.	234	259	284	294	288	54
Crop production in farms of all categories (million tons)							
№	Types of products	2000	2005	2010	2012	2013	
1.	Grains and legumes, including	65,5	77,8	61,0	70,9	91,3	28,5
	wheat	34,5	47,6	41,5	37,7	52,1	17,6
	rye	5,4	3,6	1,6	2,1	3,4	-2,0
	barley	14,0	15,7	8,4	14,0	15,4	1,4
	corn	1,5	2,1	3,1	8,2	10,7	9,2
	oats	6,0	4,5	3,2	4,0	4,9	-1,1
	buckwheat, th.	997	605	339	797	829	-168
	rice, th.	584	571	1061	1052	926	342
	Flax, th.	51,0	56,0	35,2	46,0	38,0	-13,0
	Sugar beet factory	14,1	21,3	22,3	45,1	37,7	23,6
	Sunflower	3,9	6,5	5,3	8,0	10,2	6,3
	Potato	29,5	28,1	21,1	29,5	30,2	0,7
	Vegetables	10,8	11,3	12,1	14,6	14,7	3,9
Livestock production in farms of all categories							
№	Types of products	2000	2005	2010	2012	2013	
1.	Meat (live weight), mln. tons	7,0	7,7	10,5	11,6	12,2	5,2
2.	Milk, mln. tons	32,3	31,1	31,8	31,8	30,7	-1,6
3.	Eggs billion units	34,1	37,1	40,6	42,0	41,3	7,2
4.	Wool, th. tons	40,3	49,0	53,5	55,3	54,4	14,1

Source: Federal State Statistics Service [Electronic source]. – Available free at: http://www.gks.ru/.

According to preliminary data, in comparison with 2013, in 2014, taking into account trade with Belarus and Kazakhstan the volume of import of agricultural products to the Russian Federation declined from $45 to $40.9 billion, Russian export of agricultural products increased from $16.7 to $19.1 billion. This idea was stated by Nikolai Fyodorov, the head of the Ministry, at a working meeting with the deputies of the State Duma and the Federation Council.

Meat import from countries that have fallen under the limit should be reduced to 867 thousand tons (7.8% of domestic consumption), fish and seafood on 457 thous. tons (13.7% of domestic consumption), milk and dairy products to 529 thous. tons (1.4% of domestic consumption), vegetables up to 916 thousand. tons (5.4% of domestic consumption), fruit on the 1600 thous. tons (14.5% of domestic consumption). (http://knoema.ru/xttujne/Limitation Russian food import/).

Table 5 provides information on countries caught in the Russian embargo.

According to Interfax Information Services Group, the EU has already estimated the losses from the prohibition of Russian food import -12,000,000,000 euros. And the Commission does not exclude the support of the World Trade Organization to cancel retaliatory sanctions of Russia.

In the federal law «On special economic measures», there is a hidden reference to Article XXI of the General Agreement on Tariffs and Trade (GATT) 1994. This article says that any country can protect its national interests and withdraw from its WTO commitments. Therefore, the application of such restrictions is not contrary to WTO rules. And the West has no reason to sue Russia.

However, even if the lawsuit is initiated, we must remember that Russia banned for a year. Such disputes to the WTO can be seen from a half to five years.

If Russia lifts the ban during the trial, the cost of trade losses will not be collected, says Sergei Lapin, an expert in the field of legal regulation of international trade.

Russia since the introduction of the food embargo (7 August 2014) significantly reduced import of certain agricultural raw materials and food.

According to the Federal Customs Service (FCS), in January 2015, has accelerated sharply decline in food import by 42% in annual terms. Only strongly reduced import of machinery and equipment (- 45% per year) in the food group import of dairy products decreased by 4.6 times, meat and offal - 4.1 times, fish - 2.4 times, alcoholic and non-alcoholic drinks - by 48.9 percent, fruit - 47 percent, cereals - by 44.5 percent, vegetables - by 40.6 percent, sugar - by 17.1 percent, vegetable oil - by 12.4 percent.

Earlier FCS gave information that since early January meat import to Russia dropped five times, and cheese - more than ten times compared to the same period last year. The largest reduction affected the import of pork, which supply in January decreased by 11 times - up to 1.73 thous. tons. Beef import fell by 2.5 times - up to 1.79 thousand. Tons of poultry meat - 1.6 times - up to 5.8 thousand tons.

Reduced supplies from abroad also affected milk production. Import of butter to Russia during the period from 1 to 26 January fell to 12.9 times compared to the same period of 2014 and amounted to 0.5 thousand tons. Import of cheese fell to 10.2 times - to 1.3 thousand tons of milk powder - 3.2 times - up to 0.7 thousand tons.

In Table 6 there are data submitted by countries that did not come under embargo, namely, their reaction to this situation.

Thanks to new partners, Russia will be able to compensate the shortfall in volume after a few months. Until that time, we have enough stocks of the European and American products.

Figure 2 shows that the embargo and price increases affected the dynamics of the visits, and from August to November there is a steady decrease in the dynamics, but in December 2014 the growth of visits covers losses from previous months - this is due to the celebration of the New Year. January had the lowest number of visits, although at this time many people to attend this kind of places. In February, there is a revival and the rise by 39% against January 2015.

Table 5. Countries hit by the Russian embargo

Country	The share of export to Russia, in terms of value	The share of export to Russia,%	Note
France	To 1.2 billion EUR	6,5%	90% of apples and pears sales which were sent to Russia, sellers are calling the embargo «a nightmare»
Ireland	70 million euros (including dairy products - 40 million, seafood - 20 and beef - 10)	-	Export to Russia up to 100 million euros is not subject to the embargo. It is also reported that last year the Irish food and drink export to Russia amounted to 232 million euros
Poland	1.3 billion EUR	7 %	Estimated loss of 500 million euros. Particular concern is expressed by apple producers
Finland	-	14 %	Of all the European countries Finland is the most Russia oriented country. Particularly difficult situation is in Valio company. Up to 25% of sales are supplies to Russia
Spain	-	-	Particularly affected are export of fruits and vegetables (68% of Spanish food export to Russia). Meanwhile damage is estimated at only 1.2 billion euros of the total export of 234 billion euros (as of 2013), i.e. 0.14%. Catalonia could export to Russia 40-50% of its fruits
United Kingdom	-	0,2 %	Manufacturers of cheese, mackerel and beef express disappointment. However, the ban does not fall on Scotch whiskey
Sweden	-	Not more than 1 %	Most of this is flour and other products, not fallen under the ban
Lithuania	-	19,1 %.	IMF considers that Lithuania will be one of the most affected by the embargo. However, it is noted that 80% of Lithuanian export to Russia are re-export, so transport companies will suffer more than manufacturers.
Netherlands	1.5 billion dollars. Of total export to 78 billion	-	Cheese producers reported about the losses. damage in the 1.5 billion euros
Germany	-	3 %	
Greece	-	-	The situation with the supply of fresh fruit is assessed as extremely grave. Greek farmers assess the damage as «catastrophic»
Denmark	12 billion euros (2.2 billion dollars)	2 %	The most difficult situation is with the export of meat (Danish export of meat reach 7.9%)
Estonia	-	to 10%, in the agricultural export - 20%	Hardest hit dairy industry (up to 24% of export went to Russia)
Romania	7 billion EUR	-	-
Portugal		0,4%	-
Croatia	15.7 billion EUR	1,5 %	-
Belgium	-	7 %	-
Hungary	-	-	Damage to the Hungarian economy by the embargo is estimated as insignificant
Slovakia	-	-	Damage is estimated at 6 million euros
Italy	706 billion EUR	-	-
Slovenia	-	-	No problems in trade with Russia
Latvia		0,7 %,	The damage from the Russian counter-sanctions amounts 55 million euros.
Czech Republic	-	-	Decline in home prices by 10-12% is expected. Expected drop in sales of 2.2 billion euros (79.1 million euros) and the reduction of 700 job places. Russian embargo will cause a loss of 300 million euros (10.7 million euros) and 130 job places
Bulgaria	-	-	Damage from the Russian embargo is estimated as insignificant. Expected fall in prices due to the appearance of products from other EU Member States that have failed to sell in Russia
Austria	-	-	Manufacturers are interested in the production of products at prices not less than 35 cents per kilogram. Previously, they were 40 cents, but now collapsed to 20. In practice this will cause problems for fruit growers
Luxembourg	-	-	The damage accounted only 5 million Euros
USA	1.2 billion dollars	1 %	The main item of export is chicken; if in the middle of 1990s, Russia's share in the export of chicken reached 40%, now it has fallen to 7%. Losses from the embargo are less than 0.1%. The United States estimated damage from the actions of Russia in the amount of $715 million
Australia	-	0,4 %	Under the embargo, Australia's export to Russia fell by 34%. According to the Ministry of Trade of this country, Russia is only the 28th importer
Canada	563 million Canadian dollars	-	Main part of export is pork.
Norway	-	-	The stock market of the country has fallen by 10%, the price of seafood by 7-8%. Norwegian producers are expected to attempt to circumvent the embargo through Chile

Source: Compiled by the author based on data from Wikipedia. (August 2014 – March 2015).

Table 6. Reaction countries not hit by embargo

Serbia	Embargo is the best chance for the Serbian economy over the last 14 years. Serbian producers cannot quickly increase export for the «huge» Russian market with the required quality and assortment. Currently, export from this country to Russia is insignificant: up to $ 185 million. For 2013 with a total food import to Russia 42 billion dollars
Macedonia	Macedonian suppliers of fruits and vegetables are already exporting some products to Russian shops
Byelorussia	Expressed its readiness to increase its export. August 11, Belarus said it would stop the export of prohibited goods in Russia through its territory. September 20 reported increased Federal Veterinary and Phytosanitary Monitoring Service (FVPMS) monitoring of Belarusian products; this is due to a sharp increase in deliveries to Belarus from countries came under Russian sanctions. In particular, the export of fish from Norway to Belarus doubled
Brazil	Up to 90 new producers of meat have received Russian Accreditation. For the last 6 months in the Brazilian export to Russia beef is in the lead
Switzerland	Attempts were made to European producers (in particular, the Spanish, Polish and German) to bypass the Russian embargo through Swiss territory. However, obtaining the appropriate registration Switzerland - a complex process. A major scandal took place in November-December 2014: FVPMS threatened Switzerland with imposition of restrictions due to the increased supply of apples «by 400 times.» Deliveries of Swiss cheese in Russia increased by 5 times
Turkey	It is expected that the country will benefit from the embargo. Signed a protocol to increase the supply, in particular, milk and honey
New Zealand	Is expected to increase sales of New Zealand cheeses
Chili	Expressed its willingness to increase export of salmon and seafood to replace import from Norway. In 2013, Russia imported from Chili 50 th. tons of salmon, and 130 thousand tons from Norway. In November 2014 Chile became the largest supplier of fish in the Russian Federation.
Faroe Islands	As for February 2015, the export of salmon from the Faroe Islands in Russia increased by seven times, with the price 25% higher
Ecuador	is going to increase the export of fish and seafood
Mauritius	is going to open its fish export to Russia. FVPMS inspection is expected of fish processing plants in this country
Egypt	Is expected to increase food export from this country. A proposal for the inclusion of Egypt in Customs Union
Tunis	Foreign Minister of this country, Mongi Hamdi, expressed readiness to increase supply, especially olive oil (olive oil does not come under the embargo)
Iceland	Deliveries of fish doubled
South Africa	Significantly increased import of fruit
Iran	Start of products deliveries in March 2015

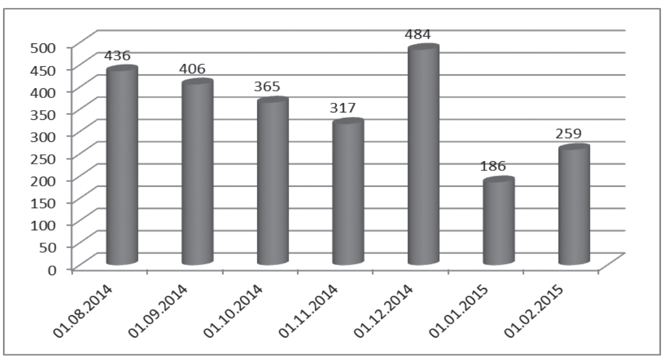
Source: Compiled by the author based on data from Wikipedia (August 2014 – March 2015).

RESULTS AND DISCUSSION

As one of control representatives of HoReCa business, we took the restaurant of Hotel “Metropol”, which has become a symbol of Moscow for many foreign tourists and businesspersons. The restaurant’s cuisine includes hot shop, cold shop, billet shop. The staff consists of work chef, sous-chef, 8 cooks per shift. The hall has 50 seats; depending on the season, 20 seats are added to the terrace. During the summer period, the number of people extends from 100 to 170 people a day in winter 50-60 people. The restaurant belongs to the category of premium; the average bill without drinks per person is 2500 rubles. Menu may vary depending on the season.

The Figure 2 shows the dynamics from August to February 2015.

Figure 2. Dynamics of restaurant attendance and the rate of growth / decline from August 2014 to February 2015.



Source: Compiled by the author.

The following table presents the dynamics of prices for purchased products. Estimating the price of purchased products, from figure 3a it can be seen that the highest growth rate for products such as salmon is 226.2%, beef 169.3%, cheese 161.5%.

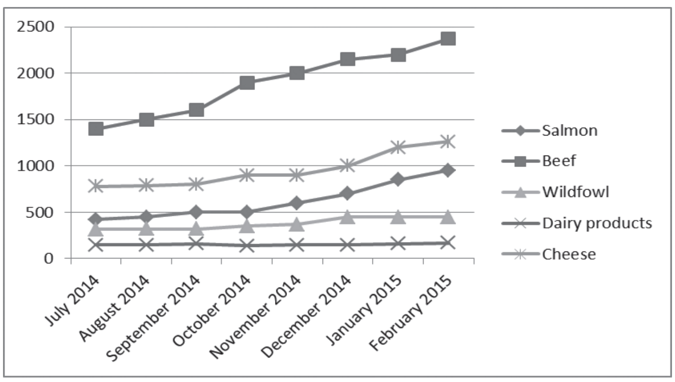
Table 7 a. Prices for products purchased by the restaurant from July 2014 to February 2015

Period	Prices for purchased products, rub. / kg				
	Salmon	Beef	Wildfowl	Dairy products	Cheese
July 2014	420	1400	315	150	780
August 2014	450	1500	320	150	790
September 2014	500	1600	320	160	800
October 2014	500	1900	350	140	900
November 2014	600	2000	370	150	900
December 2014	700	2150	450	150	1000
January 2015	850	2200	450	160	1200
February 2015	950	2370	450	170	1260
The rate of growth (decline),%	226,2	169,3	142,9	113,3	161,5

Source: Compiled by the author.

The dynamics is shown in Figure 3a.

Figure 3 a. The dynamics of the products purchased by the restaurant, rub. / kg



Source: Compiled by the author.

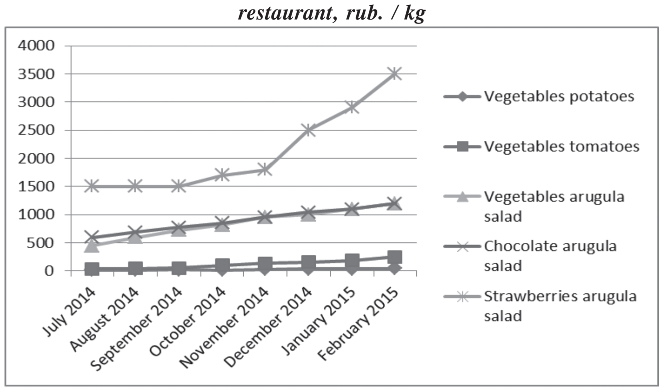
Estimating the price of purchased products, the figure shows that the highest growth rate is 625.0% for tomatoes, but also for other products, rising by more than 2 times. The dynamics is shown in Figure 3b and Table 7b.

Table 7 b. Prices for products purchased by the restaurant from July 2014 to February 2015

Period	Prices for purchased products, rub. / kg				
	vegetables potatoes	vegetables tomatoes	vegetables arugula salad	chocolate	Strawberries
July 2014	16	40	450	600	1500
August 2014	17	47	600	690	1500
September 2014	24	55	725	775	1500
October 2014	20	100	815	850	1700
November 2014	30	137	960	960	1800
December 2014	42	160	1000	1045	2500
January 2015	37	190	1100	1100	2900
February 2015	43	250	1200	1200	3500
The rate of growth (decline),%	268,7	625	266,7	200,0	233,3

Source: Compiled by the author.

Figure 3 b - The dynamics of the price of products purchased by the restaurant, rub. / kg



Source: Compiled by the author.

Due to the growth rate, there is very high trace of products consumption dynamics from July 2014 to January 2015.

Table 8 a - The number of purchased products from July 2014 to February 2015

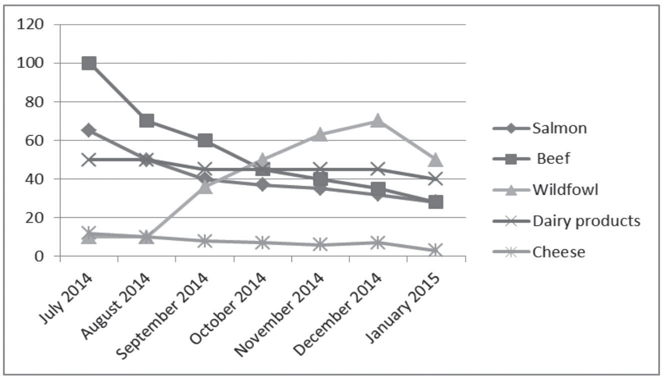
Period	**Daily consumption of the restaurant, kg**				
	Salmon	**Beef**	**Wildfowl**	**Dairy products**	**Cheese**
July 2014	65	100	10	50	12
August 2014	50	70	10	50	10
September 2014	40	60	36	45	8
October 2014	37	45	50	45	7
November 2014	35	40	63	45	6

December 2014	32	35	70	45	7
January 2015	28	28	50	40	3
The rate of growth (decline),%	43,1	28,0	500,0	80,0	25,0

Source: Compiled by the author

Evaluating the data on the number of purchased products we can see decline in procurement, except for fowl, which is currently being purchased on the local market, excluding import. You can see it in the Figure 4a.

Figure 4 a - Dynamics of products consumption, kg/day



This situation is similar for the procurement of other products, growth is observed for potatoes (20% more in January 2015 than in July 2014)

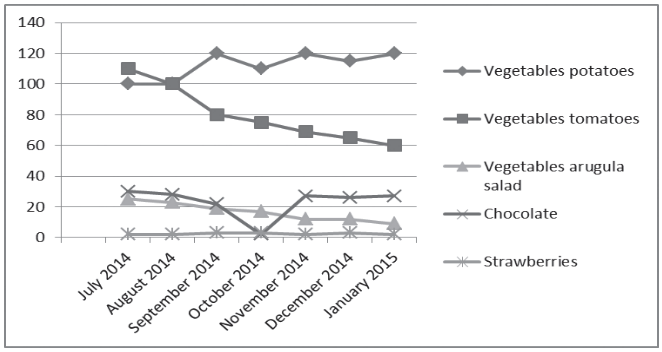
Table 8 b - The number of purchased products from July 2014 to February 2015

Period	Daily consumption of the restaurant, kg				
	Vegetables potatoes	Vegetables tomatoes	Vegetables arugula salad	Chocolate	Strawberries
July 2014	100	110	25	30	2
August 2014	100	100	23	28	2
September 2014	120	80	19	22	3
October 2014	110	75	17	2	3
November 2014	120	69	12	27	2
December 2014	115	65	12	26	3
January 2015	120	60	9	27	2
The rate of growth (decline),%	120,0	54,5	36,0	90,0	100,0

Source: Compiled by the author.

Also can be said for the procurement of other products, growth is observed for potatoes is 20% more in January 2015 than in July 2014. Graphically represented in Figure 4b.

Figure 4 b - Dynamics of products consumption, kg/day



In evaluating the overall consumption of raw materials per day, which depends on the amount of guests, ranges from 20 kg to 140 kg.

In terms of sanctions, the question of import substitution raises, but it is very difficult to replace 100% products.

The ban on import of the food from Europe became for the restaurant market an event of year. Embargo stirred up the restaurant market, having provoked general increase in prices, having destroyed the adjusted logistic chains and having forced to look for replacement to the forbidden products quickly. Having studied various resources of information on current situation, we will use poll of restaurateurs and chefs from Moscow, St. Petersburg and Kazan («FoodService») // http://www.cafe-future.ru/archive/1516/.

In research, the following questions were stated:

1. What import production and from what countries did you receive before embargo introduction? What was its share in the general purchases of your restaurants?
2. What percent of dishes in the menu «stopped» after embargo introduction?
3. Was it succeeded to find replacement to the forbidden products? With what countries and on what products do you plan to cooperate now? Did the share of the Russian products in purchases grow?
4. How did the menu of your restaurants change after embargo introduction? What dishes have you removed/plan to remove from the menu when the residues end?
5. What new dishes have appeared in the menu for the last month? What is now developed?
6. How did purchase prices at suppliers change after embargo? Did you raise the prices at restaurants? If yes, how much.
7. What advantages/ disadvantages of embargo introduction do you see? How was the ban on import of products reflected in work of your restaurants in general?

Research respondents:

1. Leonid Garbar, vice-president of StroganoffGroup (St. Petersburg).
2. Ilya Tyukov, brand chief of the Restaurant Syndicate Company (Moscow).
3. Valeria Silina, senior vice-president for marketing of Rosinterrestorants holding (Moscow).
4. Maksat Ishanov, CEO of a network of restaurants

«Two Sticks» (St. Petersburg).
5. Zufargayazov, CEO of «Tatinterrestorants» (Kazan).
6. Nikolay Mitchin, co-owner and managing partner of BeerFamilyProject (St. Petersburg).
7. Lorena Tsulaya, director of development of a network of Kruzhka restaurants (Moscow).
8. Merab Ben-Al (Elashvili), president of holding «G.M.R. Planet of Hospitality» (Moscow).
9. Alexander Kurenkov, brand chief of the MarketPlace network (St. Petersburg).
10. Oleg Lobanov, president of Korpusgroup group of companies (Moscow).

During work answers of poll participants were analyzed.

Answers on Question 1. What import production and from what countries did you receive before embargo introduction? What was its share in the general purchases of your restaurants?

Vegetables, salads	Holland
Cheeses and meat delicacies	Europe
Meat	Latin America (Argentina)

In general, it is possible to sum up the result that products were bought from the following countries: Australia, Italy, Germany, Poland, Hungary, France, Denmark, Norway, Spain, Holland, China, New Zealand, Japan, USA and Brazil.

Ordered: sausages, cheeses, exotic fruit, some vegetables, salads, berries, seafood, sauces, meat (beef, lamb) freezing.

The share in the general purchases of restaurants reached 80% of import, the share at some restaurants purchases were also the minimum 20-30%.

Answers on Question 2. What percent of dishes in the menu «stopped» after embargo introduction?

First of all most of poll participants answered that on «stop» there was a Caesar Salad, thus the rise in price increased by 3 times. According to technology Caesar salad includes such salads as Romaine lettuce, iceberg salad which gives refined taste and lightness.

As for other dishes, it is meat delicacies and cold appetizer cheese plates. In particular, it is possible to note that there is no bresaola, Parma ham, jamón, salami, hard cheeses, parmesan cheese, cheese with a mold, oysters and lobsters, an asparagus.

The Italian restaurants support fish and seafood in the menu, so on up to 10% «stopped», in some restaurants this indicator reaches 15-20%.

5-10% of dishes with a salmon «stopped»

The quantity of dishes with the use of berries (strawberry, blackberry, currant) decreased.

But in at the same time some respondents answered that there were no «stops», but the price grew.

Answers on Question 3 Was it succeeded to find replacement to the forbidden products? With what countries and on what products do you plan to cooperate now? Did the share of the Russian products in purchases grow?

Product	Country, source
Cream, sour cream, yogurt, kefir, cottage cheese	Russian Federation
Salmon and cod	Russian Federation , Murmansk
Soft cheeses from baked milk with addition of nuts, greens	Farms of the Russian Federation
Trout	Russian Federation , Karelia
Seafood and vegetables	Tunis and Morocco
Cheeses (especially parmesan)	Latin America
Blue cheese	Belarus
Salmon	Chile
Green salads	Turkey, Israel
Seafood	Southeast Asia
Beef	Argentina, Belarus
Parmesan	Uruguay
Mozzarella and ricotta	Georgia
Mutton	Belarus

In purchases, the share of the Russian and Belarusian products grew.

Restaurant business during this period works with the resolved products, the market is not ready to volumes, and quality of production is unstable. Thus, restaurateurs warn guests about quality of products.

However, the most important in the short term is to build logistics, to put shoppers, to buy and start up transport, to construct the overworking plants, to adjust sale.

Answers on Question 4. How did the menu of your restaurants change after embargo introduction? What dishes have you removed/plan to remove from the menu when the residues end?

At first the remains and stocks of some products were used. On some products, it was necessary to change technology of processing to provide the taste that was earlier by the available products. However, if the restaurants replaced some products by the similar worsened dishes and clients stopped to order them. The new lunches based on home cuisine were entered. The new menu at some restaurants decreased by 20%. The products creating esthetics is reduced, e.g. decorations made of berries. Replacement with the budgetary products is carried out: salmon is replaced by chum salmon, green salads – on fresh cabbage. A question with Caesar salad stayed. This dish is very popular; many restaurants bring him out of the menu, due to impossibility of execution.

Incorporate food rotation of dishes before introduction of embargo was once a month, now per 2-2.5 weeks.

Answers on Question 5 What new dishes have appeared in the menu for the last month? What is now developed?

Search of original and similar to taste products is carried out. The most important that unanimously many restaurateurs note that the European meat delicacy differs from Russian in constancy.

Farmer products guide some restaurants or special menus, according to the Russian traditions, became more active to use meat of duck, goose, chicken, lamb, goat's meat. Salad jewelry was replaced with fennel, parsley, green salad.

At the same time part of restaurants try to keep the menu by replacement of production and redistribution of the income and motivation.

Answers on Question 6 How did purchase prices at suppliers change after embargo? Did you raise the prices at restaurants? If yes, how much.

In the period of unstable prices for products, suppliers change the prices daily, but at restaurants such attitude towards guests isn't applicable and it is a question of social responsibility. Increase in prices for 20-30% for demand generating goods is observed.

On some positions, salads, lime, champignons, cherry, chicken the price grew twice, but behind a wave of the high prices, small recession, about 12%, is traced. All restaurateurs were affected by the price of Iceberg salad from 180 rub for kg before jump in 720 rub for kg, and it is 400%.

More increase in prices is a speculation.

Replacement of suppliers (tea, coffee) is carried out

The similar critical situation was already in experience of many restaurateurs in 2008, but knowing the fact those restaurants (public catering) is one of basic requirements, demand for such service will remain respectively. So competent managing directors consciously reduce salary approximately to 15% for their survival. In that case, mid-price segment is in favorable situation, which is filled up by the clients from a premium segment.

Answers on Questions 7. What advantages/ disadvantages of embargo introduction do you see? How was the ban on import of products reflected in work of your restaurants in general?

The positive moments are considered – return to sources, traditions. There is a possibility to develop new dishes named «special offer», after demand studying, start in the mass menu.

The situation will force to approach receipt professionally and economically that creates some kind of difficulties. Orientation to the mass consumer with various tastes is universality in a point of sales and an incentive for producers to increase quality and to expand the range.

At the same time the injurious behavior, one of the most dangerous, is observed, after all thus it is possible «to kill» the client, in that case to whom to sell? Packing and delivery leaves a «sad» mark on products distribution and logistics.

Thus, we can say that political issues affected catering industry. However, this situation is inevitable in some degree but has kind of a plus this important factor can affect the revival of «Russian cuisine».

We can only hope that soon all of these problems will be solved.

Today, the main task is to develop local products, play with the new tastes and the most advantageous is to replace the unavailable ingredients on the author made counterparts. There are hopes that the government will create the necessary favorable conditions for businesspersons and farmers in the industry.

New menu should not increase the cost of food, and in some cases even reduce without loss of palatability. Analyzing our restaurant, we can conclude the only way to keep the business is to provide high quality, while minimizing the cost of food and drinks. During development of the menu, we removed the extra meals, replaced and even deleted unpopular and economically disadvantageous ingredients. We are going back to basics - to the traditional tastes, to the products of local origin that are better absorbed by the body.

Next table shows the comparative information of the menu before and after the food policy change. The difference between the menus is a reduction of one or two meals in the new menu. During supplier countries change the price on some products in the new menu decreased, the replacement products, which did not affect customers' favorite dishes, even to some extent represents the new looks and tastes for restaurant dishes.

Table 9 provides information on the suppliers change before and after the embargo on the number of products produced by import substitution.

Table 9 - Change in supplier countries by product category

Product Categories	Supplying countries to impose restrictions	Product category, after replacing the MENU	Supplier country after the restrictions introduction
fish - salmon - turbot - Black cod - dorado	Norway, France	-salmon -cod - sturgeon -sibas	Tunis, Seychelles, Freshwater fish from Siberia
- meat	Australia		- New Zealand - Chile - Bryansk (Miratorg) - Belarus
- offal - liver - heart			Bryansk (Agribusiness) farmers
cheese - Parmesan, - Taleggio, - Camembert,	Italy France		Crimea Krasnodar region Moscow region South America (Argentina, Chile)
wildfowl - duck - quail	France Hungary	wildfowl - duck - quail	Tver region
dairy products - Oil - milk - sour cream - cream	Finland (Valio)		Moscow Belgorod Vologda Belarus
Fruits and vegetables	EU countries		Turkey, Egypt, Israel, Brazil

Source: Compiled by the author.

Also, in order to develop recommendations for planning effective communication requires a clear understanding of the visitors, which is directly related to the concept of the visits structure.

Table 10 illustrates types of visits to restaurants. The first type of visits that are connected with business meals, the second type is visit for spending a good time and the third type is a variant of buffet and children programs.

Table 10. Types of visits to restaurants

Types	Time period	Reasons	Order	The average bill, rubles
First	From 12 p.m to 5 p.m.	Corporate lunches Business Afternoon snack	Cold appetizer, first course, or one hot dish, hot drinks, dessert, set meals. Typically, strong drinks are not presented	1500
Second	From 5 p.m. to 11 p.m.	Dinner, enjoyable time Spending	Selection of cold appetizers, hot dishes and desserts. The presence of strong drinks	5000
Third	Nonworking days and holidays	Family meals (brunch) orders for take-away products (catering) Children's programs	Dinners for special offers with desserts. The presence of strong drinks	2500

As Table 10 illustrates the first type of visits are attracted to the company public catering casual visitors who found themselves near or invited to a business meeting. The second and third types of visits are based, as a rule, on the primaries, so when deciding plays an important role for brand restaurant enterprise. The brand helps to reduce the significance of the location of the restaurant when choosing these kinds of visits, transfers casual visitors into the category of permanent.

People get used to the lifestyle formed before the crisis, and do not want to change it. So in catering significant changes are not expected, if nothing tragic happen in the global economy.

Below is a list of global trends in catering (restaurants, cafes, pizzerias and others.), typical for this year.

1. The increase of popularity of eating chicken because it is fashionable, tasty and reasonable.
2. A significant increase in the share of vegetarian cuisine and steamed dishes.
3. Increase of the use of wholesome food made from grains.
4. Increasing share of total sales of various soups and beverages.
5. More important are bonuses (bonuses on discount card, certificates, discounts, etc.).
6. Increased attention to gourmets (preparation of non-standard recipe for soups, side dishes, etc.).
7. The formation of a steady stream of customers affected by the presence of specialties and snacks.
8. Popularity of dishes where the main ingredient is noodles. They are quickly prepared, not expensive, and taste better than the expensive masterpieces.
9. Increase of the popularity of national dishes.
10. Attendance growth of fast food restaurants, fast casual (a combination of restaurants and fast food).

All this is a tool adequate response to the changed situation in order to ensure the raw food in the restaurant business.

As for the menu changes, it is implemented in a restaurant, a number of works that are embedded in the Simple Place restaurant menu. Changing the menu helped to keep the same level of profitability and the main thing to keep customers, which are the main source of income.

CONCLUSIONS

The analysis reveals some specific features of the restaurant business. An interesting feature of the restaurant business is a dual component product of the restaurant. So, restaurant product can be divided into tangible (product) and intangible (service) components, which must meet the requirements of the market. Another feature of the restaurant services, distinguishing them from the service industry, where equipment and machines are increasingly used, is the involvement of people in the restaurant process. The human factor in the process of providing services is one of the biggest challenges of the restaurant business - quality variability and the associated lack of standardization. Thus, one of the most important components of success for catering business is the availability of qualified and well-trained staff.

Profit depends on the quality of the interaction between employees and their ability to create a certain atmosphere for customers.

Changing the menu helps to keep the same level of profitability and the main thing to keep customers - the main source of income. In the future, the development and introduction of new dishes with fish and meat products will grow and will be produced in the territory of the Russian Federation, as well as other products that are currently unclaimed in market restaurants. Nevertheless, with the given constraints it is possible that the restaurant would have to invest in farms in order to create a permanent source of raw materials.

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