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*Voronina O.E., Yashkina N.V.*

## UKRAINIAN RECREATION INDUSTRY: PROBLEMS AND PROSPECTS OF DEVELOPMENT

Ukrainian State University of Chemical Technology, Dnipro, Ukraine

This article studies the industry of recreation with its structure and peculiarities. The analysis is given of the sphere in Ukraine. Specific features of American and European recreation industry are considered. In the United States and European Countries the recreation industry is the prospective branch of economy including art, cinema, purpose amusement parks, games, etc. The notion of recreation means having one's leisure-time for getting pleasure and new impressions inflow thus contributing in relaxation and delight supply. The place and importance of trade recreation centers (TRC) in the field of entertainment are determined, and the most popular malls are identified which are considered to be the most quality trade and recreation areas in Ukraine. The main tendencies are reviewed of recreation services development in Ukraine, such as Integration of recreation, improvement of recreations cultural level, etc. Factors are exposed that restrain the Ukrainian branch's advance, such as sensitivity to changes of macro-economic indices, high risks of doing business, which reduce the investment attractiveness of the entertainment industry in Ukraine. The article analyzes the volumes of the entertainment industry markets in Europe for the period 2013–2018 and trends are identified in the entertainment industry in the world. Most of the life of modern man takes place in the digital world, so the desire to receive new feelings often replaces the need for material things. This contributes to the emergence of a new innovation trend in the recreation industry with embodied in virtual reality technologies utilization. Potential directions of the recreation business development in Ukraine are determined including modern innovation AR/VR technologies as well as other forms of recreation through transformation of existing ones.

**Keywords:** recreation industry, centers of trade and recreation, amusement, quest, virtual technologies, augmented reality technology, risk investing.

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### *Introduction and problem statement*

The life of an up-to-date individual is dynamic and associated with regular stresses initiated by various problems both of personal and social-economic character. Another feature of the modern time is that people have a good deal of spare time due to achievements in science and technology. The latter has become the grounds for the rapid development of the industry of recreation and entertainments. However the rate of the Ukrainian recreation sphere development is lagging behind the existing world ones. Despite the fact that the sphere is prospective for national economy the attention paid to it by

scientists and people of business is not satisfactory. Its structure, peculiarities of activity and prospects in Ukraine lack investigation. Thus, the issue requires more profound study either form scientific and practical viewpoint.

### *Analysis and examination of publications*

It is quite low attention that is paid to the study of recreation industry by modern Ukrainian science. Modern national authors having dealt with the issue of the recreation sphere include as follows: Gerasymenko V.G., Golovko O.M., Zadorozhniuk N.A., Kampov N.S., Koval P.F., Krul G.K., Patsiuk V.S., Makhlynets S.S., and Symochko G.V. As for

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foreign authors whose research works related to theoretical provisions, problems and innovations of the recreation industry one should designate Adamian A.A., Dulikov V.Z., Naumova S.A., Pesahina E.V., and Stalnaia V.A.

***The aim of the article***

The head aim is the study of development peculiarities of the recreation industry in Ukraine, as well as problems identification and determination of the role of an innovation component in the given sphere at the present time.

***Statement of basic material***

Entertainments are important for society because it is through them people satisfy their intellectual, spiritual and physiological requirements, and get new feelings with the supply of various emotions. The progress of recreation industry demonstrates the availability of free funds with population being the direct consequence of the certain incomes level achieved by society.

The notion of recreation in general terms means having one's leisure-time for getting pleasure and new impressions inflow thus contributing in relaxation and delight supply. The product of the recreation industry could be understood as impressions obtained due to consumption of goods or services in the course of recreation.

It is accepted in the world practice to specify the recreation industry through the REST abbreviation meaning Recreation, Entertainment, Sports, and Tourism. It includes business specialized in recreation, entertainments, tourism and sports. The sphere contains both production and distribution of all-format movies and video-games, arrangement and conduct of entertaining events like exhibitions, festivals, concerts, amusement zones, and creative areas, services rendering in the organization of catering through cafés, restaurants, and fast-food places, etc. The list could be extended. Any chosen form of recreation determines specific directions of activity for its subject.

The task of the recreation industry is to create conditions for recreation that is the complex of phenomena whose presence determines the process of recreation. Origination of a need in recreation initiates a person's activity in finding such recreation. Dynamics of the need development is accompanied by the change of emotional background. A person looks for the subject of recreation and feels discomfort, while a person feels joy having found it. Emotional orientation of the recreation industry assists in the formation of new personal and social requirements under formed preconditions [1].

The basic functions of recreation and relaxation industry could be specified as follows:

– to supply jobs for population including people with advanced approach and creative thinking;

– to replenish the budget revenue part due to incomes from subjects of economic management;

– to provide comprehensive individual improvement;

– to provide population with various emotional spectra;

– to improve attendants' emotional condition [2, 3].

The social function of the recreation industry is in formation of new personal and public needs. Solving universal problems the industry of recreation forms and improves individuals. When a man uses the own time-off for recreation he restores himself as a unit of a labor force. Satisfaction with the quality of recreation and relaxation, and their accessibility are indicators of a person's social status, and indices of the general development of national economy with a country [4].

For Ukrainian business the sphere of recreation is a quite new market that started its active formation in 2005–2006 from the development of multifunctional recreation centers [5]. At the present time the recreation industry is not well-investigated that could be explained by the following;

– complexity of economic signs' determination for an enterprise of the recreation industry. A great number of enterprises creating conditions for recreation operate in different branches of industry. Such kind of services is not basic for their activity: sometimes it is the main one for an enterprise, sometimes it is secondary, and sometimes it is collateral;

– the lack of clear classification of kinds of activity within the recreation industry considering modern world tendencies of new types of services appearance of intellectual and recreational character that are difficult to identify [4].

Investigation of the recreation sphere allowed its peculiarities establishment, and namely:

– variety of kinds of services;

– high rates of the industry changes due to innovation technologies orientated towards the regular changes in vogues and trends;

– dependence of economy objects' activity on external financing;

– risky business conduct;

– the demand in services depends on the range of factors like spare time, season, population's solvency, personal preferences, etc.;

– the product of the industry has specific properties requiring preliminary preparation prior to its consumption taking into account individual physical and psychological features of consumers.

Products of the recreation sphere can be conventionally divided into two large groups:

– one-person entertainments;

– group or mass entertainments.

The second group of services shall be considered in the detailed manner. In the course of technologies development among the consumers of different ages VR (virtual reality) amusements have become very popular including 7D movies, rides, cubes and others. At the same time various quests (also called off-line quests and escape-rooms) got very popular too. They could be divided into two types:

- reality quest when people are situated in real premises where they can get emotional impression from the interior or environment;
- escape-room with one or several rooms to escape from. The head task is the search and solution of various brainteasers leading to the exit.

Cinemas are not less popular (2D/3D/IMAX) as well as anti-cafē (public area where payment depends on the time spent but not on the number of services rendered), food-courts (alterative to snack bars and restaurants), family recreation zones (fly-park, aqua-park, play-land, etc.).

Following the growth of recreation kinds number trade centers (TC) became the most popular areas for their placement. They have advantageous preferences in their location, as a rule, in the center of a town or in other places considering main directions of people flows and crosses of transport arteries. Consequently, the attendees' turnover is increased for each sales outlet within such TC. It was due the appearance of recreation kinds of services on the territory of TC that they replaced their title by TRC (trade recreation center).

Today in Ukraine there exist about 300 TRC of different areas and fullness. The most popular "giants" are represented in the Table 1. They comprise just 3 per cent of the total number but are considered to be the most quality trade and recreation areas in Ukraine.

In accordance with research in Ukrainian market there are the following clearly detected tendencies of recreation services development:

- extension of recreation offer;
- integration of recreations that is universal

centers are built with multifunctional orientation;

- improvement of recreations cultural level;
- tendency of integration of national markets of recreation services into the global system of leisure time organization [4].

In spite of the fact that activity in the sphere of recreation is quite profitable it is connected with the high degree of risks. First of all, it relates the risk of reputation loss, decrease of demand, and weakening of a company's competitiveness due to the quick appearance of new kinds of innovation products in the market. There is always the risk that a new kind of a product may fail to bring the expected level of profit with the growth of costs. The demand decrease brings financial risks like the loss of income and profit. The recreation industry is one of the branches that are most sensitive to the changes of macro-economic indices (national economy state, population solvency level, or the range of force-majeure circumstances including war, ecologic disaster, epidemic, etc.), and this increases the risk of bankruptcy for subjects of economic management.

The high risks of activity decrease companies' creditability. Financial institutions do not see crediting opportunities, so financing of development is provided using own funds. In Europe and USA there exists venture market to support the recreation industry that provides money for various spheres, companies-beginners and small-scale business. Ukraine lacks a developed infrastructure of ecosystem for venture financing. Such system exists in USA allowing funds attraction by companies either at their initial or further stages thus business gets quicker resources for scaling, quicker growth of capitalization, and income for investors. As for Ukrainian market the rights of investors are not so protected. Unfortunately, neither legislative nor tax base promote new companies arrangement and venture investments attraction from the world. When a beginning company is orientated towards European or global market it has to register in the more favorable jurisdiction, for example, in Delaware State

Table 1

Rating of TRC with top attendance in Ukraine [on the ground of 6–8]

No.	Name	Place	Opened	Total area in sq m	Attendance in 2017, M	Attendance in 2018, M
1	Ocean Plaza	Kyiv	2012	165,000	22.0	20.5
2	Prospect	Kyiv	2014	44,100	20.0	20.4
3	Gullver	Kyiv	2013	155,000	20.4	20.0
4	Sky Mall	Kyiv	2007	88,000	16.4	17.9
5	Fabrika	Kherson	2012	82,000	9,5	17.2
6	Globus	Kyiv	2001	35,277	13.0	15.2
7	Lavina Mall	Kyiv	2016	144,000	18.4	15.1
8	Most-City	Dnipro	2008	117,000	14.6	14.7
9	Riviera	Odesa	2009	85,000	6.9	6.6
10	Hollywood	Chernigiv	2015	53,800	9.5	11.1

of USA [9].

Is the further development of Ukrainian recreation industry expedient for Ukrainian economy even considering the abovementioned factors? Today the world economy annually gets USD billions from the recreation industry. In accordance with yearly findings by international company PwC (PricewaterhouseCoopers) the sum of the world recreation industry comprised in 2013 and 2015 USD 1.7 trillion annually while in 2018 the sum was USD 2.1 trillion [on the ground of 10 to 12 source].

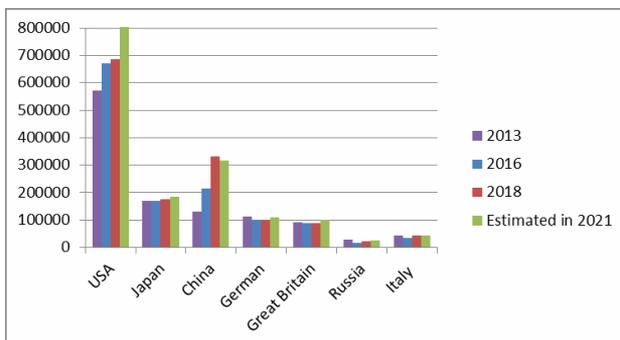
Table 2 and Figure 2 demonstrate information of the recreation markets largest by volume during three years and estimated forecast for 2021 formed based upon findings by PwC [on the ground of 10 to 12 source]

Table 2

World recreation markets largest by volume in 2013–2018, USD M

Market	2013	2016	2018	Estimated in 2021
USA	572,874	670,575	687,113	804,532
Japan	168,862	169,488	174,914	185,179
China	130,934	213,698	331,166	318,195
German	112,833	99,153	100,020	108,569
Great Britain	90,514	87,044	87,965	100,988
Russia	27,701	17,082	21,676	24,154
Italy	43,013	35,737	42,134	43,163

As one can see in the Table 2 the industry brings substantial income to business owners thus to national economies. Market volumes of the recreation industry in different countries tend to increase (Figure). The industry provides national budgets replenishment via taxes thus influencing the general change of GDP (gross domestic product) and countries' economy as a whole. Here enterprises begin to change their strategy of exit to new markets striving for independent development and new products initiation.



World recreation markets largest by volume According to findings by PwC represented in

their “Survey of recreation industry and media: forecast on 2019–2023” it is expected that the volume of the world recreation industry in the period till 2023 is to grow with around 4.3 per cent average annual increment to reach USD 2.6 trillion. In this period the main trends of the sector progress in the global economy will become digitization and personalizing of products and services, the active increase of content from mobile devices designed for consumers, and, of course, consolidation, vertical integration and formation of large digital ecosystems in partnership with traditional businesses like telecommunications, banks, etc. possessing great clients' databases. An additional market pulse could be represented through the valid commercial introduction of various technologies, for example, 5G, Internet of goods, large data analysis, and others [12].

A new innovation trend in the recreation industry is embodied in virtual reality technologies utilization (VR technologies). They were developed at the end of the twentieth century but got their active use just in 2012 when American company founded by Palmer Luckey, Brendan Iribe, Michael Antonov and Knight Mitchell represented its virtual reality Oculus Rift Helmet in the world market.

Trade centers picked up that new trend, and started to place VR entertainments in their areas. Thus they increased the number of visitors and the average time spent by them in TCs. The daily number of people comprises around 10 to 20 thousand coming for new impressions the fact influencing directly a TC's rating.

According to the report by CB Insight for 2019 the VR entertainments placed within TRCs increase the flow of attendees not only in a recreation zone itself but in a TRC as a whole [13]. Fifty seven per cent of attendees who got acquainted with VR in this or that form use to visit a given trade center for purchasing.

Tendencies of VR recreation are based upon investigation of consumers' interests for which they are ready to pay money. So, the highest demand belongs to cult computer games with the possibility to play for main characters and virtual parks in USA associated with super-heroic subject matter. In American TRCs there is a tendency detected of opening parks based on subject matters of poplar movies, for example, “Jurassic Park” or “Star Wars”.

The demand of VR technologies in the recreation industry is conditioned by two world trends: Experience Economy and Living Digital Lives. A major portion of life occurs in digital world. The requirement appears not of material things but of new feelings obtainment, and as the virtual reality satisfies such requirement its popularity grows substantially.

With the increase of demand in the virtual reality a new need appears with people to transfer a part of the new virtual world to reality. Thus, after the advent of VR an AR (augmented reality) came supplementing the surrounding world with 3D objects by means of computer mobile programs and applications. Microsoft Holo Lens and Project Glass of Google are the largest companies developing glasses and accessories for reality augmentation.

Museums with virtual pieces and excursions supplementing the current time may exemplify AR technology utilization. So, in London Natural History Museum one can conduct individual excursion or get detailed information about pictures. Besides, both in Europe and America virtual assistants are appearing in TRCs that substitute traditional maps and pointers.

In 2018 the volume of the world VR/AR market was evaluated at USD 19.3 billion of which USD 11.14 billion belonged to the augmented reality while USD 7.9 billion to the virtual reality. There exists a forecast according to which the market of virtual reality in 2023 will reach USD 34.08 billion thus the growth comprising 33.95 per cent. The main driving force of the VR market is the ease of access, accessible VR devices, widened use of HMD (virtual reality helmets) in games and entertainments, progress of technologies, digitalization and high investments in VR technologies [14].

Today according to data by Digi-Capital consulting and analytical company the general global evaluation of the AR/VR startup comprises USD 45 billion. This Digi-Capital emphasizes that the majority of such evaluation is in papers. About a half of this paper treasures is concentrated in less than 20 companies including We Work AR/VR and Magic Leap of above USD 6 billion value [15].

The growth of demand leads to the growth of offer and the number of VR products. Together with Oculus Rift belonging to the high price category some cheaper goods appeared in the market including HTC Valve, Sony Play Station VR, Google Cardboard, Google Daydream, Samsung Gear VR, etc. According to forecasts the volume of production will increase annually. In 2019 the virtual reality covered about 5 per cent of the world game sector.

Ukrainian projects like Pixelated Realities, Augmented Pixels, Deep VR-Tech and others appeared on the ground of European experience. Regardless of the fact Ukrainian virtual reality market is just on the stage of formation. Besides, existing companies tend to work abroad. It is due to the lack of necessary equipment and financial support that the majority of companies are unable to produce components themselves. Some of them deal with graphics and animation while others develop only software parts of products.

VR/AR technologies have become head

technologic trends, Ukrainian companies started to pay special attention to the development of own AR/VR products for recreation, architecture, education and other spheres. Presentation of own Ukrainian products at national and international exhibitions and fairs gives an opportunity to strengthen own positions and demonstrates to be a worthy competitor of the market consequently making Ukraine more attractive for foreign investments.

### Conclusions

The industry of recreation is the important part of the world economy. It arranges jobs, new space for investments and new technologies appearance. These factors contribute in general development of countries. Formation of modern recreation industry occurs in the conditions of quick changes of advanced digital technologies and keen demand on them.

The recreation business in Ukraine has prospects of development and expansion. It requires reduction of risks level for business conduct. One of the influence tools against risks could become introduction of the system for entrepreneurs' motivation on the level of state regulation to support the stable development of the industry, to encourage experience exchange with European countries, and to attract investors. Together with the growth of stability in national economy the purchasing power of population will grow due to the regular demand on the service, and the number of recreation places and centers will increase. One of the head prospective directions of the recreation industry in Ukraine could be realized in implementation of up-to-date innovation technologies and development of new formats of recreation, not only absolutely new but integration of already existing ones.

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## УКРАЇНСЬКА ІНДУСТРІЯ РОЗВАГ: ПРОБЛЕМИ ТА ПЕРСПЕКТИВИ РОЗВИТКУ

**Вороніна О.Е., Яшкіна Н.В.**

У даній статті досліджено індустрію розваг, її структуру і особливості. Виконано аналіз стану даної сфери в Україні. Виділено характерні особливості американської та європейської індустрії розваг. У США і країнах Європи індустрія розваг є перспективним сектором економіки який включає мистецтво, кіно, тематичні парки атракціонів, ігри тощо. Отже, «розваги» – це проведення вільного часу, що доставляє задоволення, забезпечує надходження нових вражень та допомагає розслабитися і отримати задоволення. Визначено яке місце та значення займають торгово-розважальні центри у сфері розваг (ТРЦ), та виявлені найпопулярніші ТРЦ які позиціонуються, як найбільш якісні торгово-розважальні площі в Україні. Розглянуто основні тенденції розвитку розважальних послуг в Україні, такі як інтеграція розваг, підвищення культури розваг тощо. Виявлено фактори які стримують розвиток української індустрії, такі як чутливість до змін макроекономічних показників, високі ризики ведення бізнесу, що зменшують інвестиційну привабливість індустрії розваг в Україні. У статті проаналізовано об'єми ринків індустрії розваг країн Європи за період 2013–2018 рр. та визначено тренди в індустрії розваг у світі. Більша частина життя сучасної людини відбувається в цифровому світі, тому бажання отримання нових почуттів частіше замінює потребу у матеріальних речах. Це сприяє появі нового інноваційним трендом в індустрії розваг з застосування технологій віртуальної реальності (VR-технології). Авторами сформульовані можливі напрями розвитку розважального бізнесу на території України такі як застосування сучасних інноваційних AR/VR-технологій і розвитку нових форматів розваг шляхом трансформації вже існуючих видів.

**Ключові слова:** індустрія розваг, торгово-розважальні центри, атракціон, квест, віртуальні технології, технології розширеної реальності, ризик-інвестування.

## УКРАИНСКАЯ ИНДУСТРИЯ РАЗВЛЕЧЕНИЙ: ПРОБЛЕМЫ И ПЕРСПЕКТИВЫ РАЗВИТИЯ

**Воронина Е.Э., Яшкина Н.В.**

В данной статье исследована индустрия развлечений, ее структура и особенности. Проведен анализ состояния данной сферы в Украине. Выделены характерные особенности американской и европейской индустрии развлечений. В США и странах Европы индустрия развлечений является перспективным сектором экономики включающая искусство, кино, тематические парки аттракционов, игры и т.д. Поэтомому, «развлечение» – это проведение свободного времени, которое обеспечивает поступление новых впечатлений и помогает расслабиться и получить удовольствие. Определено какое место и значение занимают торгово-развлекательные центры в сфере развлечений (ТРЦ), и выявлены популярные ТРЦ которые позиционируются, как наиболее качественные торгово-развлекательные площадки в Украине. Рассмотрены основные тенденции развития развлекательных услуг в Украине, такие как интеграция развлечений, повышение культуры развлечений и т.д. Выявлены факторы сдерживающие развитие украинской индустрии, такие как чувствительность к изменениям макроекономических показателей, высокие риски ведения бизнеса, которые уменьшают инвестиционную привлекательность индустрии развлечений в Украине. В статье проанализированы объемы рынков индустрии развлечений стран Европы за период 2013–2018 г. и определены тренды в индустрии развлечений в мире. Большая часть жизни современного человека происходит в цифровом мире, поэтому желание получения новых ощущений чаще заменяет потребность в материальных вещах. Это способствует появлению нового инновационным брендом в индустрии развлечений по применению технологий виртуальной

реальности. Авторами сформированы возможные направления развития развлекательного бизнеса на территории Украины, такие как применение современных инновационных AR/VR-технологий и развитие новых форматов развлечений путем трансформации уже существующих видов.

**Ключевые слова:** индустрия развлечений, торгово-развлекательные центры, аттракцион, квест, виртуальные технологии, технологии расширенной реальности, риск-инвестирования.

## UKRAINIAN RECREATION INDUSTRY: PROBLEMS AND PROSPECTS OF DEVELOPMENT

Voronina O.E. \*, Yashkina N.V.

Ukrainian State University of Chemical Technology, Dnipro, Ukraine

\*e-mail 04alena9760@gmail.com

Yashkina N.V. ORCID: <https://orcid.org/0000-0002-1521-8462>

*This article studies the industry of recreation with its structure and peculiarities. The analysis is given of the sphere in Ukraine. Specific features of American and European recreation industry are considered. In the United States and European Countries the recreation industry is the prospective branch of economy including art, cinema, purpose amusement parks, games, etc. The notion of recreation means having one's leisure-time for getting pleasure and new impressions inflow thus contributing in relaxation and delight supply. The place and importance of trade recreation centers (TRC) in the field of entertainment are determined, and the most popular malls are identified which are considered to be the most quality trade and recreation areas in Ukraine. The main tendencies are reviewed of recreation services development in Ukraine, such as Integration of recreation, improvement of recreations cultural level, etc. Factors are exposed that restrain the Ukrainian branch's advance, such as sensitivity to changes of macro-economic indices, high risks of doing business, which reduce the investment attractiveness of the entertainment industry in Ukraine. The article analyzes the volumes of the entertainment industry markets in Europe for the period 2013–2018 and trends are identified in the entertainment industry in the world. Most of the life of modern man takes place in the digital world, so the desire to receive new feelings often replaces the need for material things. This contributes to the emergence of a new innovation trend in the recreation industry with embodied in virtual reality technologies utilization. Potential directions of the recreation business development in Ukraine are determined including modern innovation AR/VR technologies as well as other forms of recreation through transformation of existing ones.*

**Keywords:** recreation industry, centers of trade and recreation, amusement, quest, virtual technologies, augmented reality technology, risk investing.

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