Cook Islands Business Survey and Confidence Index

October-November 2020 Report

Prepared for Cook Islands Tourism Corporation

New Zealand Tourism Research Institute
Auckland University of Technology

www.nztri.org

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Executive Summary

The report presents results from an online business survey conducted from October to November 2020. Over this two-month period, 314 businesses were contacted and 161 completed surveys were received - a conversion rate of 51%. The data presented in this report includes: business profiles, staffing, membership and Government programmes, the business climate, business confidence, and information on revenue, costs and linkages. There is also a focus on COVID-19 impacts more generally. This Business Confidence Index (BCI) report is the nineth to have been produced since 2016. Previous BCI surveys have been conducted at approximately six-month intervals (to generally reflect low and high seasons). Only one BCI was conducted during 2020 with an emphasis on assessing the state of the industry through the COVID-19 period. In addition to the regular reporting, there is also a supplementary set of figures presented in the Appendix that highlight key time series trends over the period that the BCI has run.

The majority (61%) of survey respondents are Cook Islanders, and nearly all (96%) respondents are owners, operators or managers. Approximately two in three (66%) respondents have been in their current role under ten years. Over half (58%) of businesses have been operating for more than 10 years. Over two fifths (43%) of businesses surveyed noted “accommodation provider” as their primary focus, and another 16% focused on “visitor activities and tours”. Businesses surveyed are mainly located in Rarotonga (85%), with a smaller number of businesses located in Aitutaki (11%), Atiu (3%), and Mangaia (1%).

Due to COVID-19, over a quarter (27%) of respondents closed their businesses and another three in five (58%) businesses say their turnover fell to only 30% or less of normal levels. The majority of businesses covered in the survey indicated their key short-term concerns relating to COVID-19 are focused on general economic uncertainty (86%) and cash flow (84%). Regarding the long-term concerns relating to COVID-19, nearly two thirds (64%) of businesses are focusing on building an economically resilient business operation. Two thirds (67%) of businesses noted a direct negative impact of COVID-19 on the number of people employed.

Thirteen percent of businesses employ over 16 Cook Islands Maori staff, with 15% of businesses indicating none of their staff are Cook Islands Maori. Nearly two thirds (65%) of businesses hire between one and four women. The top three business training needs are: sales and marketing, customer service, and ICT skills.

Around two thirds (66%) of respondents indicated they are members of the Cook Islands Tourism Industry Council. Over half (56%) of businesses indicate that their membership in local business or industry organisations has assisted them in managing the impact of COVID-19. In considering ways of delivering COVID-19 support, nearly two thirds (62%) of businesses rank online resources as the best option. A majority (92%) of businesses indicated that they are aware of the “Training Subsidy” programme provided by the Government.

The majority of tourism and non-tourism respondents feel that their business did not perform well in the last year and there is considerable uncertainty over what the coming year will bring. Both tourism and non-tourism businesses show similar levels of confidence in terms of the year ahead.

When asked about anticipated challenges to their business, nearly one third (31%) of respondents mentioned tourism recovery being a significant issue with increased operating costs also rising as an area of concern. Even during troubled times there were clear examples of optimism however. Over a quarter (28%) of those surveyed considered growing their business, adapting, and diversifying as a significant opportunity over the next five years. On the other hand, nearly one in five (17%) respondents felt there would be few or no opportunities emerging over the next five years.

Respondents “strongly agree” with the statement that “the national economy depends heavily on the tourism industry” (4.8 out of 5). “Maximising visitor spend” is ranked as a very important factor to focus on at a national scale (4.4 out of 5).

Two fifths (40%) of local businesses reported an annual turnover of less than NZ$150,000 in the last financial year. Over half (54%) of the businesses surveyed attribute more than 90% of their annual turnover directly to the tourism industry.

The timeseries series figures presented at their end of the report show quite clearly the dramatic impact of the COVID pandemic on Cook Islands business. Business confidence values have decreased sharply when compared to previous years. Significant increase in levels of agreement can be seen for the statements “We need more visitors to the Cook Islands” and “Current Government policies encourage growth”.

Despite the impact of COVID on the tourism sector high levels of agreement continue with the statement: “The national economy depends heavily on the tourism industry”. The importance attached to “Maximising visitor spend” has also continued during this period. The focus on “Maximising visitor numbers” has grown but not back to the levels seen at the beginning of this Business Confidence Index Survey. This points to an industry that is aware of the need to “reset” and develop a higher yield industry from a lower visitor base.

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Figures and Tables

Introduction

This report focuses on the Cook Islands Business Confidence Index (BCI) Survey which is designed to provide real insights into the 'pulse' of the private sector and to gain insights into the impact of COVID-19 on the economy. The aim of this survey is to provide a strong platform for the 'voice' of the tourism industry and other economic sectors to be heard, and to also engage the private sector as active participants in research.

The report presents BCI results from the period October to November 2020. In less than two months, 314 businesses were contacted, 161 completed surveys were received - a conversion rate of 51%. Nearly half (49%) of the respondents had participated in the last Cook Islands Business Confidence Index Survey. This survey is the ninth to have been produced since 2016 with a low and high season survey being conducted every year at approximately six-month intervals. The 2020 BCI represents an important baseline from which to understand post-COVID recovery.

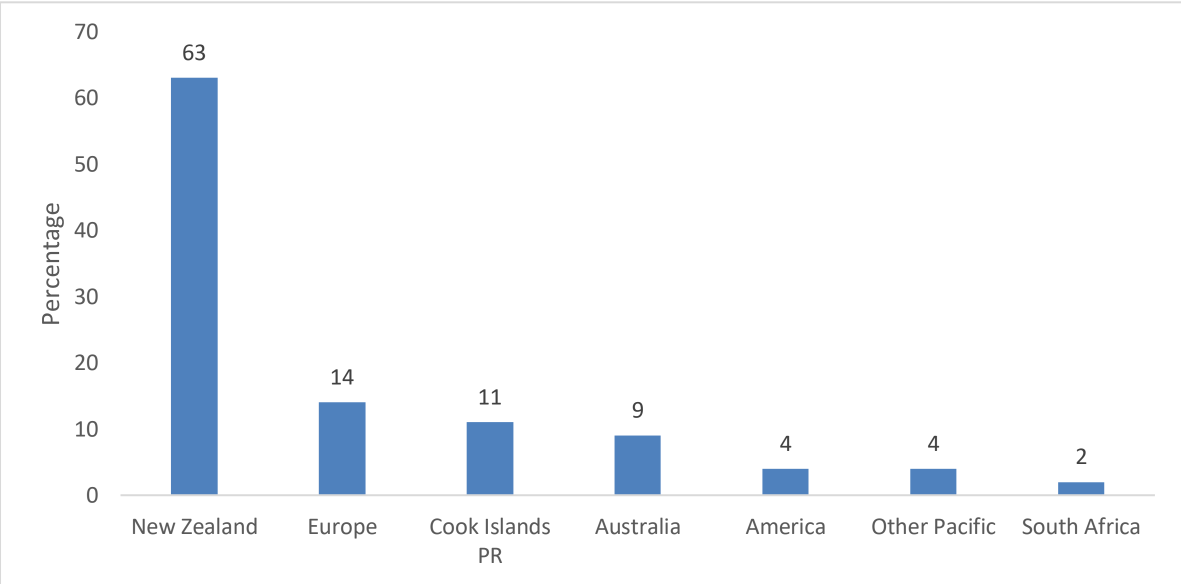
The data presented in this report includes: general business profile, staffing levels, membership and supports, the business climate, and information on revenues, costs and economic linkages. The survey also gathers key information about how businesses are impacted by and are responding to the evolving COVID-19 situation and helps to understand the types of advice and support they value and need.

As a result of the border closure, year 2020 has been a challenging year for businesses, especially for tourism businesses. For the purposes of this survey, we split much of the analysis between 'tourism' (accommodation and tour operator) and 'non-tourism' businesses – the latter includes businesses that may depend heavily on tourism (e.g. restaurants) and others that have a focus on a more local clientele.

Business Respondent Profile

The majority (61%) of respondents are Cook Islanders. Of those non-Cook Islanders, 11% identified themselves as permanent residents, a further 63% identified themselves as New Zealanders (Figure 1).

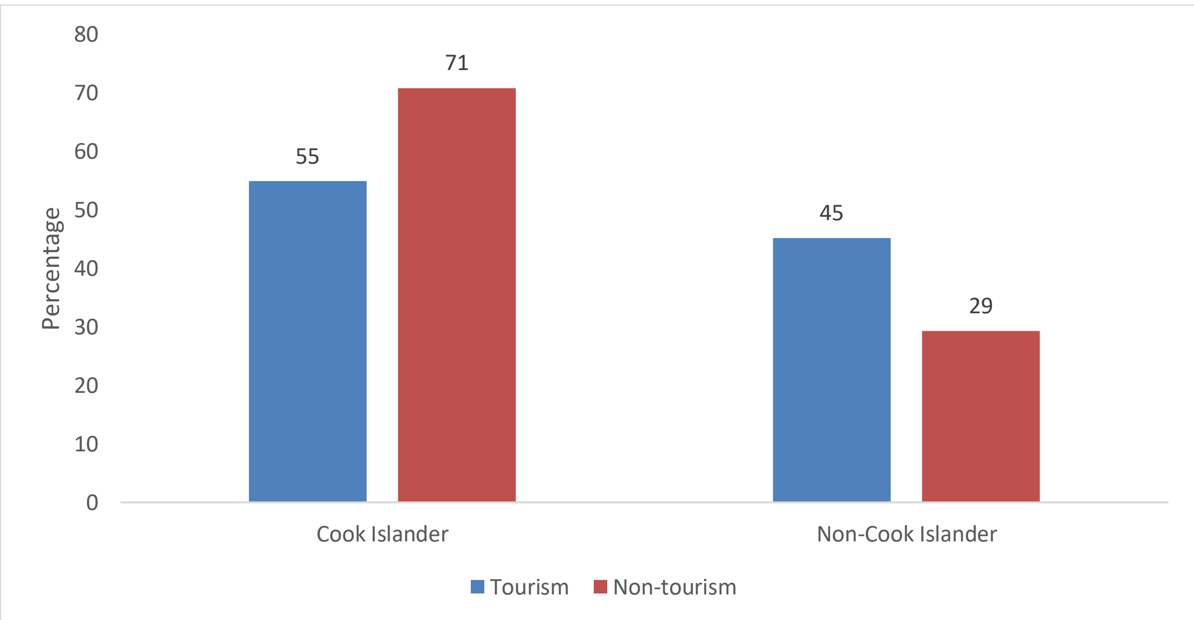
Figure 1: Which of the following best describes you – Non-Cook Islander



Note: Multiple responses, therefore total does not add up to 100%

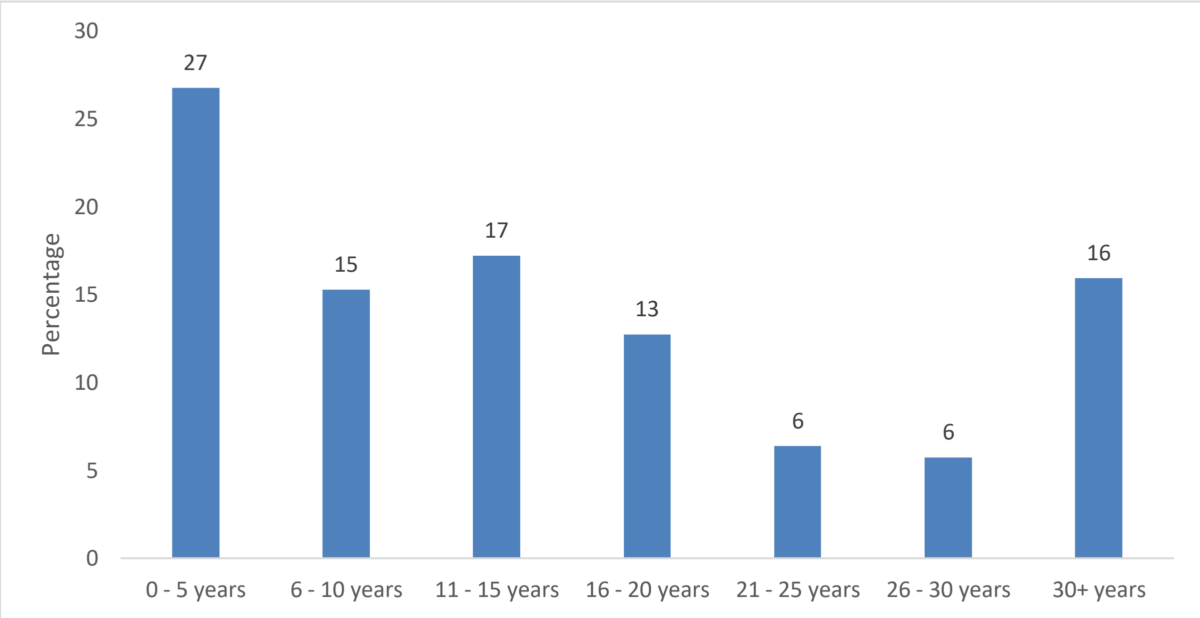
Survey respondents from both tourism businesses and non-tourism businesses are more likely to be Cook Islanders. The representation of non-Cook Island Maori is stronger in the tourism sector (Figure 2).

Figure 2: Which of the following best describes you - tourism and non-tourism



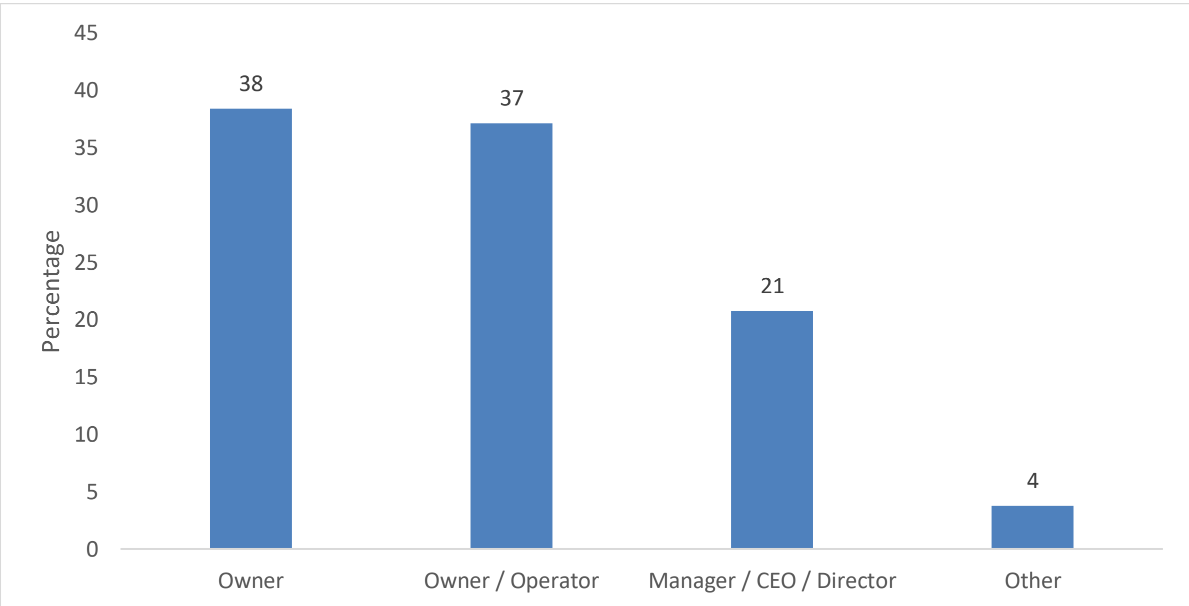
Over half of responding businesses (58%) have been in operation for more than 10 years (Figure 3). A significant number of businesses (16%) have been operating for more than 30 years.

Figure 3: How long has your business been operating in the Cook Islands



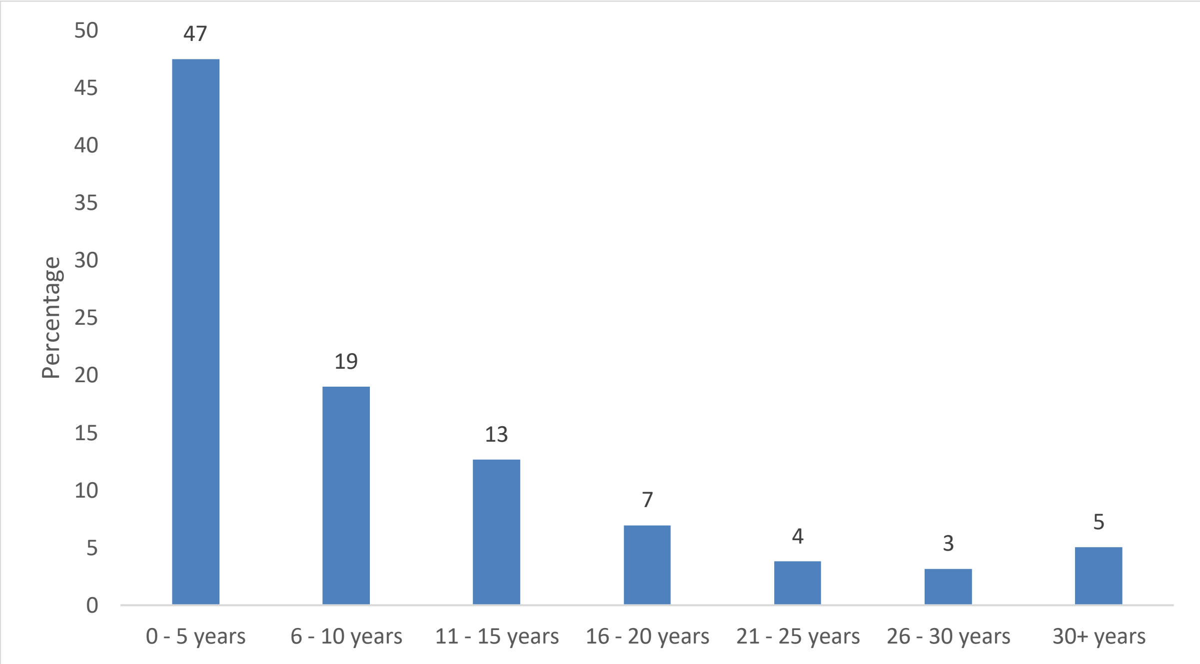
The majority of business respondents are owners (38%), owner/operators (37%), or managers/CEOs/directors (21%) (Figure 4). Over half (57%) of business respondents are women.

Figure 4: What is your role in this business



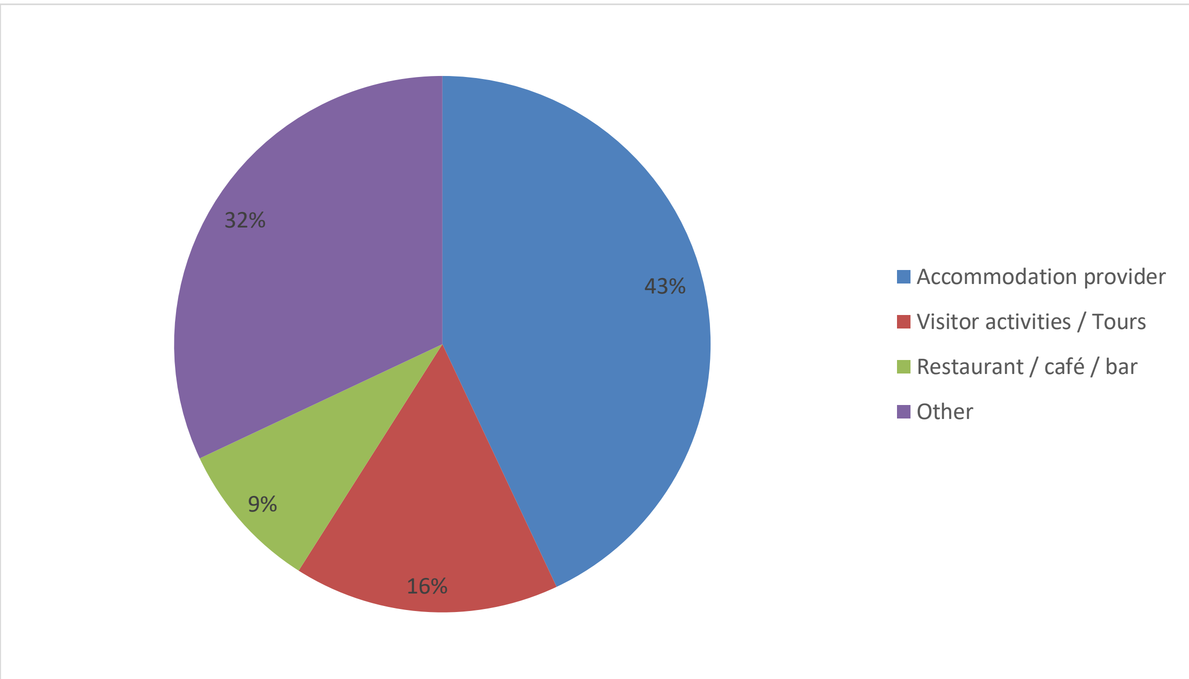
Around two in three (66%) respondents have been in their current role for 10 years or less (Figure 5). Only 12% of those surveyed have been in their role for over 20 years.

Figure 5: How long have you been in this role



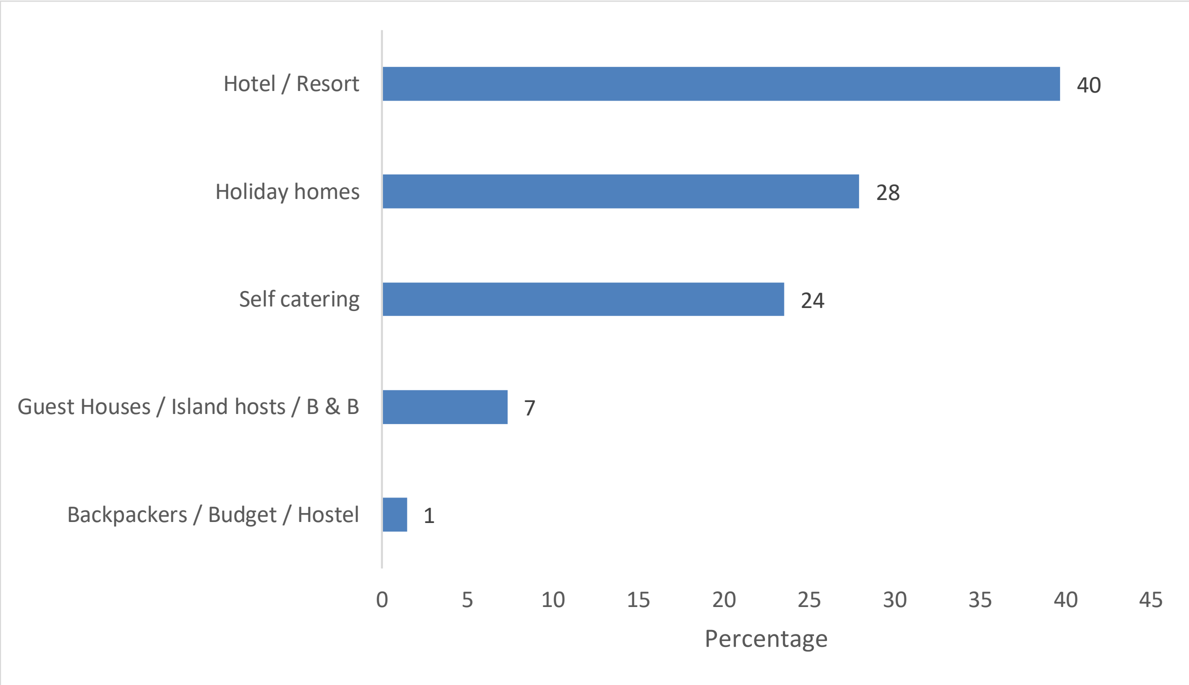
Over two fifth (43%) of businesses surveyed noted 'accommodation provider' as their primary focus, and another 16% focused on 'visitor activities/tours' (Figure 6). Nearly one third (32%) of businesses surveyed are non-tourism businesses (this includes restaurants / café / bar).

Figure 6: What is the primary focus on your business



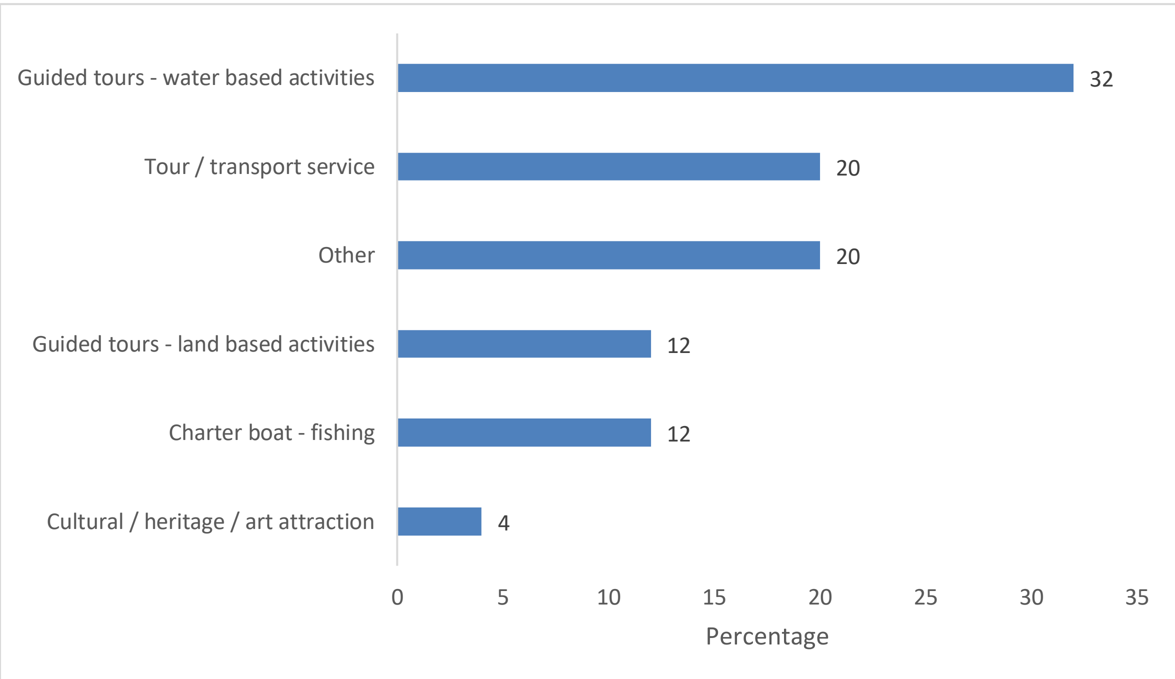
Two fifths (40%) of those who note accommodation as their primary focus classify the business as being a hotel/resort, a further 28% are holiday homes, with 'self-catering' making up another 24% (Figure 7).

Figure 7: Accommodation provider: main focus of business



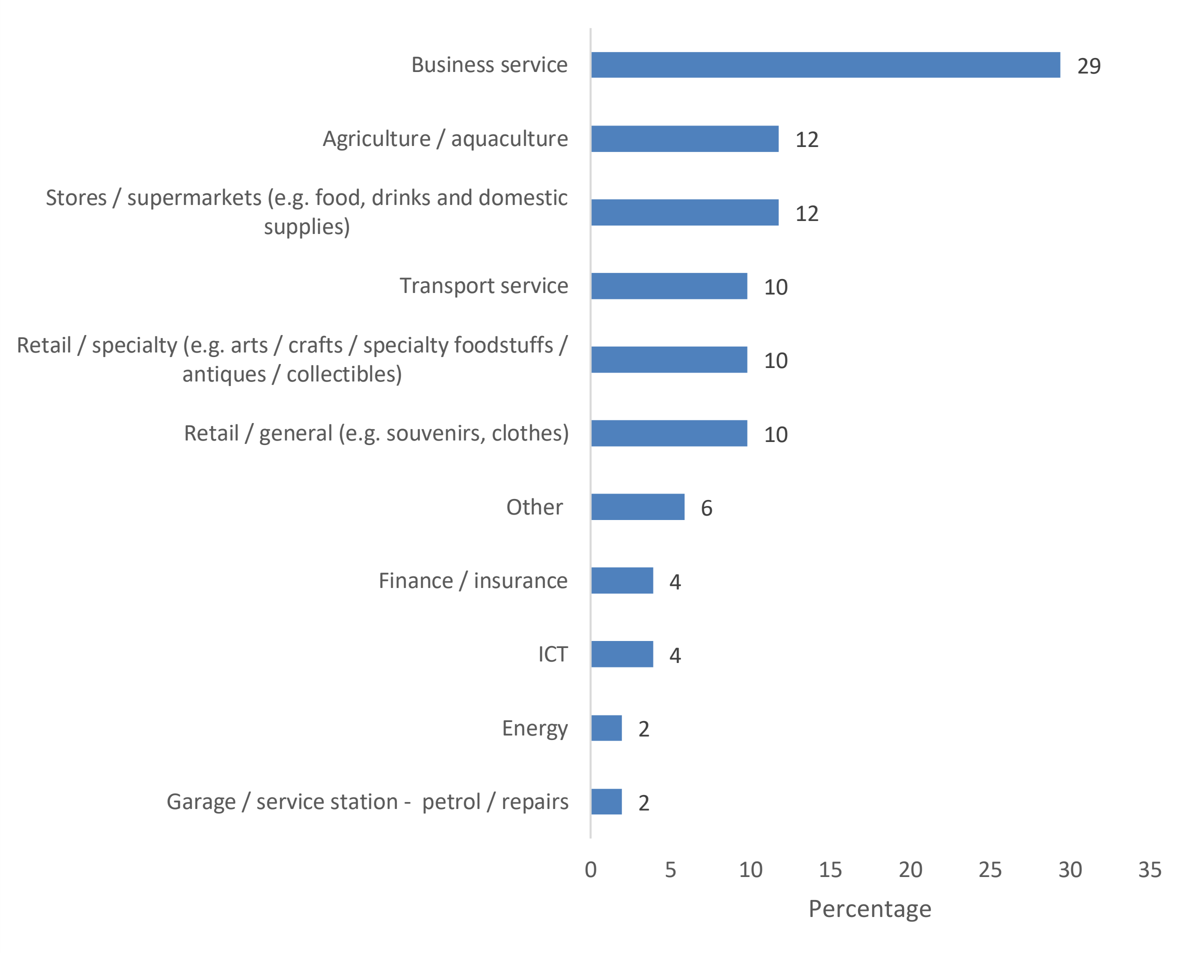
For those who indicate visitor activities as their primary business focus, nearly a third (32%) are "guided tours – water based activities", and a further 20% are "tour/transport service" and "other" respectively (Figure 8).

Figure 8: Visitor activities/tours: main focus of business



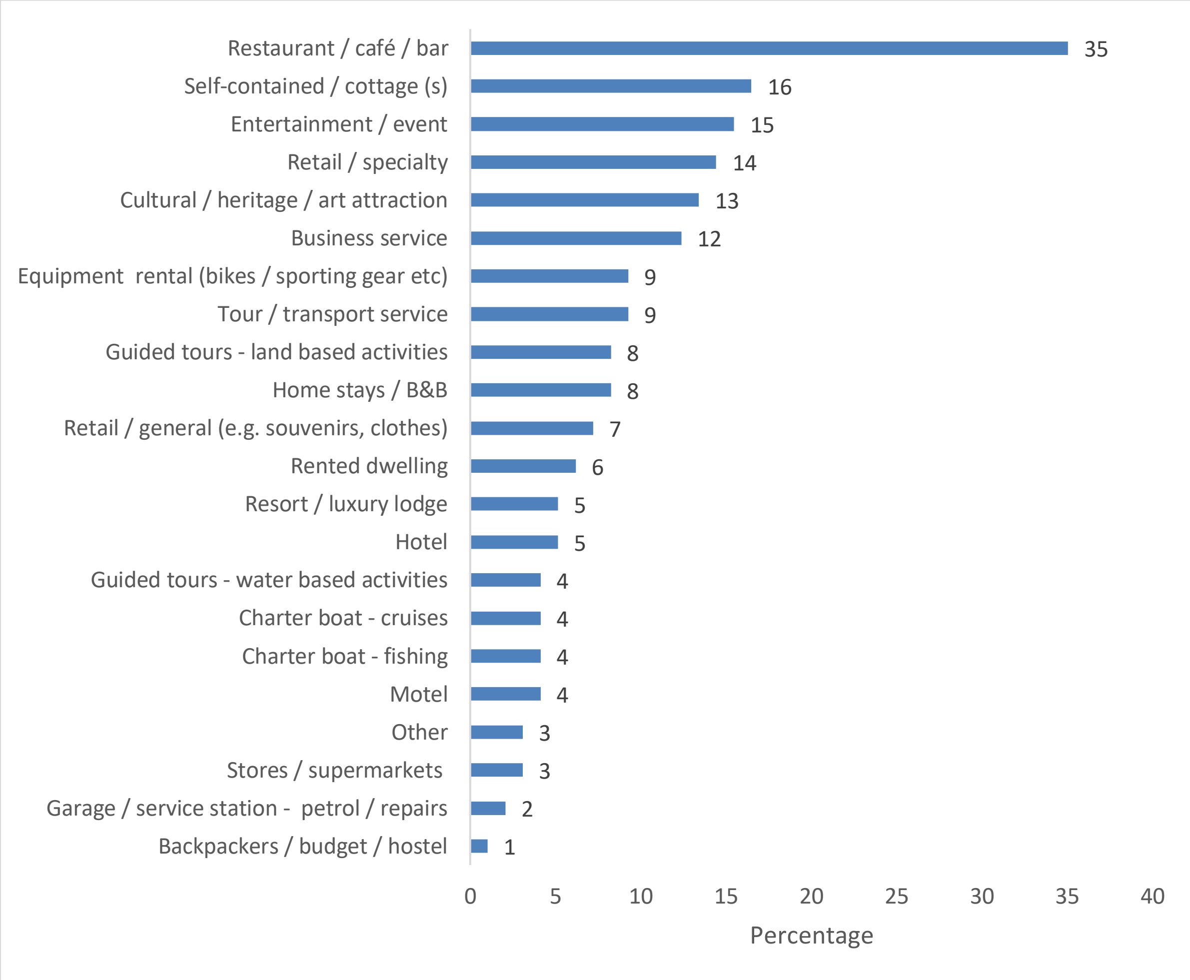
'Other business sectors' include business service (29%), agriculture / aquaculture (12%), stores / supermarkets (12%), transport service (10%), and retail / specialty (10%) (Figure 9).

Figure 9: Other business sectors: main focus of business



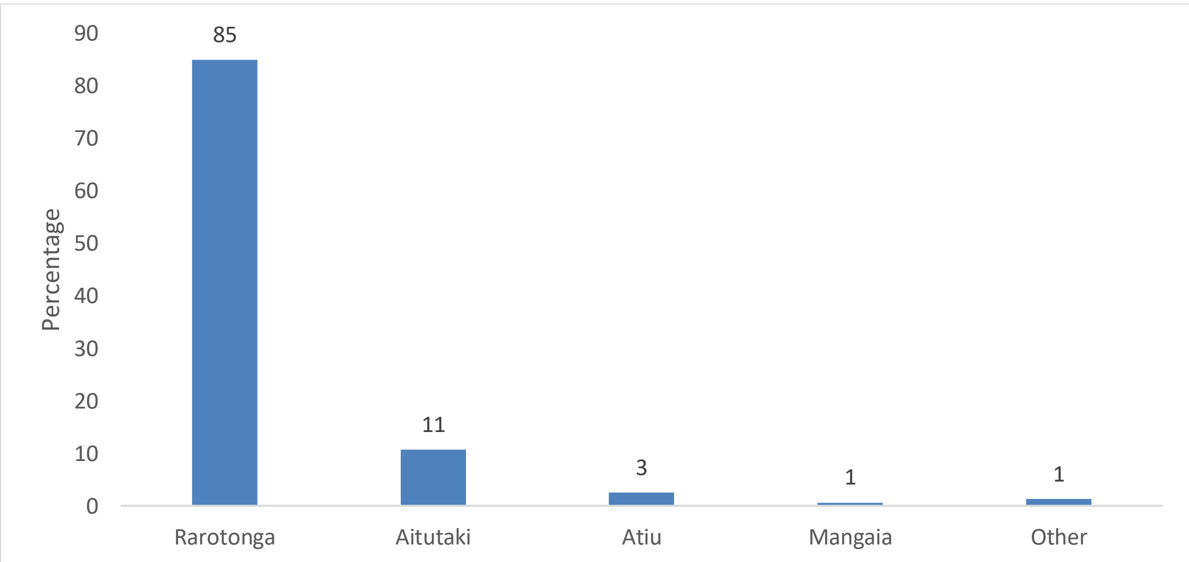
Respondents were also asked to indicate whether they operate secondary business activities in addition to their primary focus. Nearly two fifths (38%) of respondents do not have a secondary business focus. For those who have a secondary business activity, these are mainly focused on restaurant / café / bar (35%), self-contained accommodation or cottage (16%), entertainment / event (15%), retail / specialty (e.g. arts / crafts / specialty foodstuffs / antiques / collectables) (14%), cultural / heritage / art attraction (13%), and business service (12%) (Figure 10).

Figure 10: Secondary focus of business



Most primary businesses covered in the survey are located in Rarotonga (85%), with a smaller percentage located in Aitutaki (11%), Atiu (3%), and Mangaia (1%) (Figure 11).

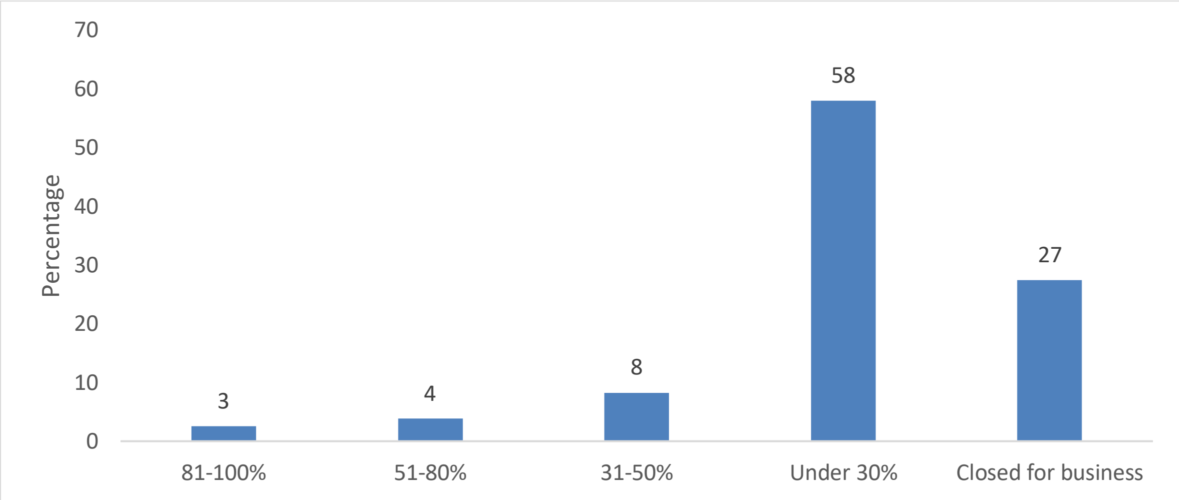
Figure 11: Where is your primary business located?



COVID-19 impacts

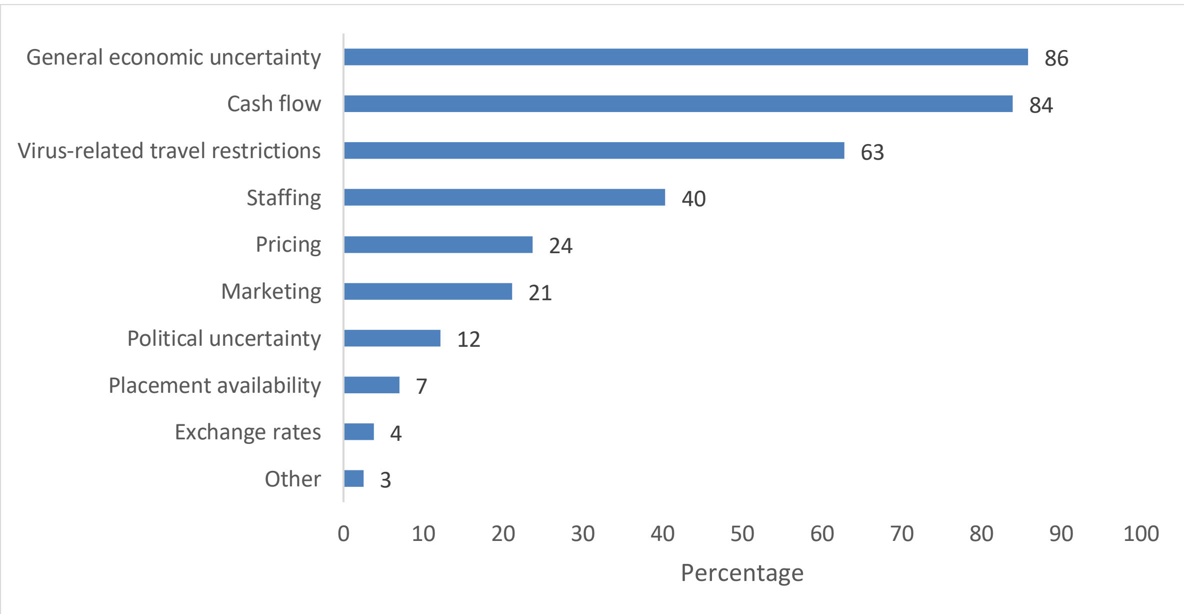
As a result of COVID-19, over a quarter (27%) of respondents closed their businesses. Over half (58%) of businesses say their turnover is under 30% of what it was during the same period last year (Figure 12). Only 3% of those surveyed indicate their turnover was over 80% compared to the same period last year.

Figure 12: Turnover compared to the same period last year



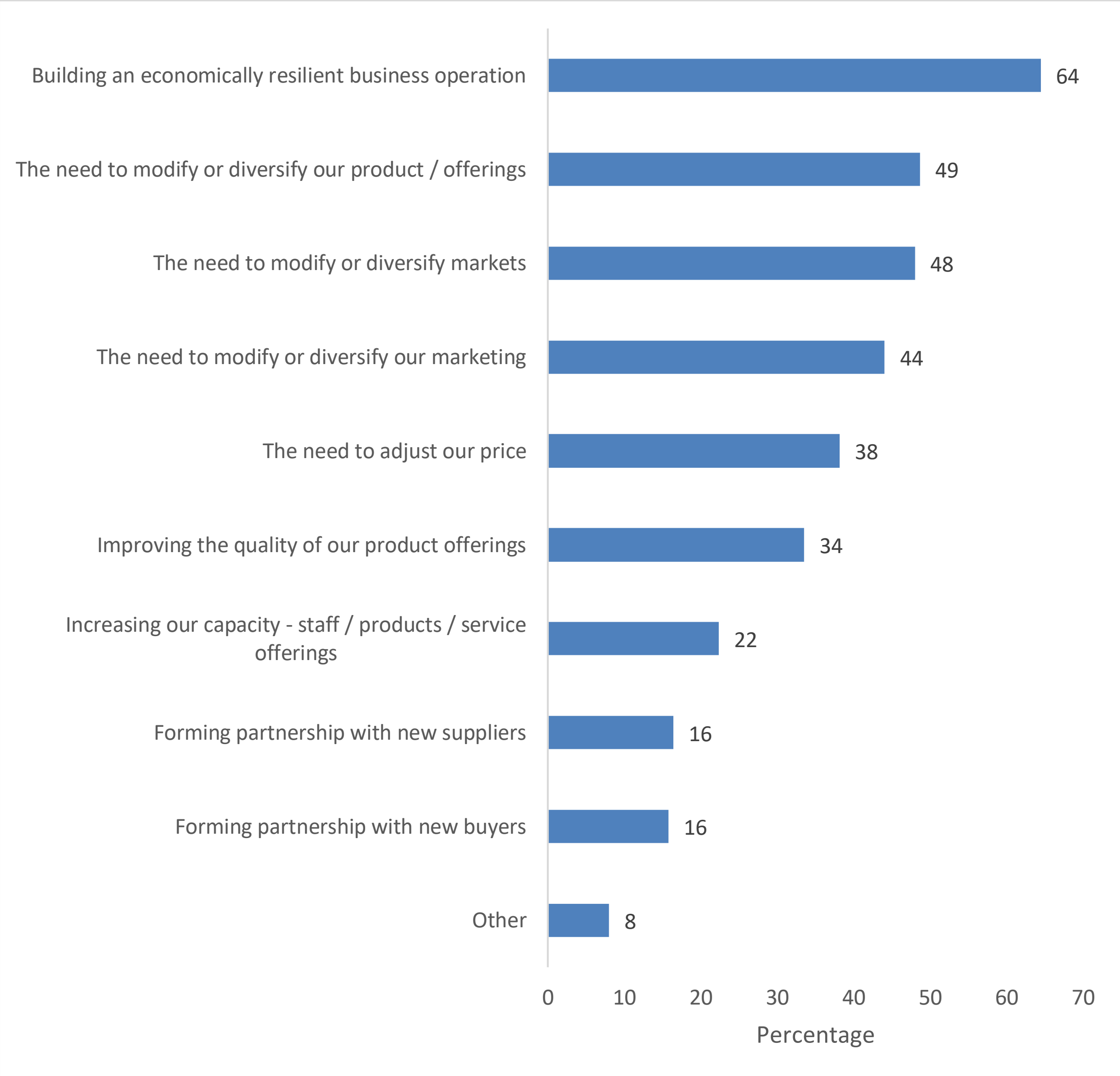
A majority of businesses covered in the survey indicated that their key short-term concerns relating to COVID-19 are general economic uncertainty (86%) and cash flow (84%). A further 63% stated that virus-related travel restrictions are the key short-term concerns. Other short-term concerns are staffing (40%), pricing (24%), marketing (21%), political uncertainty (12%), placement availability (7%), and exchange rates (4%) (Figure 13).

Figure 13: Key short-term concerns relating to COVID-19



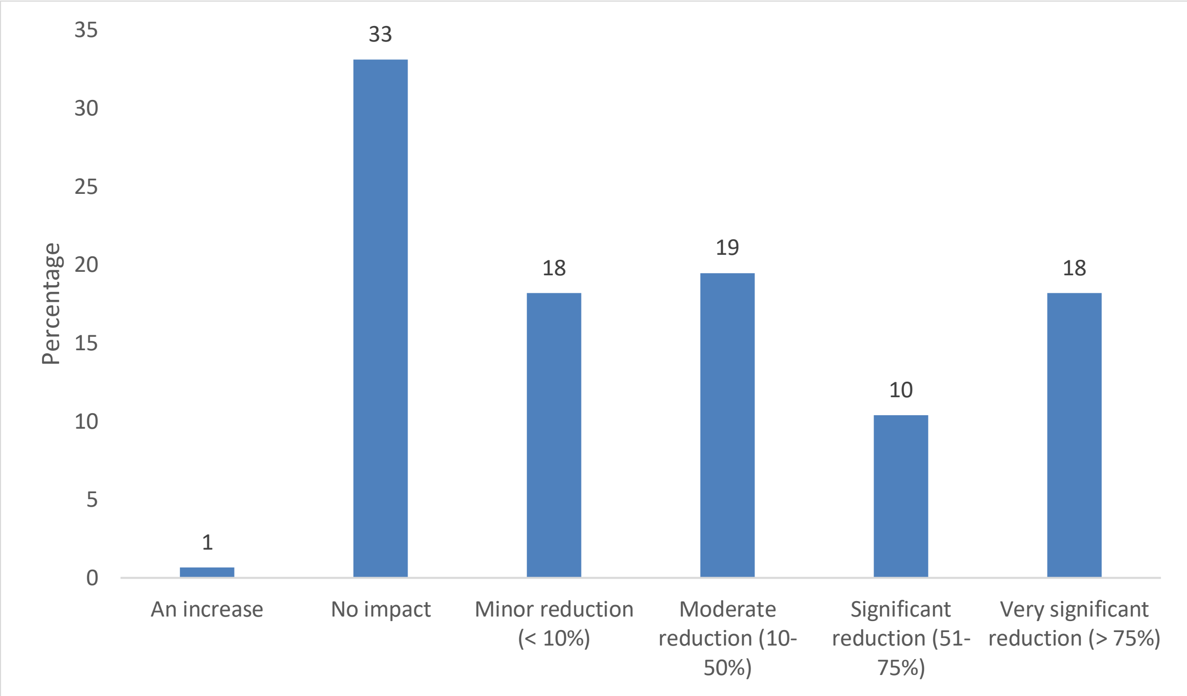
When asked about long term concerns relating to COVID-19, nearly two thirds (64%) of businesses mentioned they are focusing on building an economically resilient business operation (Figure 14). Nearly half of respondents consider the need to modify or diversify product / offerings (49%) or to modify or diversify markets (48%). Other long term concerns are "the need to modify or diversify our marketing" (44%), "the need to adjust our price" (38%), "improving the quality of our product offerings" (34%), "increasing our capacity – staff / products / service offerings" (22%), "forming partnership with new suppliers" (16%), and "forming partnership with new buyers" (16%).

Figure 14: Key long-term concerns relating to COVID-19



Respondents were asked to estimate the impacts of COVID-19 on the number of people they employ. Around one third (33%) of the businesses expressed that there was no impact of COVID-19 on the number of people employed. Nearly one fifth (18%) of businesses indicated a very significant reduction of their employee numbers. In total 65% of businesses indicated some reduction in staffing levels.

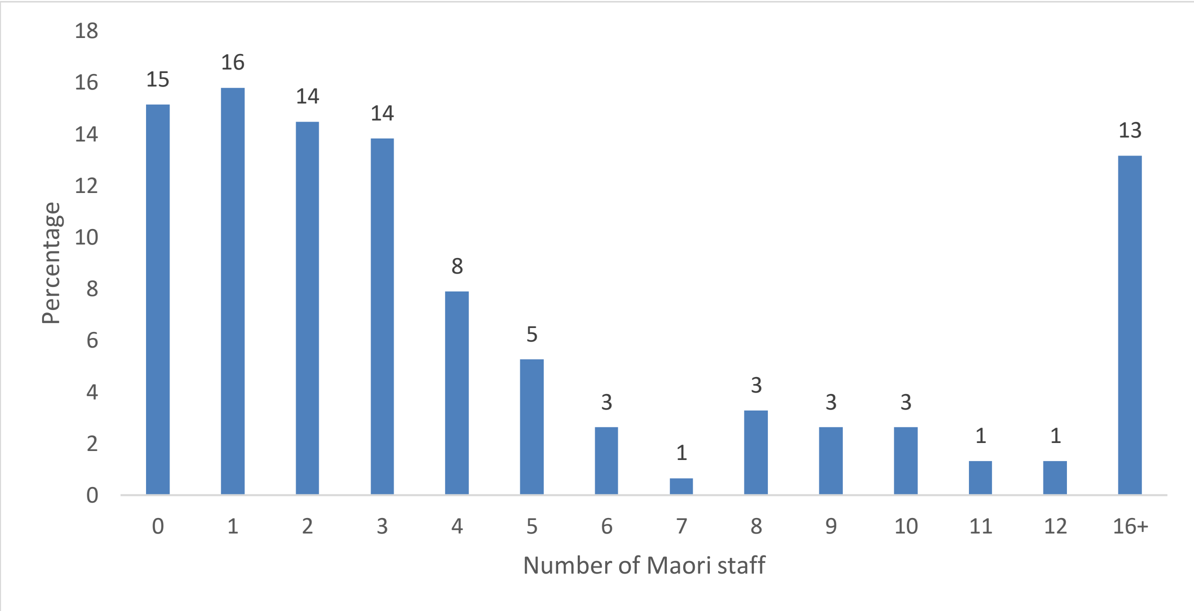
Figure 15: COVID-19 impact on the number of people employed



Staffing

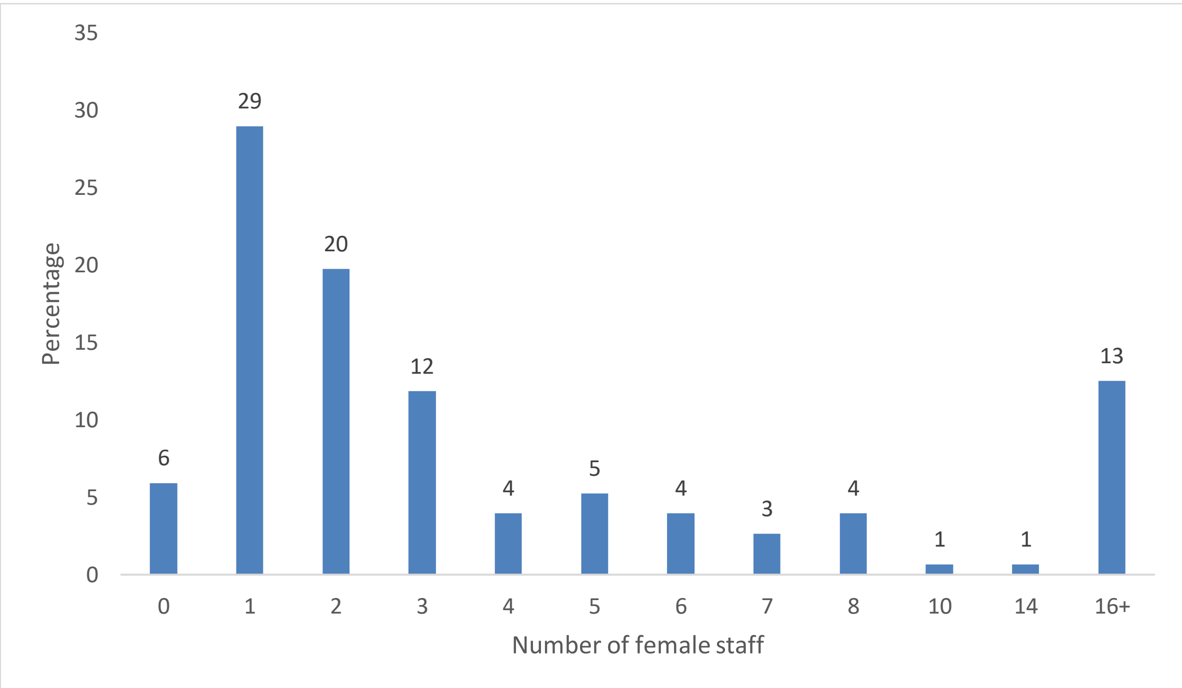
Thirteen percent of businesses employ 16 or more Cook Islands Maori staff, with 15% not employing any Cook Islands Maori staff (Figure 16).

Figure 16: Number of Cook Islands Maori staff



Nearly two third (65%) of businesses hire between one and four women. Thirteen percent of businesses hire over 16 female employees (Figure 17).

Figure 17: Number of staff that are women



A clear majority (71%) of businesses noted that they have training needs (Table 1). Of these, nearly one in five (17%) focused on the need to train their staff in marketing and sales skills, especially internet and social media marketing. Other training needs include: customer service (12%), ICT skills (12%), management skills (10%), accounting and financial skills (8%), and general hospitality and tourism (8%). It is notable that 7% of businesses emphasised the importance of COVID-19 safety training needs.

Table 1: Business training needs

Theme	Share of respondents
Sales and marketing	17%
Customer service	12%
ICT skills	12%
Management	10%
Accounting or finance	8%
Hospitality and tourism	8%
Health and safety and COVID practise	7%
Trade or technical skills	6%
Agriculture or horticulture	6%
Kia Orana values and cultural understanding	6%
First aid	4%
Housekeeping	3%
Work ethics	2%
Lifeguard or water-based skills	1%
Product development	1%

* Share of respondents who made a comment that falls into each theme. Respondents could give more than one answer, so total does not add up to 100%.

Comments on training needs included:

> *"Social media marketing / Facebook, website etc."*
>
> *"Bookkeeping, marketing online, website assistance."*
>
> *"English language- oral, written and manners. Basic customer service skills. Basic tourist info on the island. Basic Cook Island Maori words."*
>
> *"Holistic Service Improvement; Ancillary Revenue Generation; Customer Anticipation Assessment."*
>
> *"Training in IT to improve and increase better results from suppliers and booking agents."*
>
> *"International Trust Management training, Legal officer training, Director (Board level) training."*
>
> *"Learning more local language and culture."*

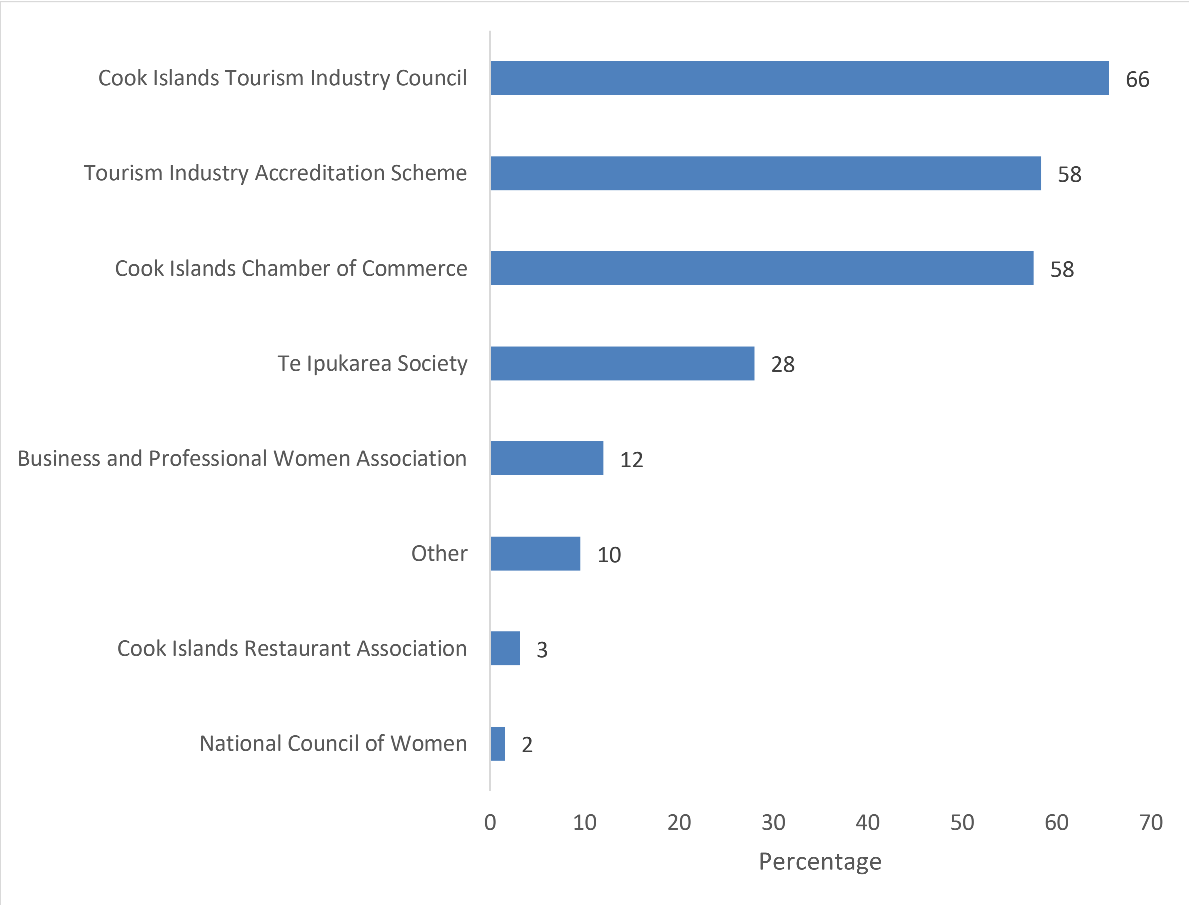
"A good cleaning guideline that is accepted by WHO."

"…COVID-19 safety practises and distancing etc."

Membership and Government programmes

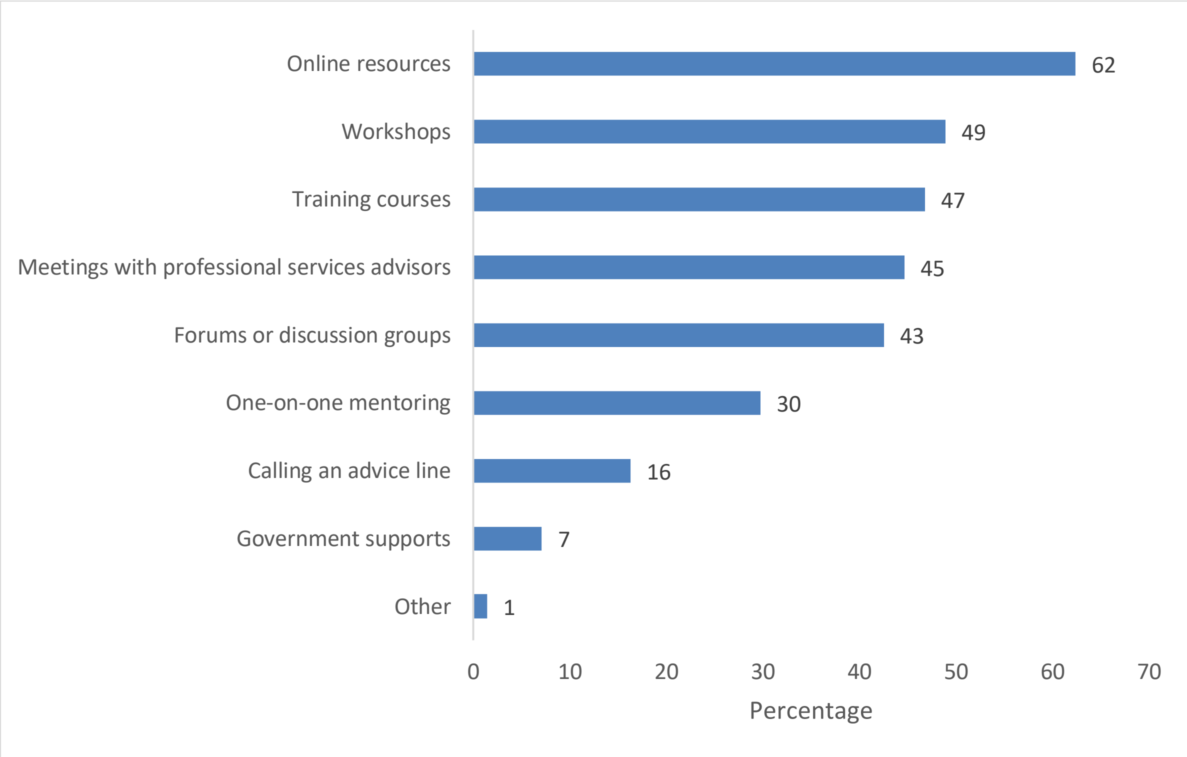
When asked to list any local business/organisations they belong to – around two thirds (66%) of respondents answered that they are members of the Cook Islands Tourism Industry Council, over half of the businesses indicated they are members of either the Tourism Industry Accreditation Scheme (58%), or the Cook Islands Chamber of Commerce (58%) (Figure 18).

Figure 18: Local business or industry organisations belonged to



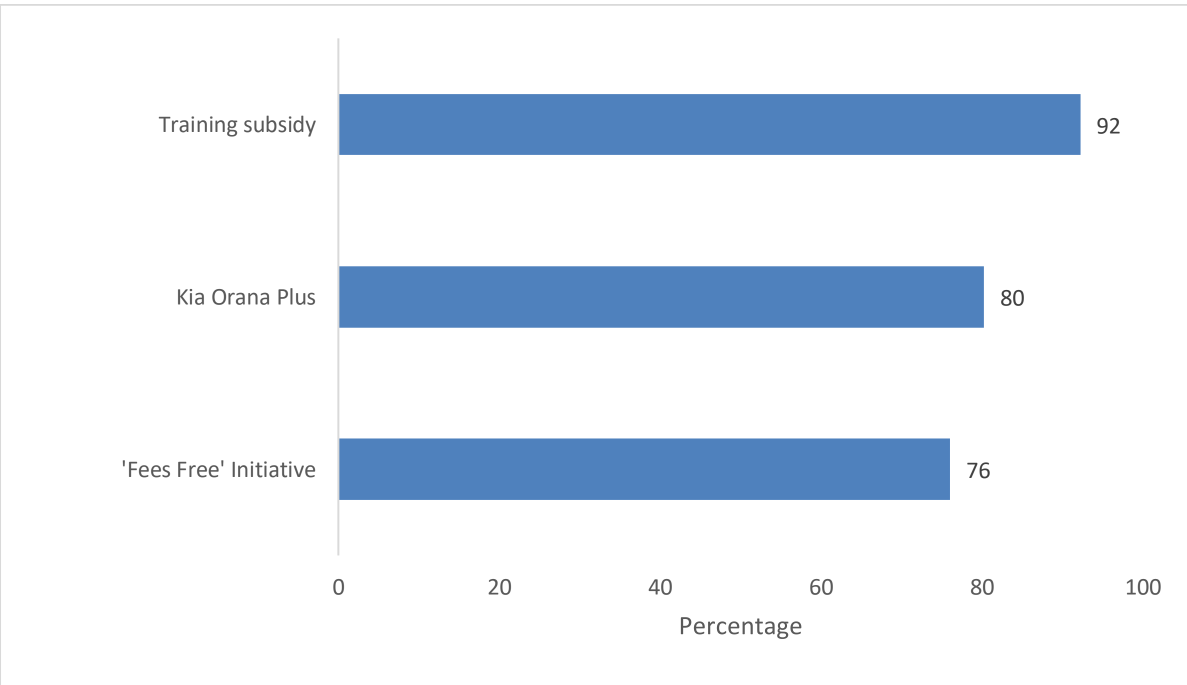
Over half (56%) of businesses indicate that their membership of local business or industry organisations has assisted them in managing the impact of COVID-19. In considering ways of delivering COVID-19 support, nearly two thirds (62%) of businesses rank online resources the first, followed by workshops (49%), training courses (47%), meeting with professional services advisors (45%), and forums / discussion groups (43%) (Figure 19).

Figure 19: Ways of delivering COVID-19 related the Government support



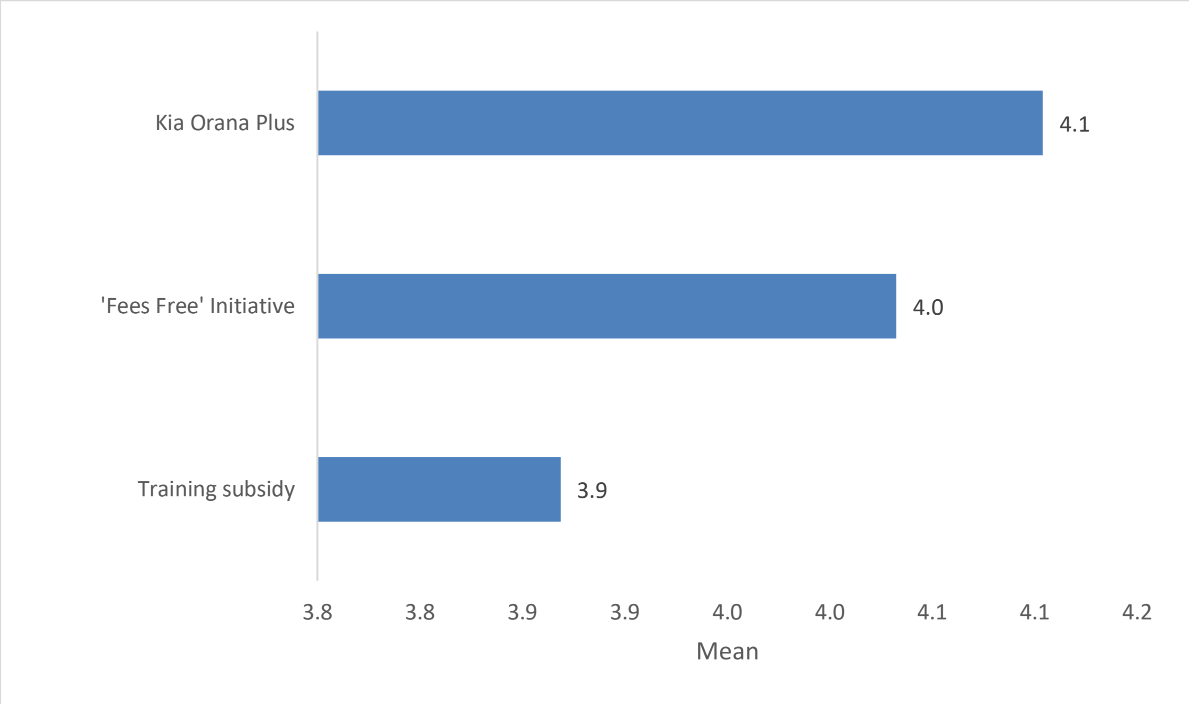
A majority (92%) of businesses indicated that they are aware of the 'Training Subsidy' programme provided by the Government. Four in five (80%) businesses know the 'Kia Orana Plus' programme, with a further 76% of respondents surveyed are aware of the 'Fees Free' initiative programme (Figure 20).

Figure 20: Programmes provided by the Government



When respondents were asked to rate their satisfaction with these programmes provided by the government 'Kia Orana Plus' was given the highest score (4.1 out of 5), following by 'Fees Free' initiative (4.0) and 'Training Subsidy' (3.9) (Figure 21).

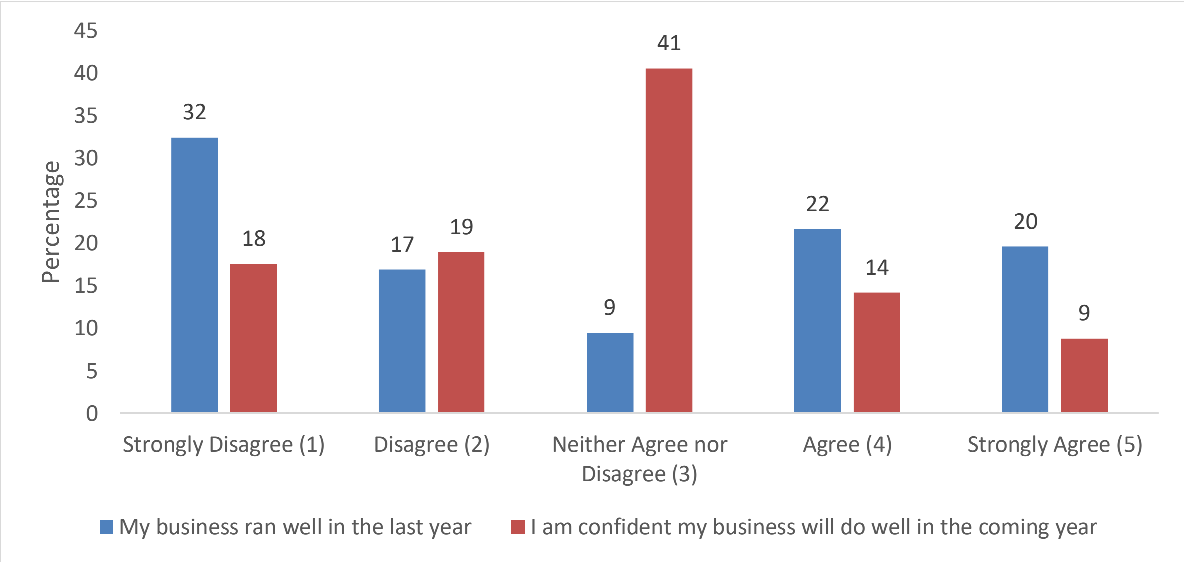
Figure 21: Satisfaction level with programmes provided by the Government



The business climate

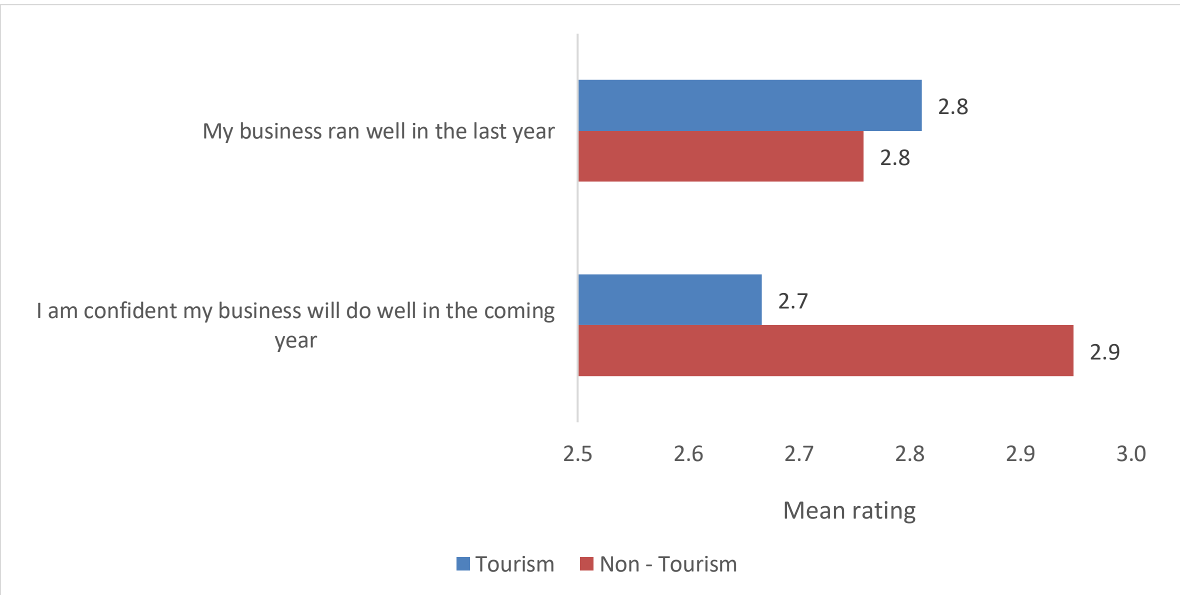
Respondents were asked to rank statements related to their level of confidence in the business climate. Nearly half (49%) of respondents feel that their business did not run well in the previous 12 months, and also 41% of those surveyed state they neither agree nor disagree with the statement my business will do well in the coming year – this shows a high level of uncertainty about the future (an average of 2.8 out of 5 for both statement) (Figure 22).

Figure 22: Please indicate your level of agreement with the following statement



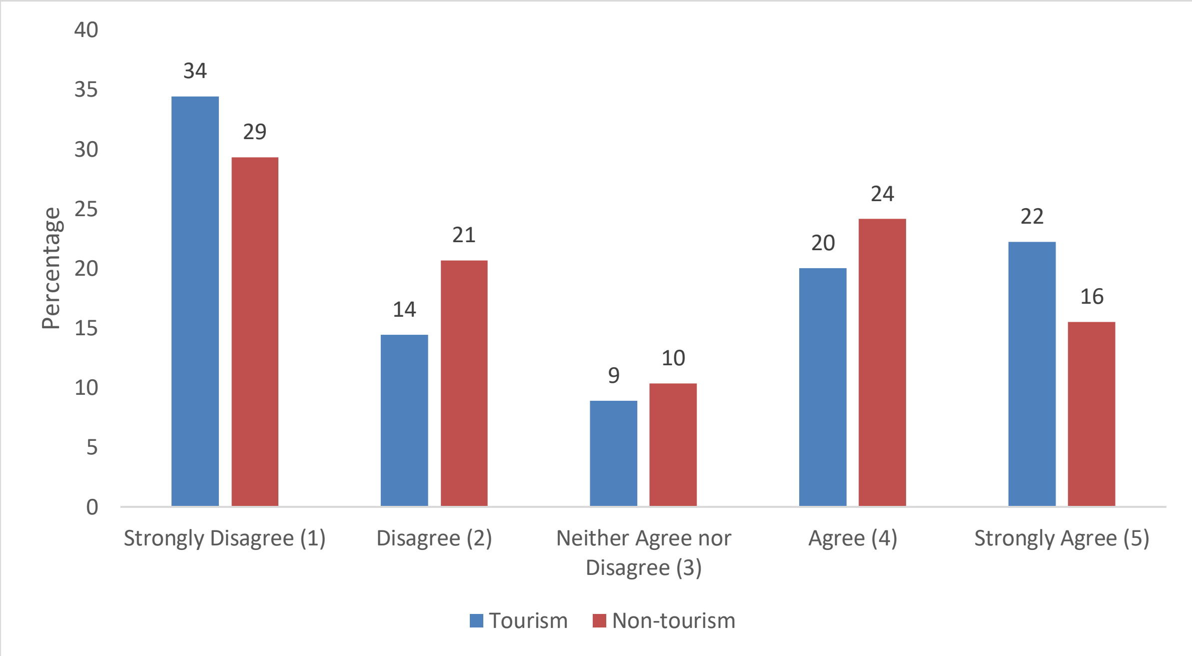
Tourism businesses indicated a similar level of confidence to their non-tourism counterparts when asked about the last year's business performance. Tourism businesses showed a slightly lower level of confidence than their non-tourism counterparts for the coming year (Figure 23).

Figure 23: Level of confidence - tourism and non-tourism sector



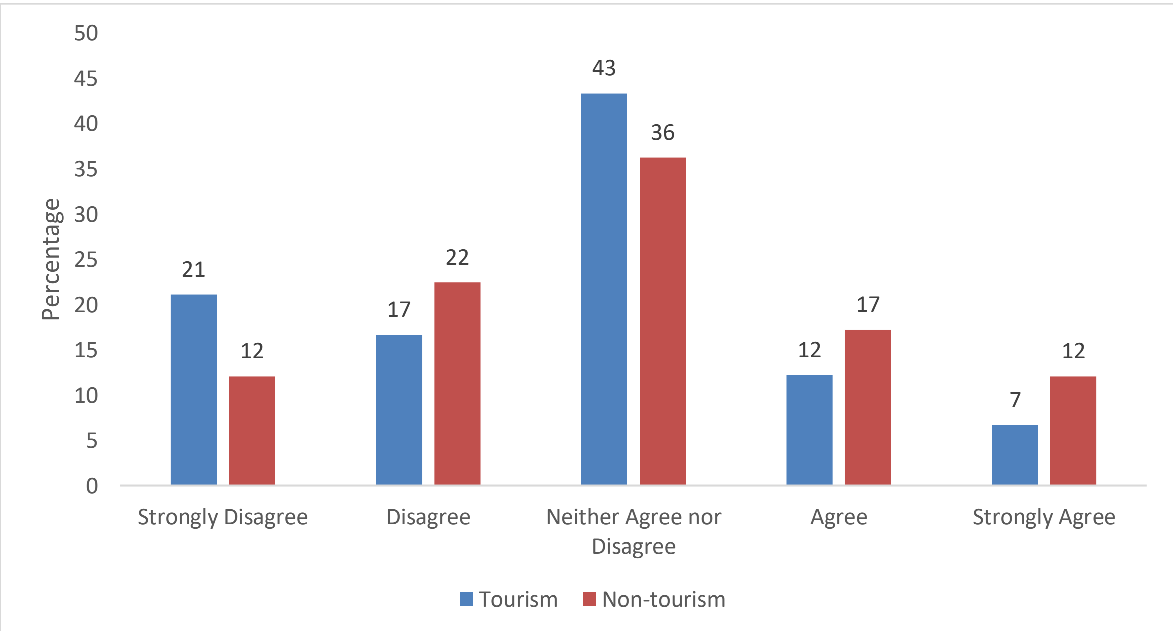
It is worth noting that both tourism businesses and non-tourism businesses show similar confidence levels with the statement “My business ran well in the last year” (48% strongly disagree / disagree vs 50% strongly disagree / disagree) (Figure 24).

Figure 24: My business ran well in the last year



Tourism businesses and non-tourism businesses exhibited similar confidence with the statement “I am confident my business will do well in the coming year” (Figure 25). Tourism businesses (43%) were considerably more likely to “neither agree nor disagree” with the statement than their non-tourism counterparts (36%).

Figure 25: I am confident my business will do well in the coming year



Respondents were asked: “What do you see as being the major challenge that will face your business in the next five years?” Although only 18% of businesses mentioned COVID-19 as their major challenge, most other challenges are influenced by the pandemic impact (Table 2). As a result, nearly one third (31%) of respondents mentioned tourism recovery, followed by cash flow and generating revenue (24%), border or travel restrictions (23%), advertising and marketing based on current situation (7%), global and regional economy (7%), no customer (4%), and to survive at the moment (3%). Other main challenges mentioned include human resources (9%), competition from others (6%), business development (5%), and political issues and regulations (4%).

Table 2: What do you see as being the major challenges that will face your business in next five years?

Theme	Share of respondents
Tourism recovery	31%
Cash flow or revenue	24%
Border or travel restriction	23%
COVID-19	18%
Human resources	9%
Advertising and marketing	7%
Global or local economy	7%
Competition from other businesses	6%
Business development	5%
No customer	4%
Political issues and regulation	4%
To survive	3%
Flight related issues	2%
Climate change or environmental degradation	1%
Destination development	1%
Infrastructure	1%
Supply shortage	1%

* Share of respondents who made a comment that falls into each theme. Respondents could give more than one answer, so total does not add up to 100%.

Comments included:

> *“The return of the Tourism industry over the next 18 months and how it will be managed will have a significant effect on the next five years.”*

> *“Border closures continuing, and the Government not well coordinated enough to have a travel bubble prepared in advance and ready to go as required.”*

> *“Regaining our share of the tourist market - tough competition with other accommodation resorts/hotels.”*

“Replacing staff or hiring new is already hard with travel constraints and outmigration of locals.”

“The Government's and the NZ Government's failure to give any indications on when the border to New Zealand will reopen.”

“The borders being closed due to pandemic, this might continue for a long time as safety to our island people is paramount.”

“Building up a sound cashflow to stay in operation without depending on government funding.”

“Uncertainty around Covid-19 and it impact on tourism in the Cook Islands. Recouping lost revenue from this year during Covid-19, it has set the business back 5 years. Staffing - how we will staff our resorts if borders to overseas countries don't open.”

“Recovering the unpaid bank loan with the high interest rate cumulative and increasing my loan life and repayment.”

“Maintenance and capital item replacements due to inconsistent occupancy and aging building e.g. fridge and aircon and tv already failed while idle. Choice between long term low rate rental or low occupancy labour intensive short-term rental as move in and out of lockdown.”

“Recovering from the impacts of covid-19. Lack of 'due process' in the fair application of tax, business and operating regulations.It has become more apparent in recent times that some businesses have for a considerable time operated 'outside' of legislation and have not been penalised. Discrimination leading to unfair competition. There are some processes where different rules apply depending on whether the business is owned by a Cook Islander or 'foreign investor'. Surely if contributions to the economy, employment and tax laws apply to both, then both should be treated equally. This is not the case. Sadly, the covid-19 situation has revealed this more prominently, as well as prejudice towards 'foreigners'. This has & will become a challenge moving forward.”

“Recovering from this pandemic- however 5 years is too far ahead to project. We should project year by year at this juncture.”

“As we are relying on tourists, we need to adjust to be prepared for changes in income.”

“All round spending reduction in the Cook islands within the economy.”

“A large raro company has moved to aitutaki and has taken a lot of work from small local businesses. we will need to diversify and hope he doesnt cover those areas as well.”

“Clash between inclusive economic institutions and excusive political institutions.”

“To survive at the moment so that we are still here for the next 5 years.”

Those surveyed were asked: “What do you see as being the major opportunities for your business in the next five years?” Over a quarter (28%) of businesses mentioned opportunities to growing the business involving diversification and adaptation (Table 3). Other opportunities mentioned were; border re-open or no quarantine for visitors (12%), tourism growth (9%), product development (9%), focusing on domestic market (8%), new marketing strategies (7%), improved technology or online approach (7%), and being a COVID free (safe) destination (5%). Among those responses, nearly one in five (17%) expressed that they saw few no or opportunities opening up in the future

Table 3: What do you see as being the major opportunities for your business in the next five years?

Theme	Share of respondents
Growing the business, adapting, and diversifying	28%
Little or no opportunities	17%
Border open or no quarantine	12%
Tourism growth	9%
Product development	9%
Focusing on domestic market	8%
Marketing	7%
Technology or ICT	7%
Being COVID free (safe destination)	5%
Investment	5%
More NZ visitors	4%
Building on reputation	3%
Reducing the cost	2%

* Share of respondents who made a comment that falls into each theme. Respondents could give more than one answer, so total does not add up to 100%.

Comments included:

“Diversification into online, development of an arts sector that generates revenue via Cook Islands owned promoted arts products.”

“Switching all apartments (currently have done for 4 of 6) to long term rentals if not.”

“Expansion, restarting the business and differentiation of services offered.”

“To difficult to predict with so much uncertainty.”

“The only way we will survive is to have quarantine free travel.”

“As long as the borders re-open and we get tourists returning to the Cook Islands so that we can rebuild our economy, then this will trickle through to our locals/domestic market which our business depends on.”

“Growing our occupancy rates and diversifying our product & service offerings once the border opens.”

“The regrowth of our Tourism Industry with improved services, special deals to encourage visitors to the island.”

“We hope that the work we have done in this time with Cook Islands residents will increase local interest in the future.”

“Expanding to include other product offerings for the 'local experience', potentially a social media following push.”

“All dependent on success of Cook Islands Tourism inbound marketing strategies and tactics.”

“Slowly building up the business by marketing, word of mouth, social media and so forth.”

“COVID creates opportunity as people plan for the future, improved technology (cable), level playing field for all jurisdictions given travel restrictions.”

“Cook Islands being seen as a 'safer' destination (due to covid-19 status) may attract more visitors than has been traditional. Perception of a safe place for investment.”

“If NZ only opens borders to the Cook Islands, we will be a good option for tropical destination holidays.”

“…more time to renovate/maintain the business instead of focusing on tourists.”

“Reducing the cost of commissions to travel agents and wholesalers.”

“Always be aware with the crises that we face today.”

When respondents were asked: “Where do you see your business going in the next five years”, nearly a quarter the businesses mentioned that they are uncertain (24%) (Table 4). A further 15% of businesses expect to grow slowly and return to pre-COVID level. Another 10% of businesses foresee poor performance because of the impact of the COVID. Positive comments include continuous growth (13%), a diversification strategy with either new ideas or moving into new business areas (10%), focusing on marketing and sales (6%), diversification to the domestic market (4%), enhancing a specific product (3%), and improve services (3%). Two percent of businesses stated that they will further commit to environmental responsibility.

Table 4: How do you see your business evolving in the next five years?

Theme	Share of respondents
Uncertainty, dependent on COVID-19 and borders opening	24%
Slow growth return to pre COVID-19 level	15%
Continue growth	13%
Diversification - new ideas and business areas	10%
Poorly – impact on business survival	10%
Marketing or sales	6%
Diversification to the domestic market	4%
Management	3%
Product enhancement	3%
Service improvement	3%
Debt management	3%
Higher occupancy	3%
Sell business	3%
Environment commitment and concerns	2%
New technology or getting online	2%

* Share of respondents who made a comment that falls into each theme. Respondents could give more than one answer, so total does not add up to 100%.

Comments included:

> *"We cannot currently see any development in the near future as we are barely scraping by at the moment and it will take a few years to recover from the financial hardship COVID and border closures have caused."*

> *"I think this will be slow to start, as tourist numbers will take time to recover, assuming they recover at all. We hope to take on more staff and expand our operation, but of course this is entirely dependent on tourist numbers."*

> *"Off the back of a pandemic, difficult to see beyond the current timeframes given the significant impact over the past few months with little government support. Likely to increase slowly as borders open (and close)."*

> *"We are unique (COVID-19 free), people are going to want to be part of that. We have a great product that everyone wants in their home."*

> *"There is no development if this pandemic is allowed to rule and destroy the economies of the world."*

> *"Under the current circumstances it is impossible to say. More a case of recovery and re-building/consolidating."*

> *"We expect it will still be a growth curve over the next 5 years but starting again at a level lower than pre-COVID-19."*

> *"Slow to start with but hopefully we won't have a recession and I need to diversify in my business."*

“Assuming the borders open, and assuming travellers are confident to come here, we will continue trying to offer a 5-star service, which hopefully attracts guests to return and recommend us to others.”

“Through slow diversification domestically, and the opportunity to focus on an export market to continue to sell to overseas visitors.”

“Changing our focus from tourism to local trips, selling fish to the local market.”

“Growing through local custom, expanding through involving more local suppliers and/or expanding into export of local products which we're discussing now.”

“Painful with more repayment and fear that anything that we are planning can stop.”

“More eco, more direct sales rather than through travel agents and wholesalers, more tech based using AI etc.”

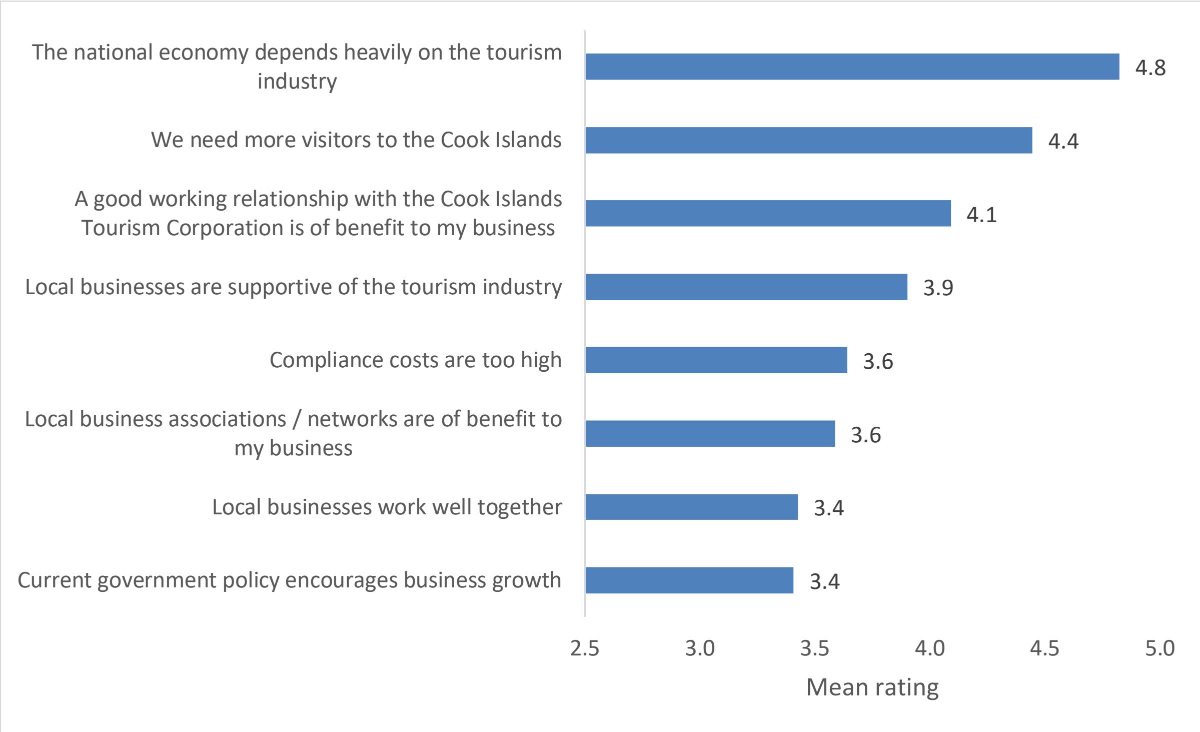
“adapting and morphing as tourism changes catering more to a local market and NZ.”

“New product to be released in December will create opportunity, a growing trend towards Asset Protection will bring growth opportunity.”

“Having good marketing strategies in place. Providing an environmentally friendly place to stay.”

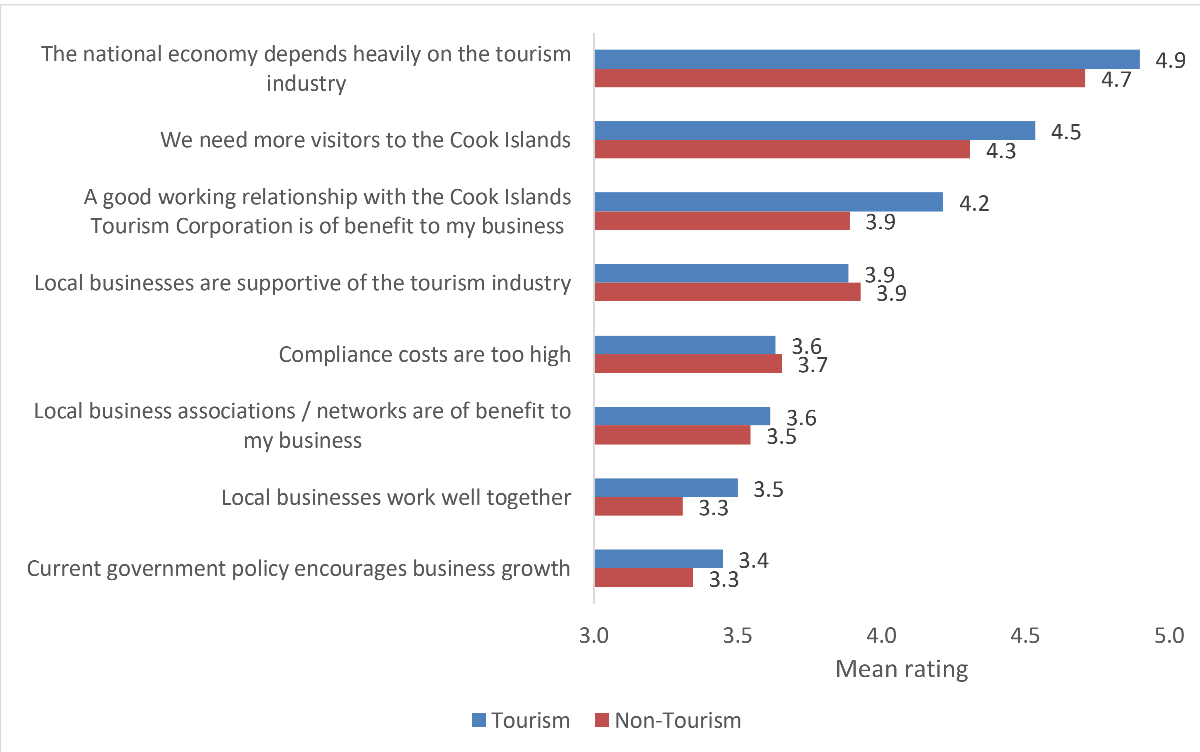
Respondents were asked to rate their agreement with a range of statements about tourism, the economy and, and government policy (Figure 26). The statement “the national economy depends heavily on the tourism industry” received the highest level of agreement (4.8 out of 5). Notably, “we need more visitors to the Cook Islands” received the second highest level of agreement (4.4 out of 5). “Current government policy encourages business growth” and “local businesses work well together”, by contrast, received the lowest rating (3.4 out of 5).

Figure 26: Please respond to the following statements



Tourism businesses show a higher or similar level of agreement compared to their non-tourism counterparts across most statements except “compliance costs are too high” (Figure 27).

Figure 27: The importance of statements relating to the Cook Islands - tourism and non-tourism sector



Some respondents provided further comments, including:

"Compliance costs are relatively high for our competitive market; but most important factor is compliance inefficiency - some government departments are inefficient and have too much red-tape; huge opportunity for compliance automation with online services; clear-cut requirements for businesses to meet; removing any subjective assessments / approvals by government employees."

"Compliance costs. Frustrating that many do not 'support the legislation' meaning some operate with what are effectively zero compliance costs. This makes compliance costs high literally and metaphorically for those that comply."

"Costs of everything such as liquor licences, annual returns annual fees all add up to being too expensive for small businesses."

"For some time, our restaurants have not participated in the tourism industry council or the accreditation scheme. This was due to the high burden of accreditation on restaurants and the almost exclusive promotion of budget dining options and the night market (which were given a blanket accreditation and food service licence often without confirmation of meeting same health standards (separate fridges and freezers for meat and dairy and vegetables, running hot water, minimum number of toilets) in all the paid promotions such as newspaper features, Instagram promoters etc. In contrast to accommodation, there fewer benefits to restaurants from these schemes and forums."

"Govt needs to guarantee bank loans to businesses that need it to get through this crisis. I suggested it 6 months ago. The low interest loan they have arranged through BCI is helpful but not enough and some businesses don't qualify if no staff in the super scheme. That's unfair and unhelpful. Banks need to be told to be more helpful. The majority of business owners will pay the extra debts off even if it takes 10 years. We all need to survival be financially and mentally- govt obviously unaware of the stress this situation is causing."

"I don' know that CI Tourism is supportive of small business or accommodators. They will not frequent our place because we haven't been accredited. But they frequent other places who are not accredited. Small accommodators miss out as CI Tourism always pushes the big hotels."

"It's good for visitors to come here but don't put your eggs in one basket."

"Our country needs to continue heavy investment in green energy to act as an economic stimulus, cheapen energy costs for consumers, and is an impressive marketing tool."

"We had too many tourists, so our environment has taken the toll... so on this point of view the environment has the chance to recover... we need tourist but in a moderate number... witch will happen when the borders reopen."

“Management plans from the Environment, ICI and Health need to be put in place regarding to tourism before accepting more tourist. 160000 tourists are enough for this small country without any proper infrastructure.”

“Need more tourists but not at the risk of getting Covid-19.”

“Only think we need more visitors in short term future once it is safe - wouldn’t like to personally see the same number of visitors coming to the Islands as there was in the lead up to Covid-19.”

“Rather than MORE visitors to the Cook Islands we need QUALITY visitors who spend money, not the backpacker types, or those bringing their own food with them and on a tight budget. we may get a lot of foreigners wanting to escape lifestyle in USA and EU and need to choose very carefully who comes in as to keeping our communities with cook island values. Also, depopulation is a large worry.”

“Need to promote our own product to our own local people.”

“Our company recently transferred 3 Foreign workers from other employers, as all 3 were released. It was a Shock, when I went to the Min of Immigration, & did not receive any financial assistance during COVID. Also, the workers had time on their work permits (up to 6mths) that was totally disregarded. Each employee cost us $500 1Yr work visa & $250 transfer fee (which is ridiculous as they were all released from their previous employer) if we didn't employee them, the GOVT would be paying them, not us! Finally, just to top it off.... Immigration decided for the first time ever (since 2017- and 3 employees) to apply a $1500.00 BOND...... I mean really!!!!!”

“Uneconomic spending of government funds by government MPs and favours to some businesses.”

“Would be great to have equal treatment and support and promotion from the tourism board as other businesses.”

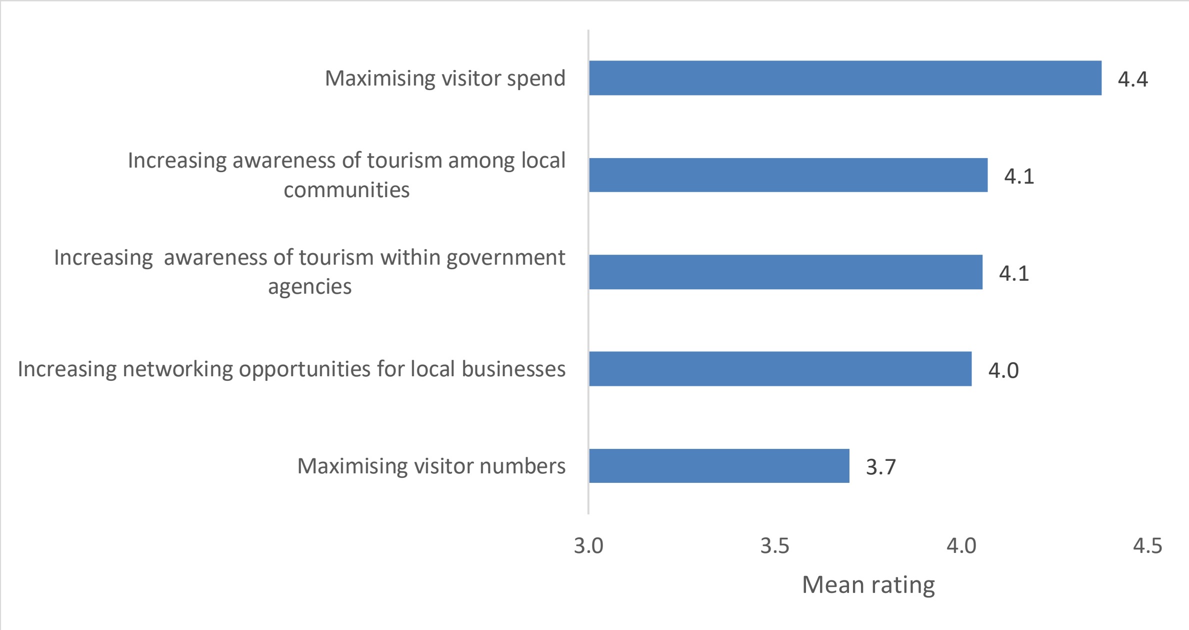
“Quarantine with an electronic bracelet as well as a travel bubble should be look at with other countries free of Covid-19.”

“Retail businesses don't get as much visibility as Accommodation or Tour operators in Tourism Marketing. Still can't seem to see a balance. This is a major deterrent from re applying for Tourism Accreditation. The benefits to Retail Operators just isn't there.”

“There is no pandemic - travel restrictions need to be cancelled - PCR test does not show true situation - cases as defined by antibody test mean that more and more are immune and have resistance, not that things are getting worse.”

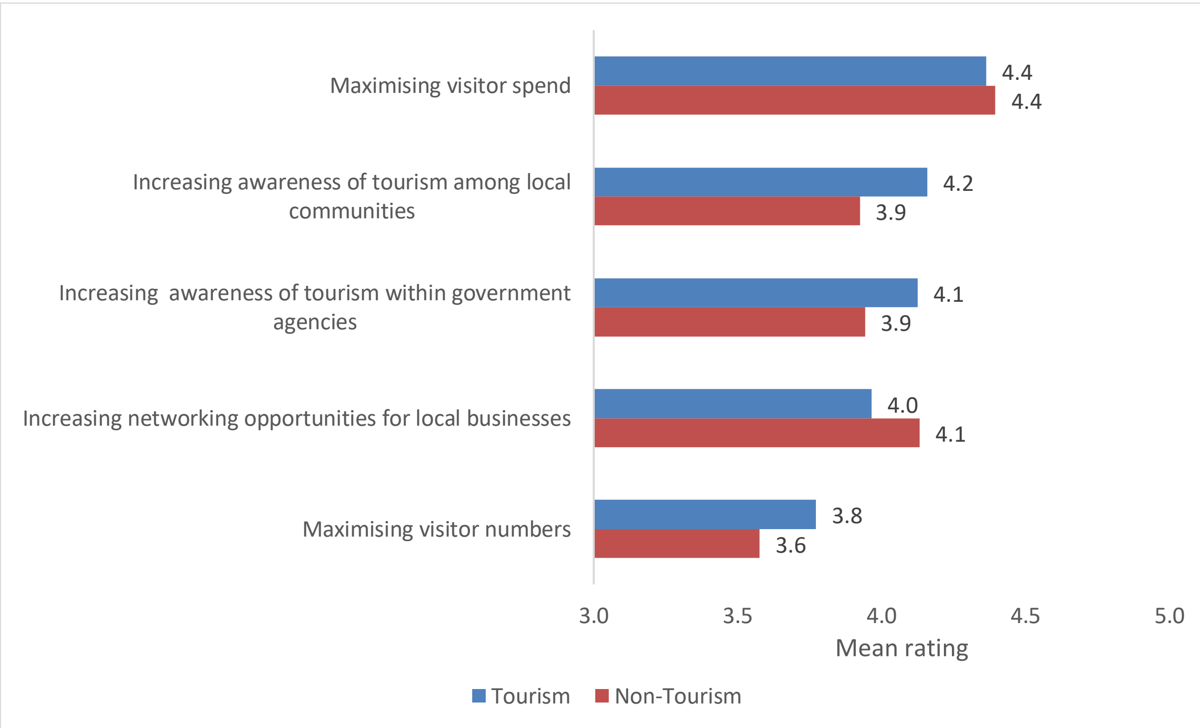
When respondents were asked to rate a range of statements in terms of their importance to the Cook Islands, “maximising visitor spend” (4.4 out of 5), “increasing tourism awareness among local communities” (4.1), “increasing tourism awareness within government agencies” (4.1), and “increasing networking of tourism within government agencies” (4.0) were given the highest scores (Figure 28). "Maximising visitor numbers" received the lowest rated response (3.7).

Figure 28: How important are the following to the Cook Islands



When compared to their non-tourism counterparts, tourism businesses assigned a higher or similar degree of importance to all of the statements provided except "increasing networking opportunities for local businesses" (Figure 29).

Figure 29: How important are the following to the Cook Islands - tourism and non-tourism sector



Additional comments relating to this question included:

"1. diversify our industries. 2. tourism has not stated a clear cut off point of tourist numbers coming here. 3 very serious environmental issues from this industry for an island environment."

"A cap could work on visitor numbers."

"Business-wise it would be best to maximise visitor numbers, but environmentally and morally we should cap the number of visitors to preserve our environment and local enjoyment of the island."

"The people of the Cook Islands is the main attraction to returning visitors but with clean lagoon (like now) walk path, DRAINS for the overflow water during raining seasons more lights on the road will complete our KIA ORANA VALUE."

"Focusing on higher yielding visitors would be more beneficial for our environment. Less visitors who spend the same, or more than a larger hoard is definitely a way forward for the Cook Islands."

"Need to spread visitors over year rather than crazy peak in Aug and Sep."

"We need to put a maximum number on tourist arrivals. A moratorium will be the 1st step."

"We need to use this opportunity to focus our tourism on quality tourism not quantity. Re-balance back to the size of tourism we as a country can afford."

"Not interested in maximising visitor numbers at the risk of CI health."

"Quality of tourists now outweighs quantity during this pandemic."

"The Cook Islands community as a whole and Govt need to understand the importance of the tourist dollar to the wellbeing of all in the C Islands. Without that the current level of wellbeing will retract to what it was 30 years ago. We need tourists and until we get them business need sensible financial support that they will be happy to pay back once good times come again - which they will."

'We should be careful how we approach the visitor number increase. Safety should be our main concern."

"The numbers of tourists arriving could be capped to ensure that Tourism is managed sustainably."

"Visitor yield development is a long-term strategy; maximising visitor numbers drives revenue generation in the short & medium term and spreads tourism incomes across the entire economy."

"We have mixed feelings about reaching the same level of visitor numbers to pre-COVID levels; however we also have concerns local business owners/opportunities

will also be closed out by existing and potential foreign interest - smaller pie to share - should this be prioritised?"

"We need high end quality guests, not big visitor numbers. Quality over quantity."

"We need to be competitive in tourism but for spending tourists not just bums on seats."

"Avoid unnecessary spending by the Tourism Office and be more efficient in delivery of services."

"Create awareness and also create other revenue streams instead of focusing on tourist only."

"Current public opinion reflects higher level of enjoyment of life with fewer tourists ...less bustle."

"Digestible but tangible numbers such as VAT contributions by different parts of tourism industry (tours, hotels, vacation rentals, restaurants, markets and tourism total (and the reduction relative to last year may help community members realise the actual contributions of different parts of the sector. Also, numbers of local employees by sector. There is still a (false) perception of tourism businesses mainly being foreign owned, managed and staffed."

"Infrastructure projects i.e. maintenance of roads, recycling of rubbish, banning plastic bags and encouraging more green sources of energy such as solar power, electric cars. We also need to protect our seas and stop overseas longlining and netting as we are destroying the diversity of our ocean and the ability of our people to feed themselves. Life might never be the same so less reliance on imported goods and more education around growing and eating healthier foods. The Cook Islands could start producing quality Coconut Oil and Coconut water for export and for ourselves. Put a sugar tax on all soft drinks. They are contributing to obesity and tooth decay. We need to be a healthy race of people."

"Making the people in the outer islands understand that tourism helps bring in the money to pay the government workers and a lot of other things."

"Pre COVID-19, my observation is that the general public were complaining about the tourist being on the island for various reasons. However, now it is all local people & for the most part realize how important the tourism is to our Economy."

"Some NGOs need greater awareness of the importance of tourism."

"We need to build supply lines lost for food and labour. At least 2 months to established."

"We need to gear agriculture production, so it services the tourism industry adequately and profitably for the grower. Needs a coordinated structured approach."

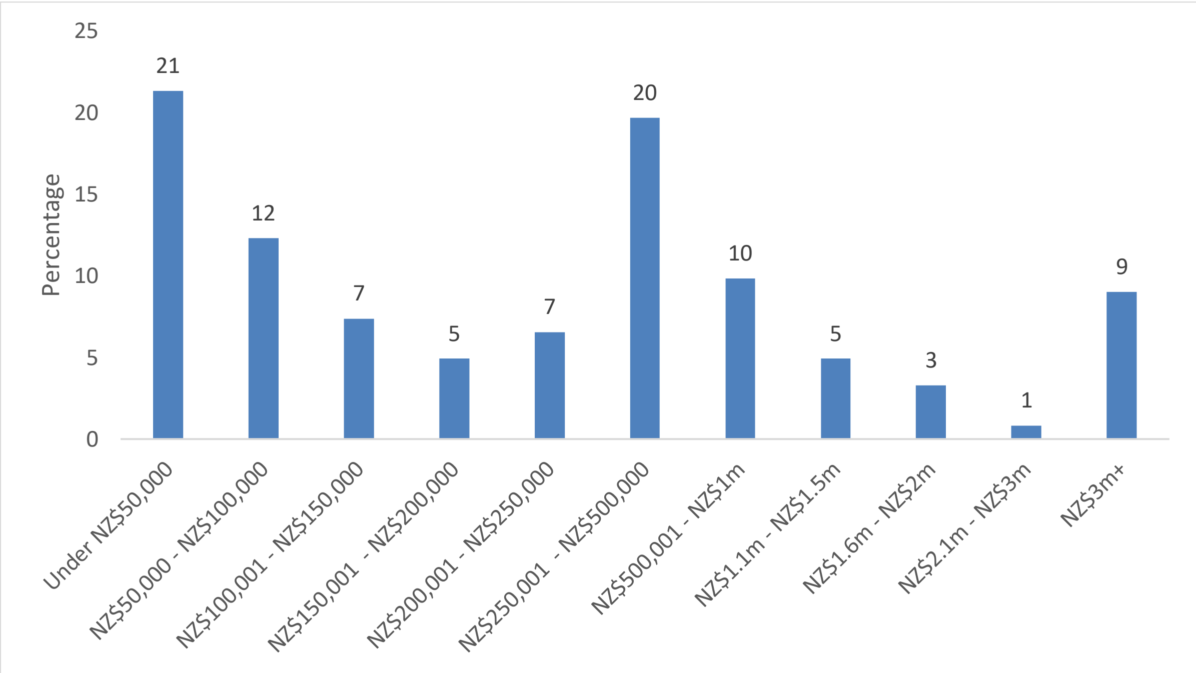
“We need to open up the borders to New Zealanders only.”

“We saw rampant growth driven by holiday homes in the main and we see now results of mortgagee sales and since Covid-19 people are seeing the improvement in environmental situ. We were not coping with numbers and for the Cook Islands - the future lies in Yield and not numbers.”

Revenue, cost and linkages

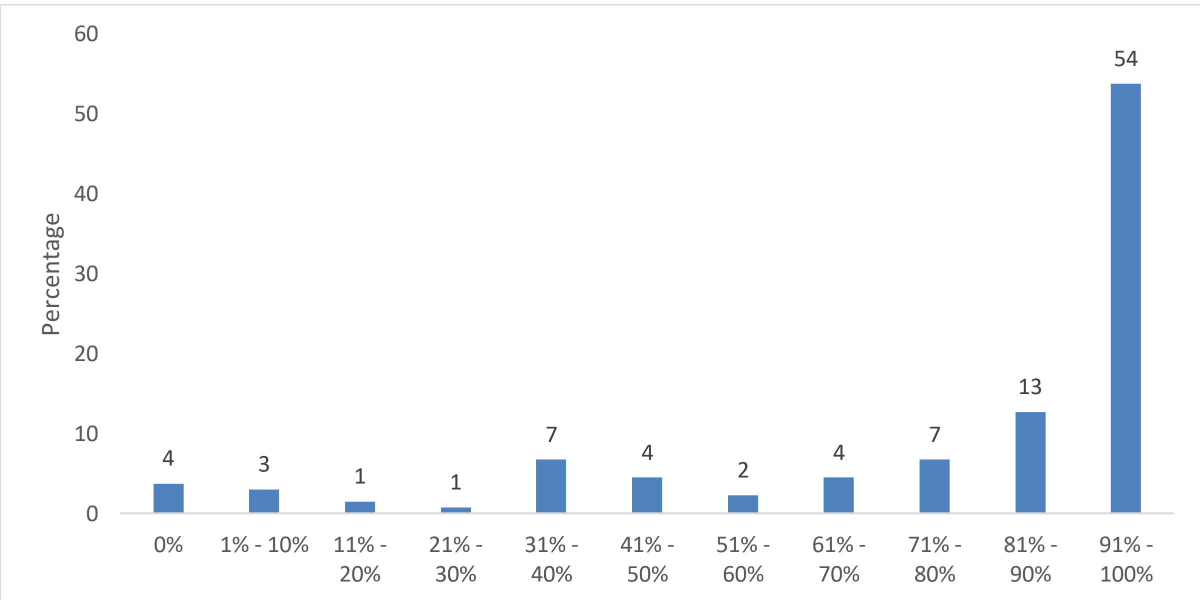
Two fifths (40%) of businesses surveyed reported an annual turnover of less than NZ$150,000 in the last financial year (Figure 30). A further 18% of businesses generated more than NZ$1 million in revenue.

Figure 30: Approximate annual turnover in the last financial year (VAT inclusive)



Over half (54%) of the businesses surveyed attribute more than 90% of their annual turnover directly to tourism (Figure 31). Only 7% of businesses indicated that 10% or less of their turnover is generated directly from the tourism sector.

Figure 31: Approximate annual turnover estimated to come directly from tourism



Conclusion

This report presents results from an online business survey conducted from October to November 2020. This survey is the ninth to have been produced since 2016.

The majority of respondents feel that their business did not do well in the last year (2019/20), and are not sure whether it will do well in the coming year (2020/21). Both tourism businesses and non-tourism businesses show a low level of confidence about the last year and the upcoming year. Two fifths (40%) of local businesses reported an annual turnover of less than NZ$150,000 in the last financial year, the impact of COVID is seen by the fact that this figures in previous was 26% (Phase 7) and 28% (Phase 8) respectively. Respondents indicate that tourism recovery, cash flow or revenue and border/travel restrictions are the key challenge facing their business. Growing the business, adapting, and diversifying are identified as the major opportunities for businesses in the coming five years. Nearly one quarter of those surveyed feel uncertain about the future, and are dependent on COVID-19 and borders opening for their business over the next five years.

This research underscores the challenges Cook Islands businesses face and the opportunities that remain for development during this worldwide pandemic. It is clear from the time series data presented in the following Appendix that confidence levels within both the tourism sector and non-tourism sector have declined dramatically from the previous eight surveys that have been conducted. Unlike previous surveys, tourism businesses are shown to have a similar level of confidence as that exhibited buy their non-tourism counterparts.

The report highlights the value of generating ongoing cost-effective and robust data that can be shared in a way that can guides the development of local business policy and strategy. The BCI offers a timely barometer of future economic activity, and it highlights the big issues and gives crucial data to plan the way forward.

This survey provides a set of data from a critical period of pandemic related economic disruption. As 2021 opens up the prospect for the return of international tourism it will be vital to continue to map out business confidence, sector needs and responses.

APPENDIX

SUMMARY OF TIME SERIES TRENDS 2016-2019

Phase 1 –Low season 2016 (Dec 2015 to Feb 2016)
Phase 2 – High season 2016 (Sep to Oct 2016)
Phase 3 – Low season 2017 (Feb to Apr 2017)
Phase 4 – High season 2017 (Aug to Oct 2017)
Phase 5 – Low season 2018 (Feb to April 2018)
Phase 6 – High season 2018 (Oct to Dec 2018)
Phase 7 – Low season 2019 (Mar to Jun 2019)
Phase 8 – High season 2019 (Sep to Nov 2019)
Phase 9 – Season 2020 (Oct to Nov 2020)

Table 5: Respondents across nine phases

	Phase 1 (round 1 of 2016)	Phase 2 (round 2 of 2016)	Phase 3 (round 1 of 2017)	Phase 4 (round 2 of 2017)	Phase 5 (round 1 of 2018)	Phase 6 (round 2 of 2018)	Phase 7 (round 1 of 2019)	Phase 8 (round 2 of 2019)	Phase 9 (round 1 of 2020)
Number of responses	**128**	**124**	**97**	**106**	**84**	**113**	**68**	**70**	**161**
Conversion rate	**41%**	**40%**	**31%**	**34%**	**27%**	**36%**	**22%**	**22%**	**51%**
Had participated the survey previously		**37%**	**58%**	**57%**	**58%**	**52%**	**68%**	**73%**	**49%**

Figure 32: Which of the following best describes you?

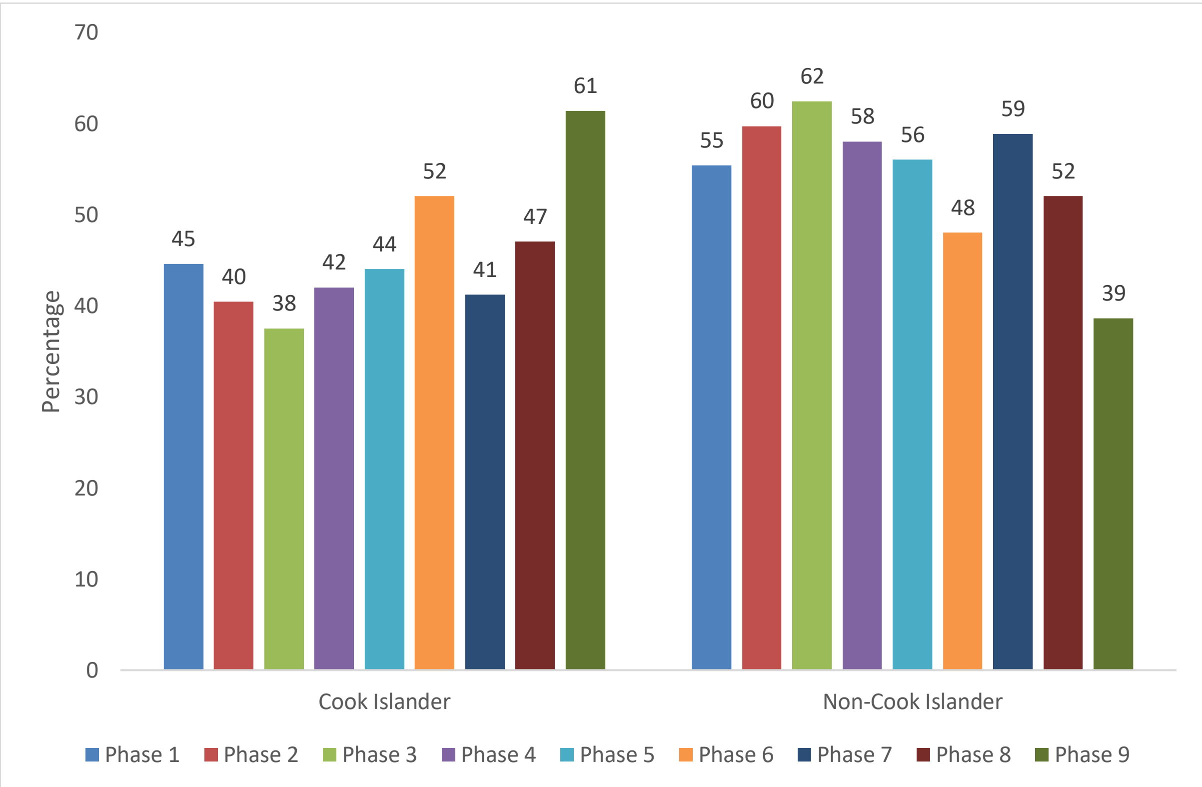


Figure 33: What is the primary focus of your business?

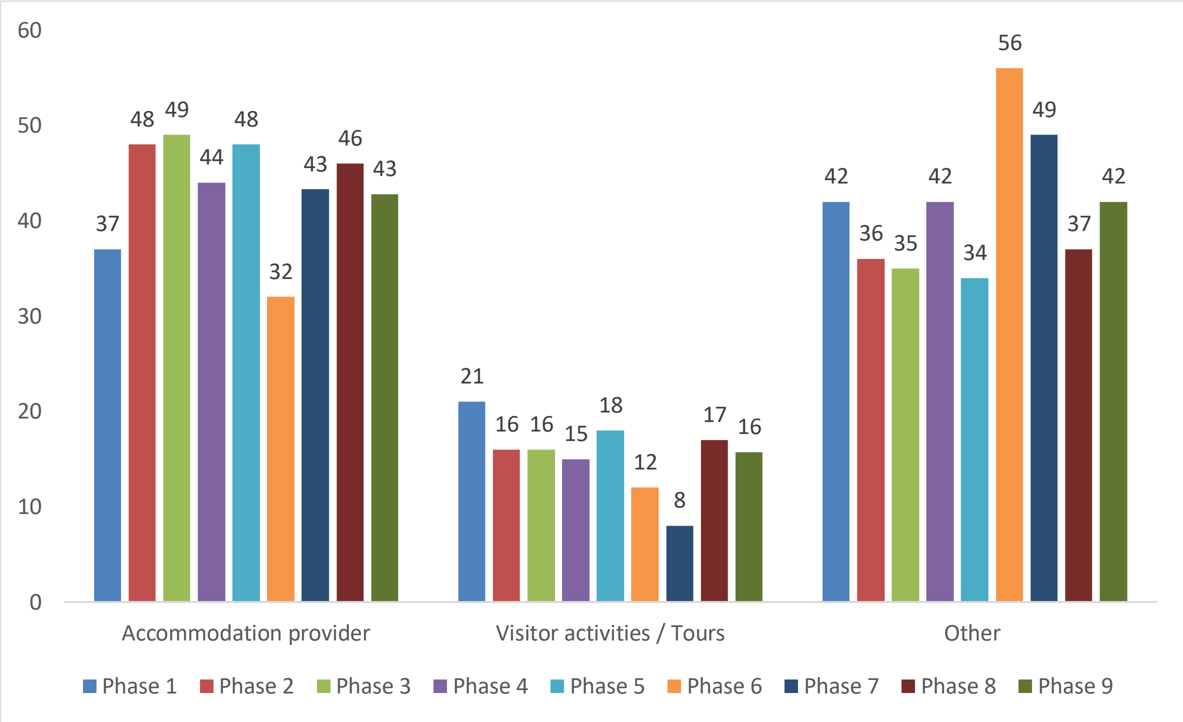


Figure 34: Accommodation provider: main focus of business

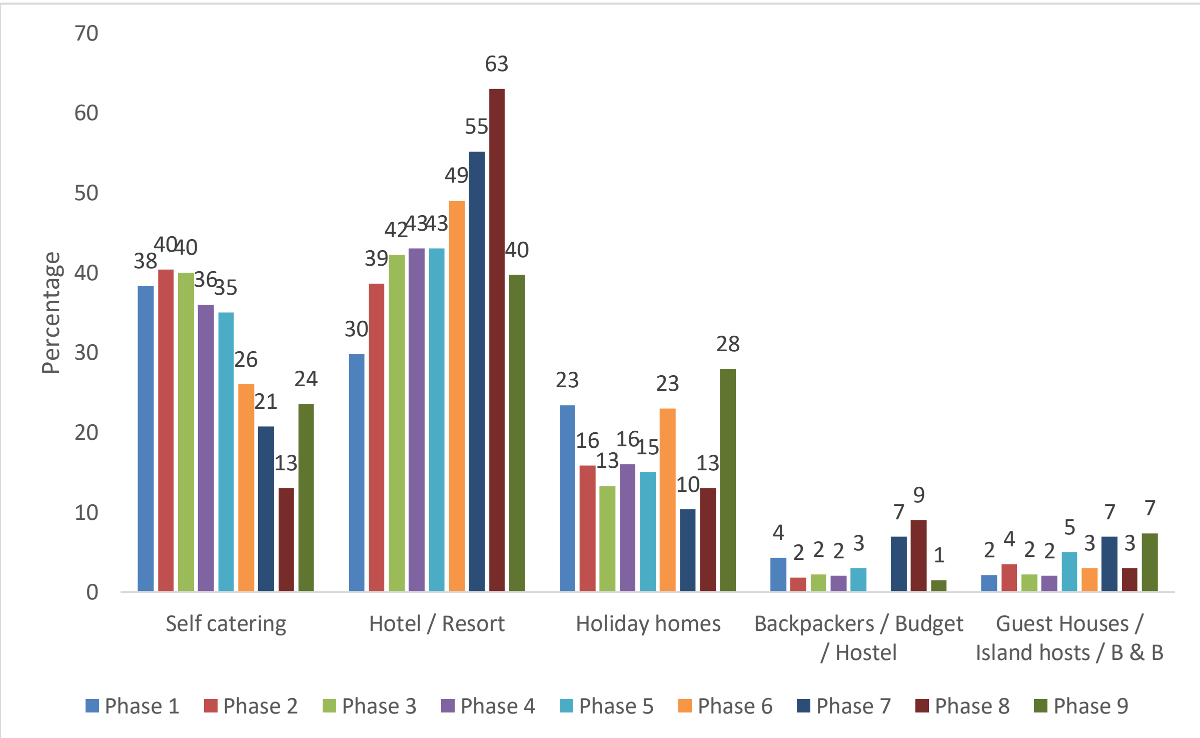


Figure 35: Visitor activities / tours: main focus of business

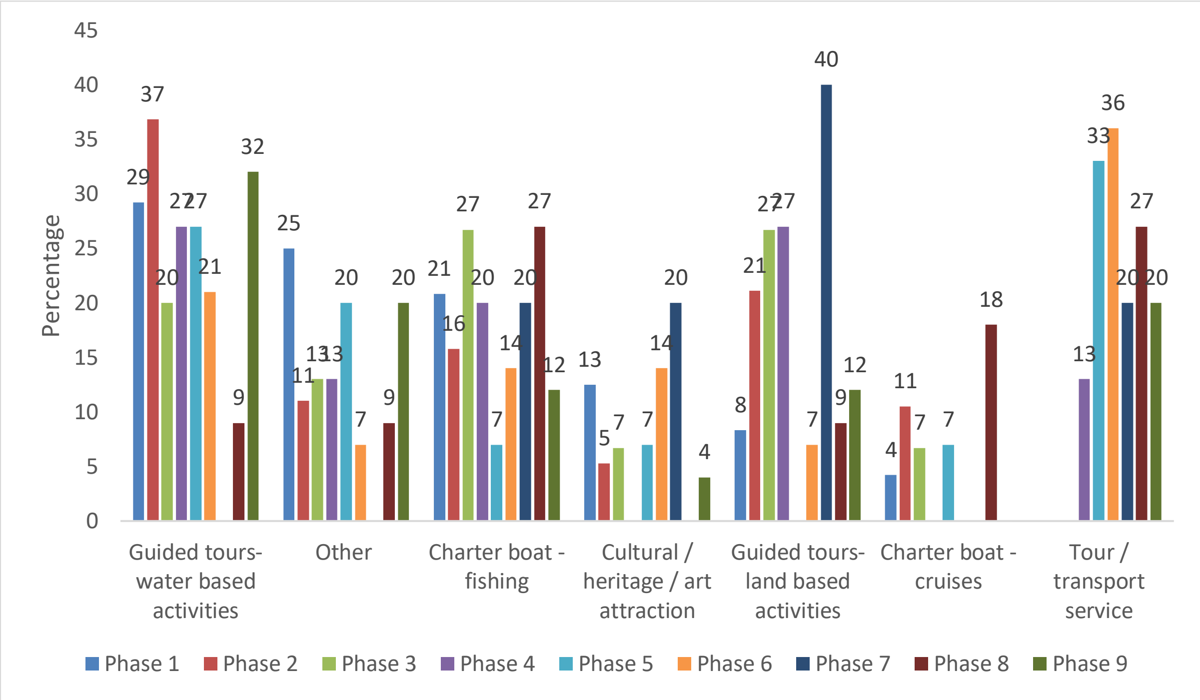


Figure 36: Where is your primary business located?

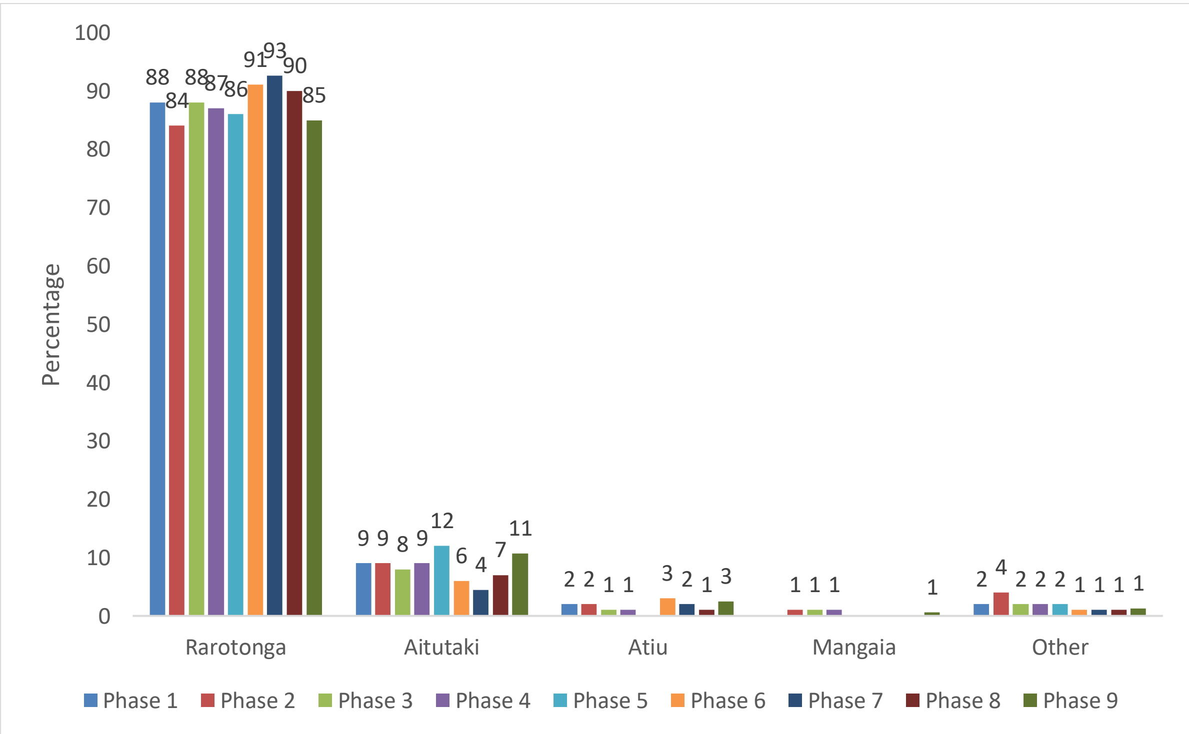


Figure 37: Your level of agreement with the following statement

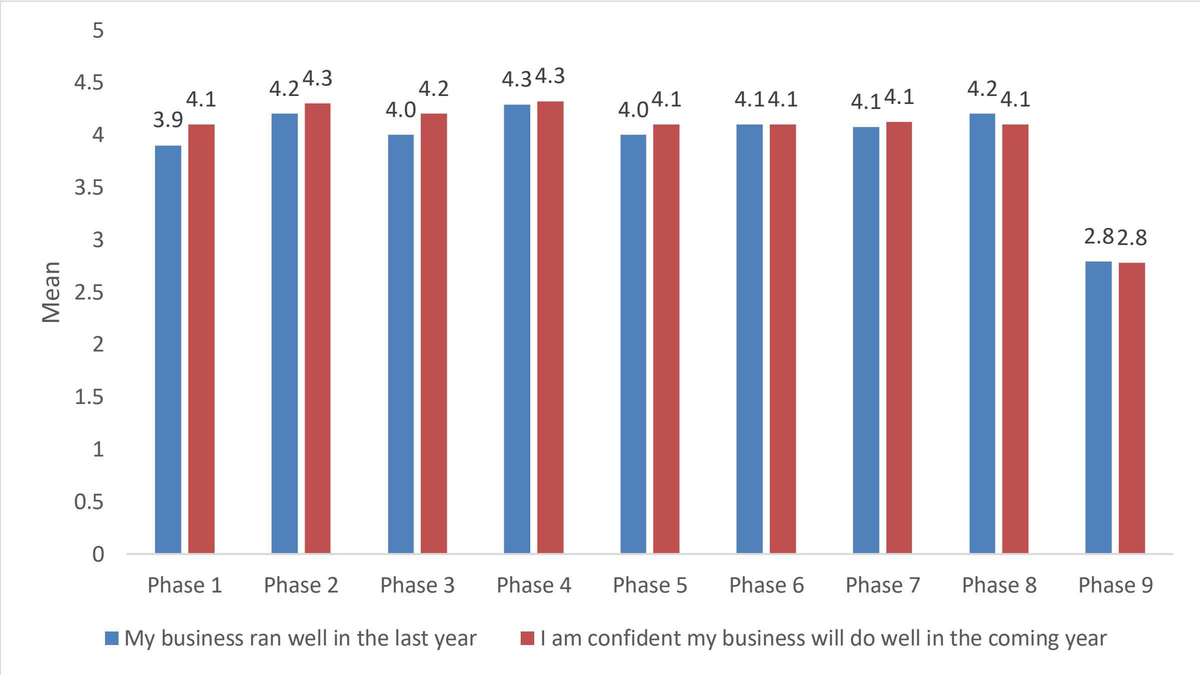


Figure 38: My business ran well in the last year

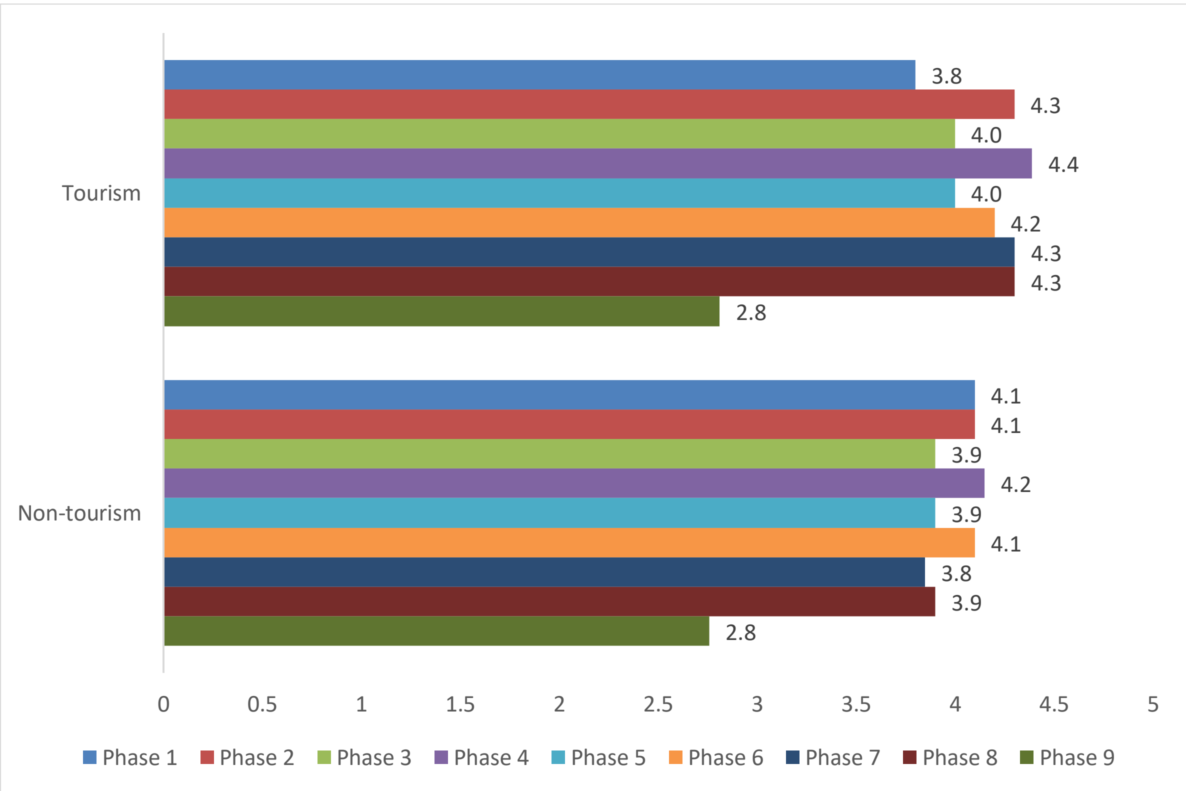


Figure 39: I am confident my business will do well in the coming year

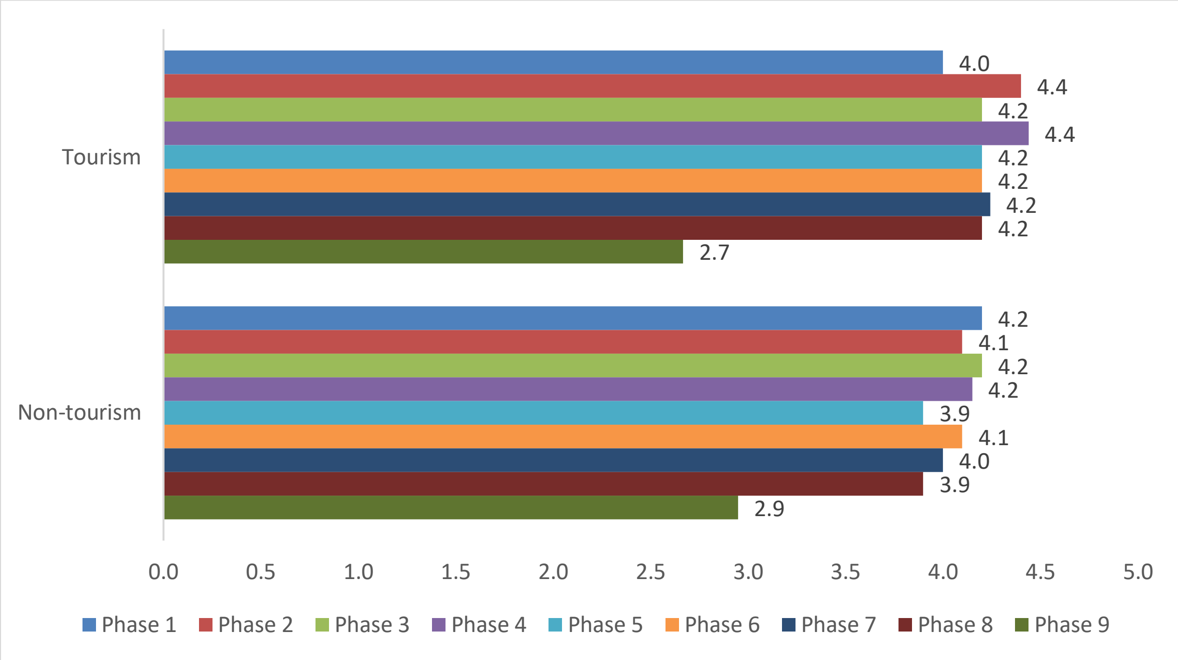
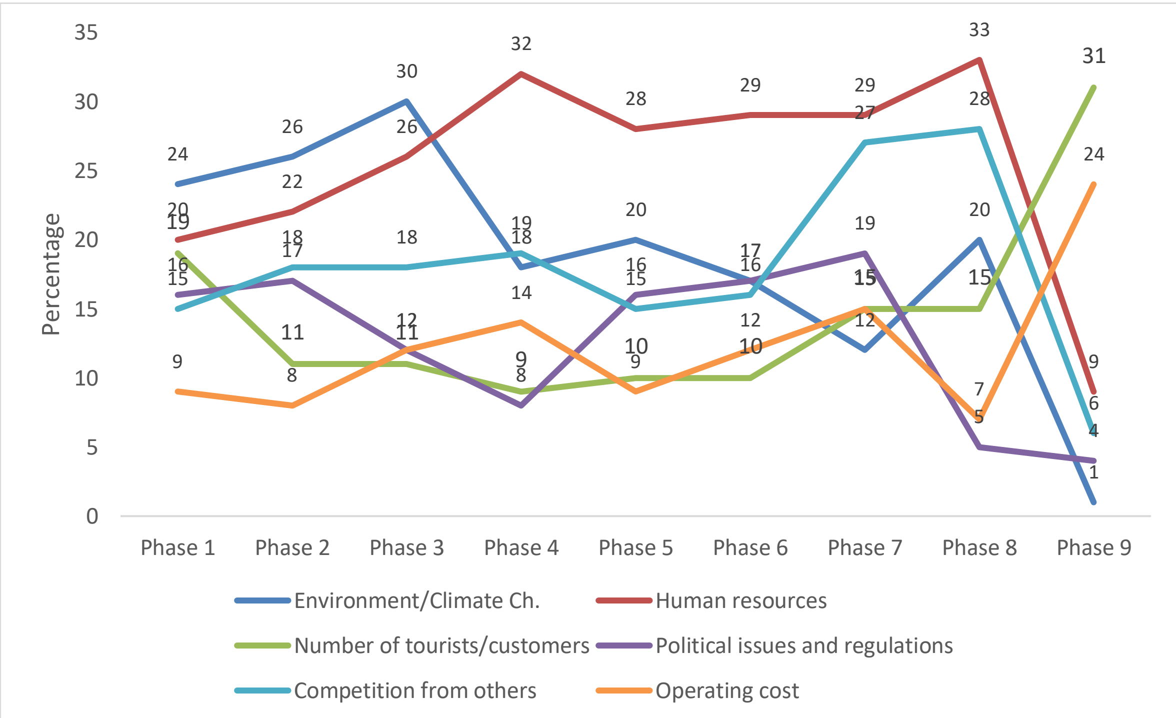
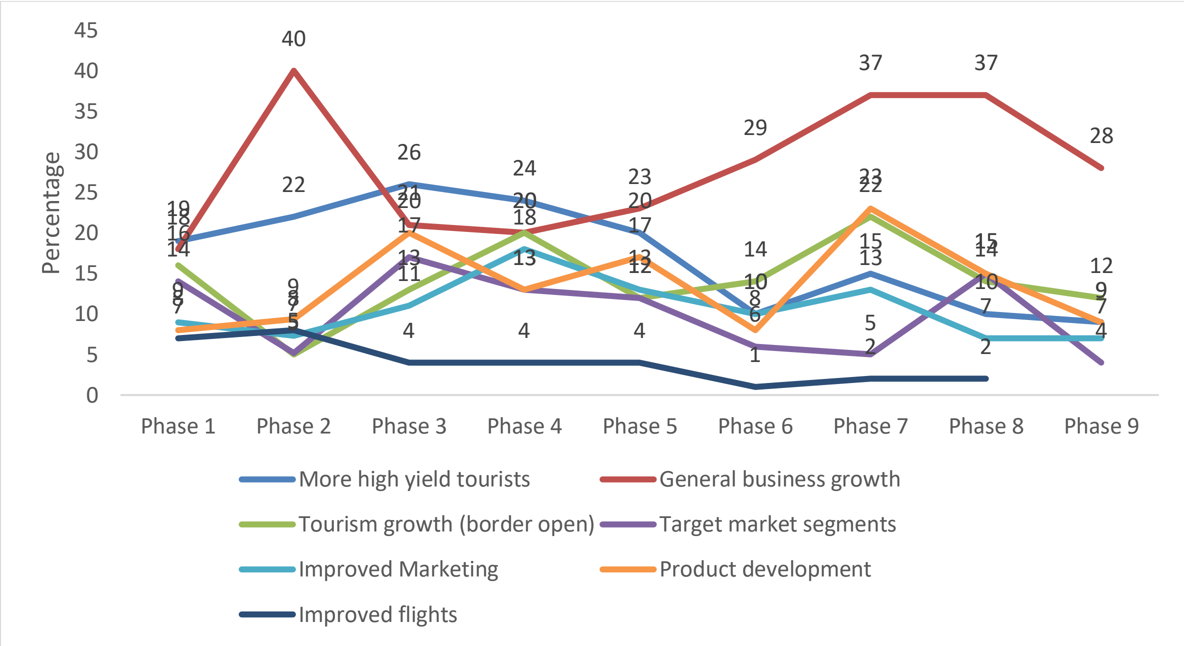


Figure 40: What do you see as being the major challenges that will face your business in next five years?*



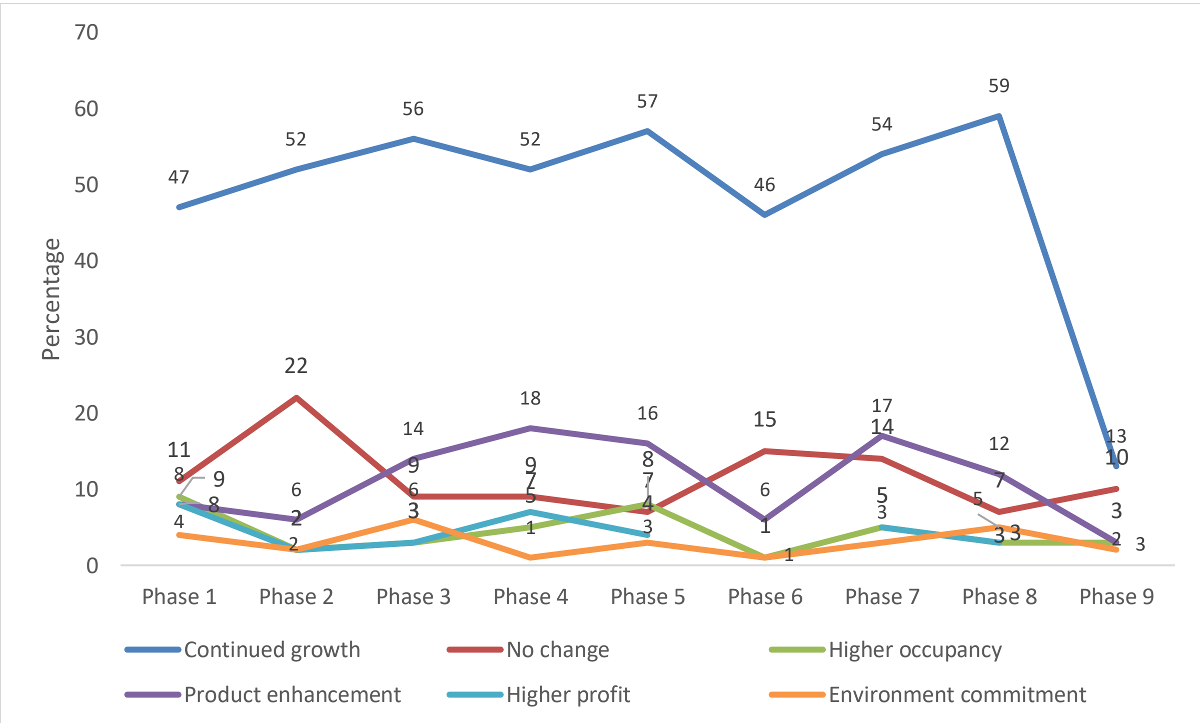
* Key variables that emerge for the first time in 2020 are not included in the time series: tourism recovery (31%), cash flow or revenue (24%), border or travel restriction (23%), and COVID-19 (18%).

Figure 41: What do you see as being the major opportunities for your business in the next five years?*



* Key variables that emerge for the first time in 2020 are not included in the time series: Growing the business, adapting, and diversifying (28%), little or no opportunities (17%), and border open or no quarantine (12%).

Figure 42: How do you see your business evolving in next five years?*



* Key variables that emerge for the first time in 2020 are not included in the time series: uncertainty, dependent on COVID-19 and borders opening (24%), slow growth return to pre COVID-19 level (15%), and diversification - new ideas and business areas (10%).

Figure 43: The importance of statements relating to the Cook Islands

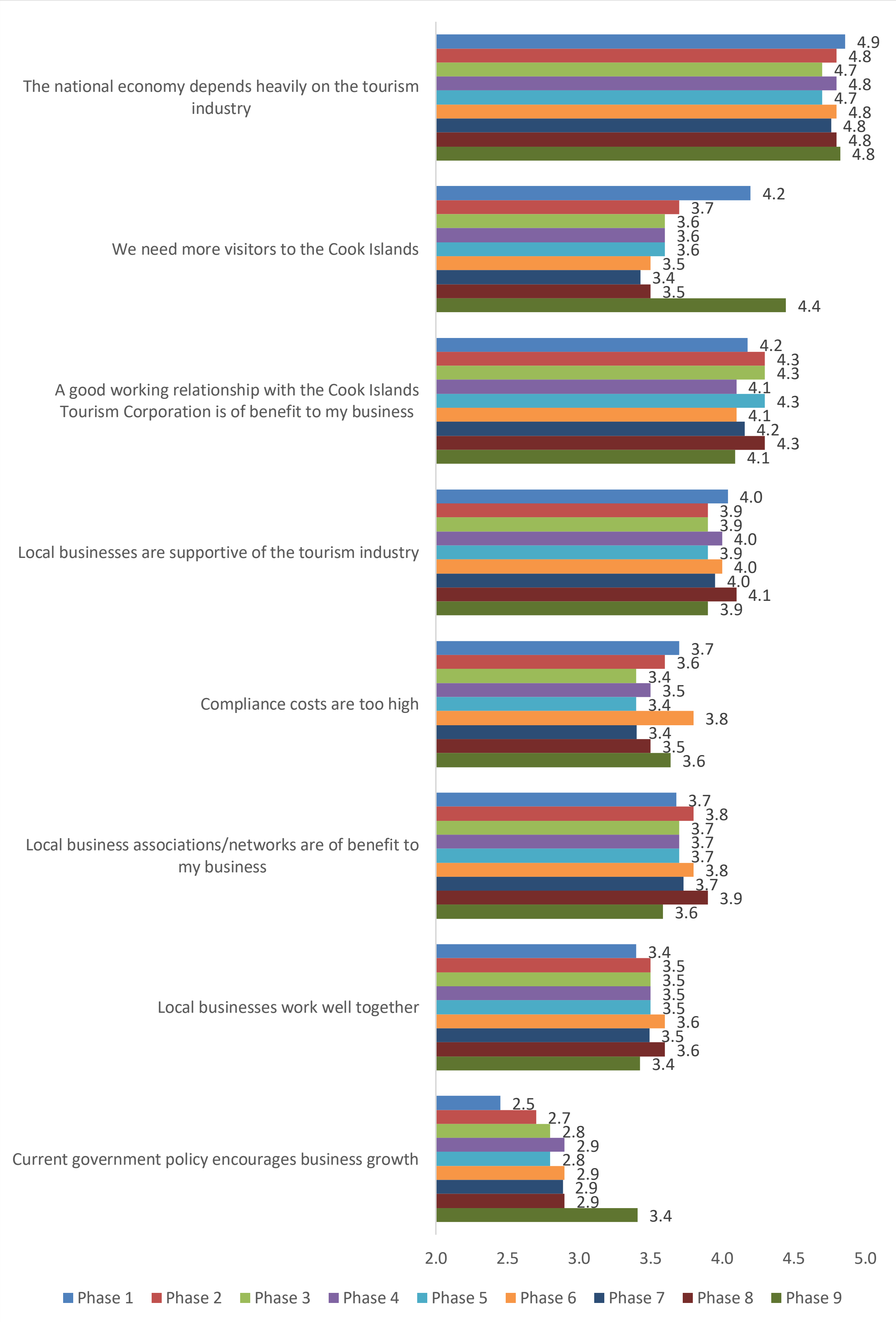


Figure 44: The importance of statements relating to the Cook Islands – tourism and non-tourism

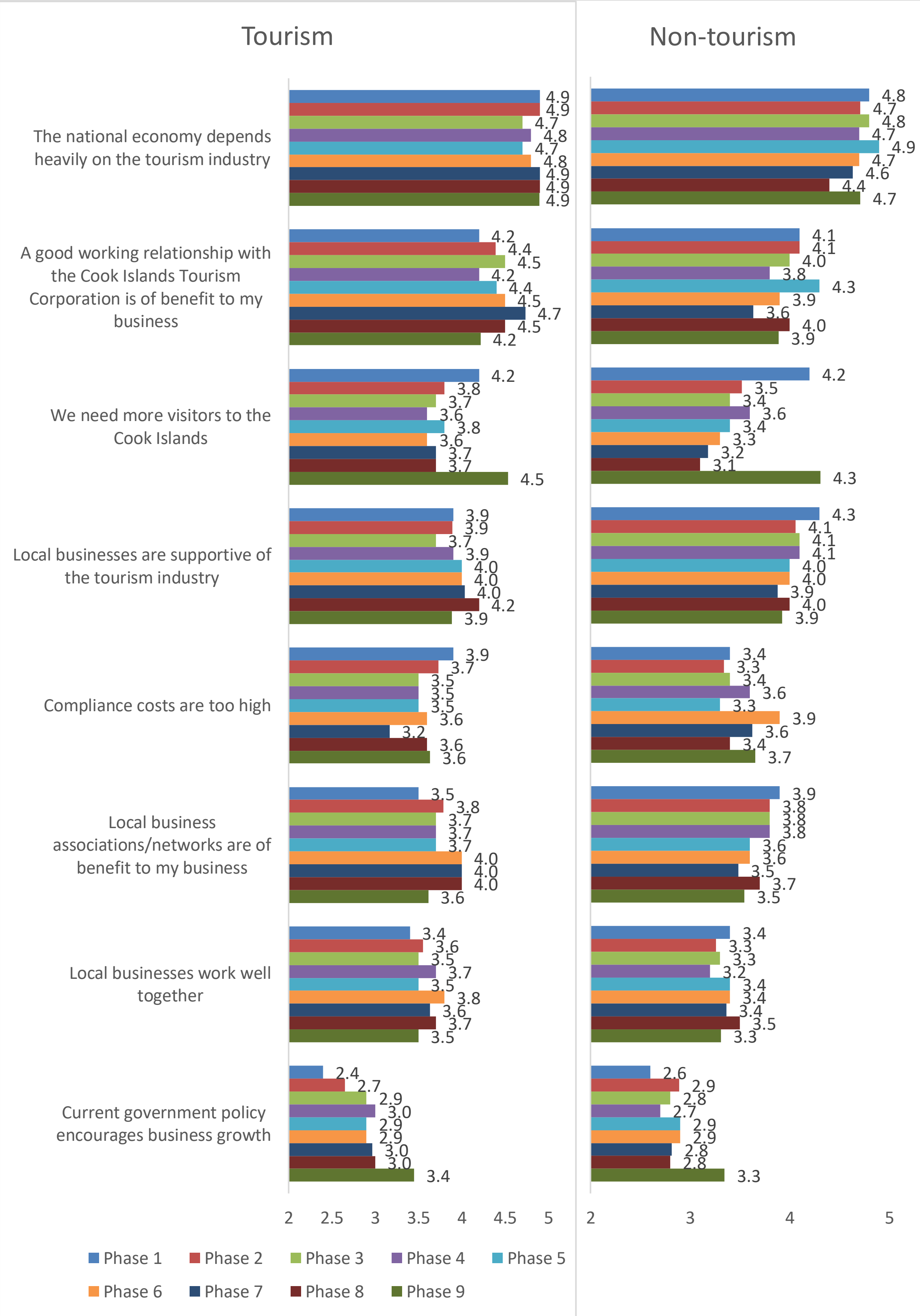


Figure 45: How important are the following to the Cook Islands?

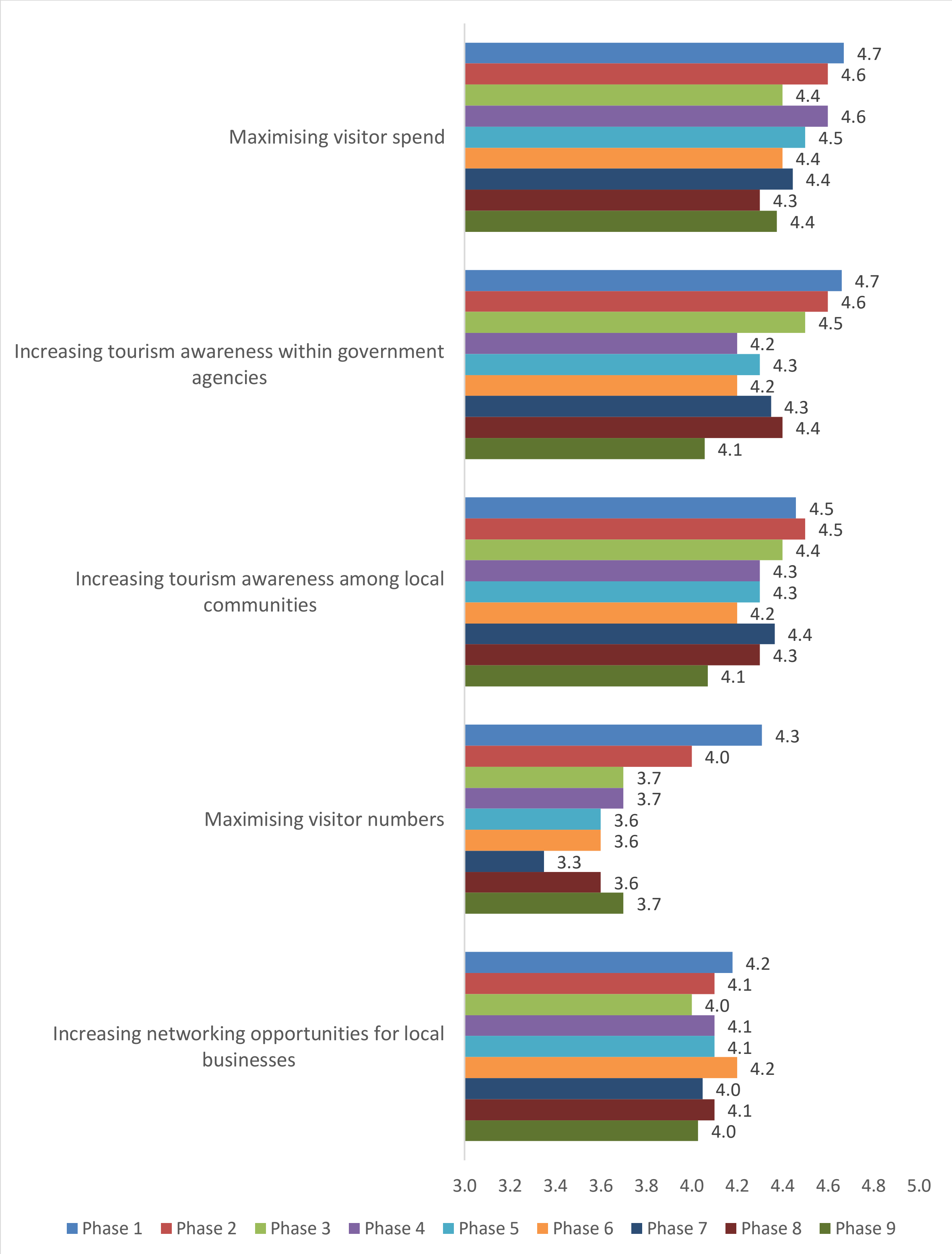


Figure 46: How important are the following to the Cook Islands? – tourism and non-tourism