



Cook Islands Business Survey and Confidence Index

Report 1: 2018

Prepared for Cook Islands Tourism Corporation

**New Zealand Tourism Research Institute
Auckland University of Technology**

www.nztri.org

June 2018

Acknowledgements

NZTRI would like to acknowledge the support of numerous organisations in the Cook Islands in undertaking this ongoing research, and in particular the Cook Islands Tourism Corporation (special mention to Metua Vaiimene and Jake Numanga) and Cook Islands Chamber of Commerce (special mention to Lynne Samuel and Stephen Lyon). This report was prepared by Simon Milne, Mindy Sun, Thao Trinh, Karin Malacarne, and Paul Senior.

Executive Summary

The report presents results from an online business survey conducted from February to April 2018. Over this three-month period, 314 businesses were contacted with 84 completed surveys received - a conversion rate of 27%. The data presented in this report includes: business profile, staffing, the business climate, revenue, costs and linkages. This survey is the fifth to have been produced since 2016 with a low and high season survey being conducted every year at approximately six month intervals. This is now the third low season survey. In addition to the regular reporting there is also a supplementary set of power point slides presented in the Appendix that highlight key time series trends.

The majority (74%) of survey respondents are Cook Islands residents, and all respondents are owners, operators or managers. Over two thirds (69%) of respondents have been in their current role under ten years. Over half (52%) of businesses have been operating for more than 10 years. Just under half (48%) of businesses surveyed noted 'accommodation provider' as their primary focus, and another 18% focused on 'visitor activities/tours'. Businesses surveyed are mainly located in Rarotonga (86%), with a smaller number of businesses located in Aitutaki (12%), and other islands (2%). All businesses operate all year round.

Nearly one fifth (18%) of businesses employ over 16 Cook Islands Maori staff, with 15% of businesses indicating none of their staff are Cook Islands Maori. Over half (51%) of businesses hire one to three women. Nearly two thirds (61%) of businesses indicated they have problems finding suitable staff. A further 61% of respondents stated that they have training needs.

The majority of respondents feel that their business ran well in the last year (2017) (49%/31% agree/strongly agree), and will do well in the coming year (48%/35% agree/strongly agree). Tourism businesses show a higher level of confidence than tourism businesses about the last year and the upcoming year. In terms of anticipated challenges to their business, over one quarter (28%) of respondents mentioned limited human resource issues. One fifth (20%) of businesses identified that more tourists, especially high yield tourists, represent the major opportunity for business growth in the coming five years. Over half (57%) of those surveyed feel confident that their business will experience continued growth over the next five years.

Nearly one third (31%) of local businesses report an annual turnover of less than \$150,000 in the last financial year. Over half (52%) of the businesses surveyed attribute more than 90% of their annual turnover directly to the tourism industry.

Respondents 'strongly agree' with the statement that "the national economy depends heavily on the tourism industry" (4.7 out of 5). "Maximising visitor spend" is ranked as a very important factor to focus on at a national scale (4.5 out of 5).

Table of Contents

Executive Summary.....	iii
Introduction	1
Business Profile	2
Staffing	9
The business climate.....	15
Revenue, cost and linkages.....	27
Conclusions	30

Figures and Tables

Figure 1: Which of the following best describes you.....	2
Figure 2: Which of the following best describes you - tourism and non-tourism.....	2
Figure 3: How long has your business been operating in this country.....	3
Figure 4: What is your role in this business	3
Figure 5: How long have you been in this role	4
Figure 6: What is the primary focus on your business	4
Figure 7: Accommodation provider: main focus of business	5
Figure 8: Visitor activities/tours: main focus of business	5
Figure 9: Other business sectors: main focus of business	6
Figure 10: Secondary focus of business	7
Figure 11: Where is your primary business located?	8
Figure 12: Average number of full-time staff	9
Figure 13: Number of full and part-time employees (including respondent) from June to November	9
Figure 14: Number of full and part-time staff (including respondent) from December to May	10
Figure 15: Number of staff that are Cook Islands Maori	10
Figure 16: Number of staff that are women.....	11
Figure 17: Please indicate your level of agreement with the following statement	15
Figure 18: Please indicate your level of agreement with the following statement	15
Figure 19: My business ran well in the last year.....	16
Figure 20: I am confident my business will do well in the coming year	16
Figure 21: Please respond to the following statements.....	21
Figure 22: The importance of statements relating to the Cook Islands - tourism and non-tourism sector	22
Figure 23: How important are the following to the Cook Islands	24
Figure 24: How important are the following to the Cook Islands - tourism and non-tourism sector	25
Figure 25: Approximate annual turnover in the last financial year (VAT inclusive)	27
Figure 26: Approximate annual turnover estimated to come directly from tourism	27
Figure 27: Percentage of this turnover generated in the high/low seasons.....	28
Figure 28: Approximate breakdown of the business annual expenses.....	28
Figure 29: Percentage of non-labour expenses spent annually on products and services supplied by businesses in the Cook Islands	29
Figure 30: Percentage of non-labour expenses spent annually on products and services supplied by businesses in the Cook Islands – tourism and non-tourism sectors	29
Table 1: Problems finding suitable staff?	11
Table 2: What are you looking for when you hire new employees?.....	12

Table 3: Business training needs.....13
Table 4: What do you see as being the major challenges that will face your business in next five years?17
Table 5: What do you see as being the major opportunities for your business in the next five years?18
Table 6: Where do you see your business going in the next five years?.....20

Introduction

This report focuses on a business survey and confidence index that can provide real insights into the 'pulse' of the Cooks Islands business sector. The aim of this survey is to engage the private sector in research and to provide a better platform for the 'voice' of the tourism industry and other sectors to be heard.

The report presents results from the 1st Cook Islands Business Confidence Index Survey conducted from February to April 2018. Over this three-month period, 314 businesses were contacted, 84 completed surveys were received - a conversion rate of 27%. Over half (58%) of the respondents had participated the last Cook Islands Business Confidence Index Survey.

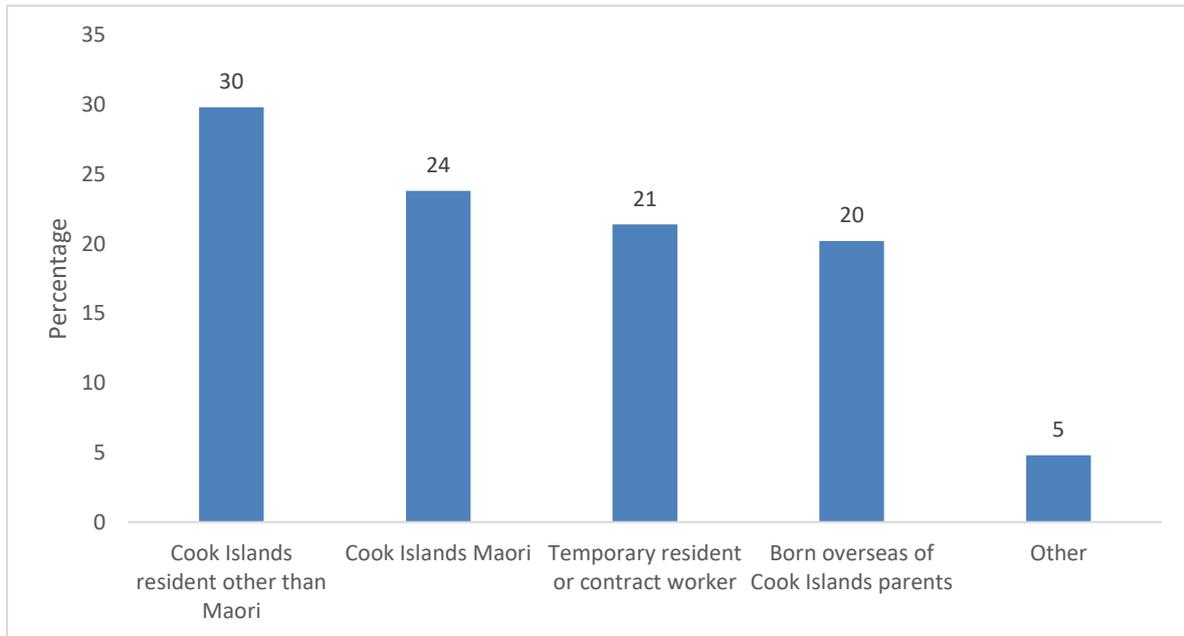
This survey is the fifth to have been produced since 2016 with a low and high season survey being conducted every year at approximately six month intervals. This is now the third low season survey. In addition to the regular survey report below there is also a supplementary set of slides presented in the Appendix that highlight key time series trends.

The data presented in this report includes: general business profile, staffing levels, the business climate, and information on revenues, costs and economic linkages. Because the national economy is so dependent on tourism, there are few businesses that do not rely to a considerable degree on the direct or indirect economic impacts that tourism generates. 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 Profile

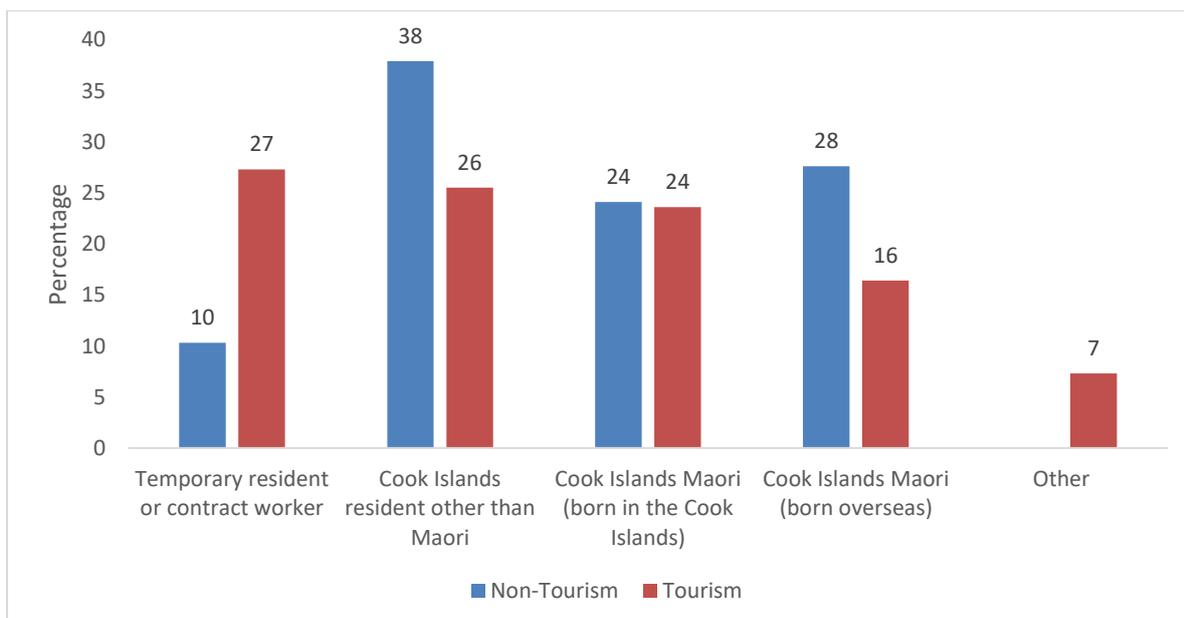
The majority (74%) of respondents are permanent Cook Islands residents - either Cook Islands Maori (24%), non-Maori (30%) or born overseas to Cook islands parents (20%) (Figure 1).

Figure 1: Which of the following best describes you



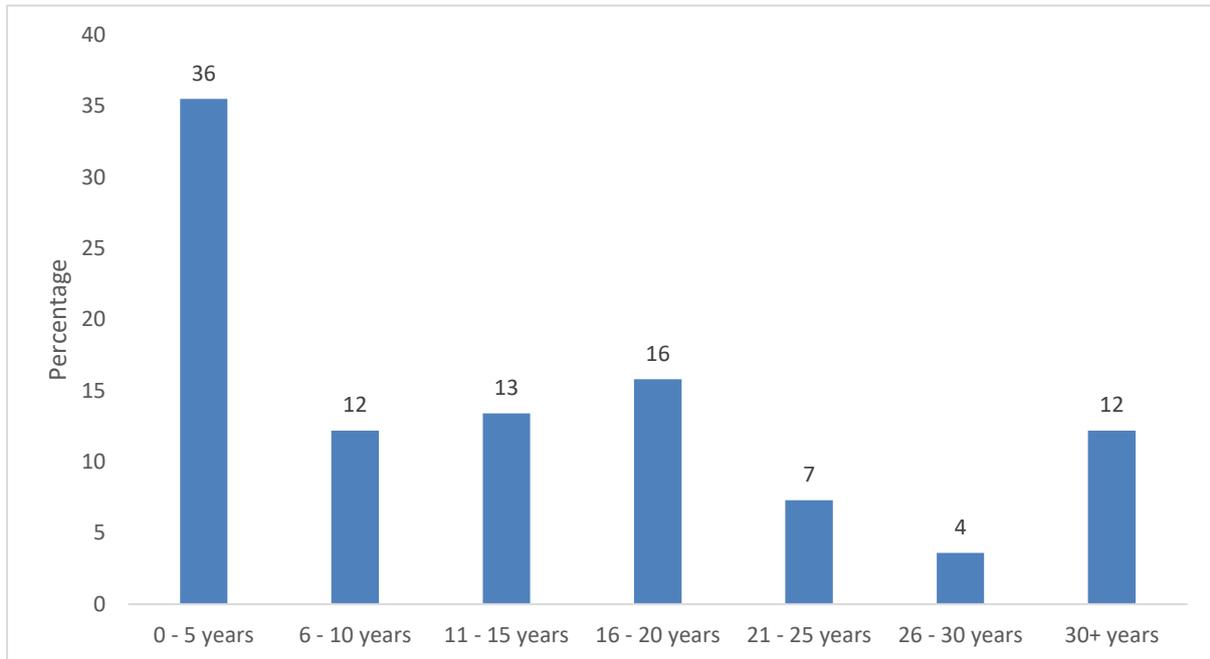
Tourism businesses attracted more temporary residents or contract workers (27%) than non-tourism businesses (10%). On the contrary, more Cook Islands resident (both Maori and non-Maori) worked in Non-tourism businesses (Figure 2).

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



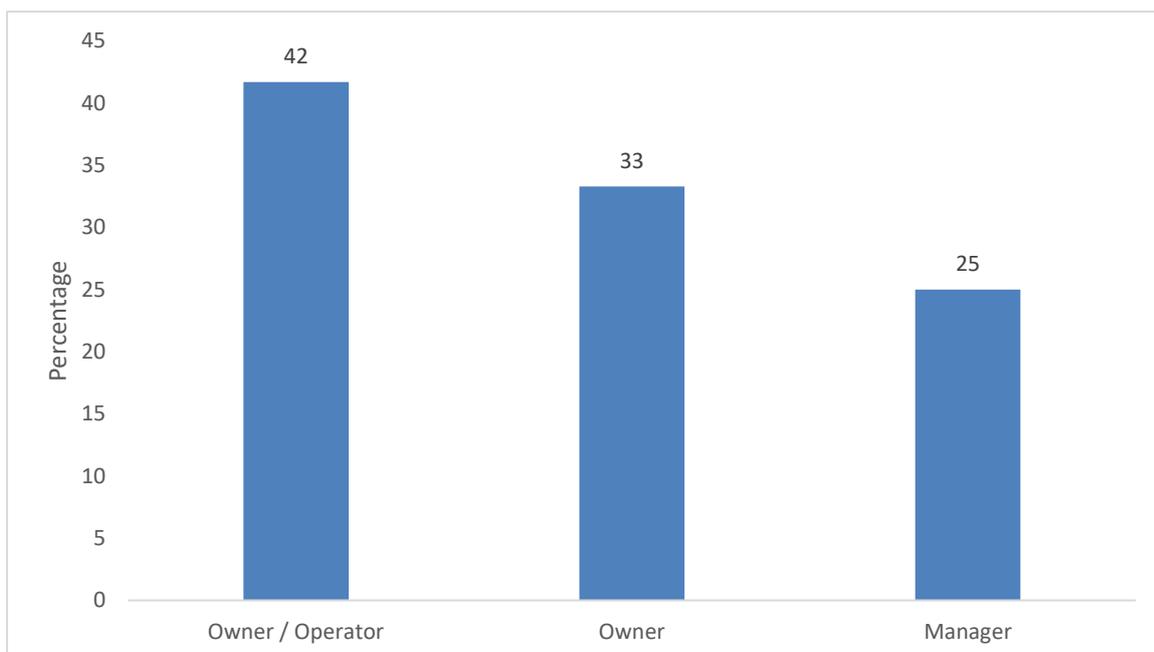
Over half of responding businesses (52%) have been in operation for more than 10 years (Figure 3). A significant number of businesses (12%) have been operating for more than 30 years.

Figure 3: How long has your business been operating in this country



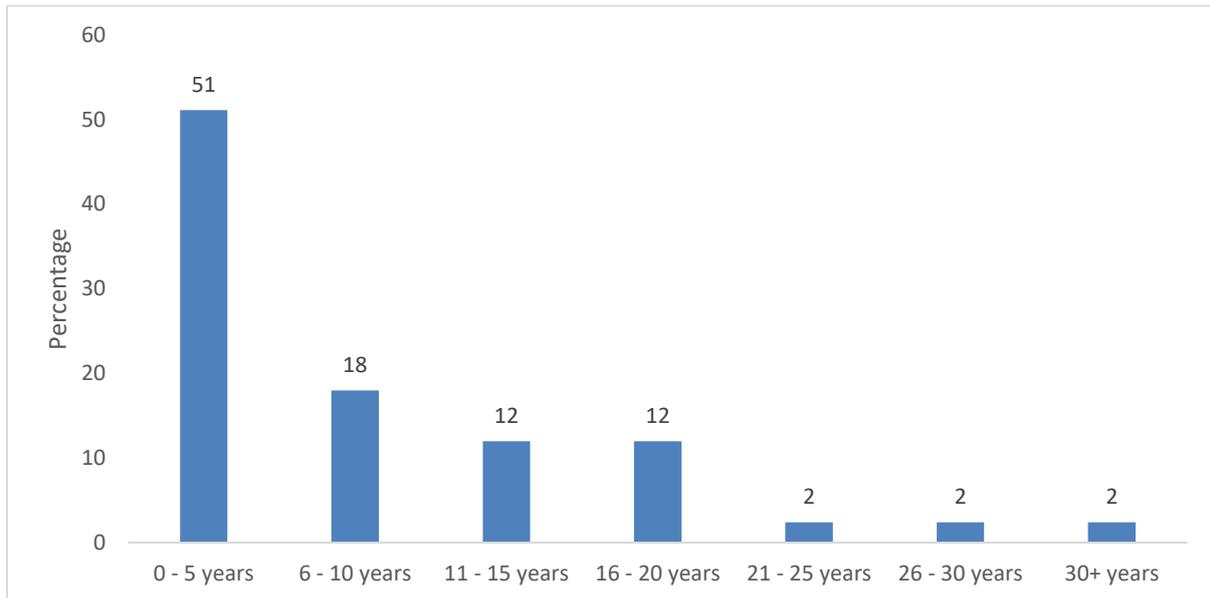
The majority of business respondents are owner/operators (42%), simply owners (33%), or managers (25%). (Figure 4). Nearly two thirds (61%) of business respondents are women.

Figure 4: What is your role in this business



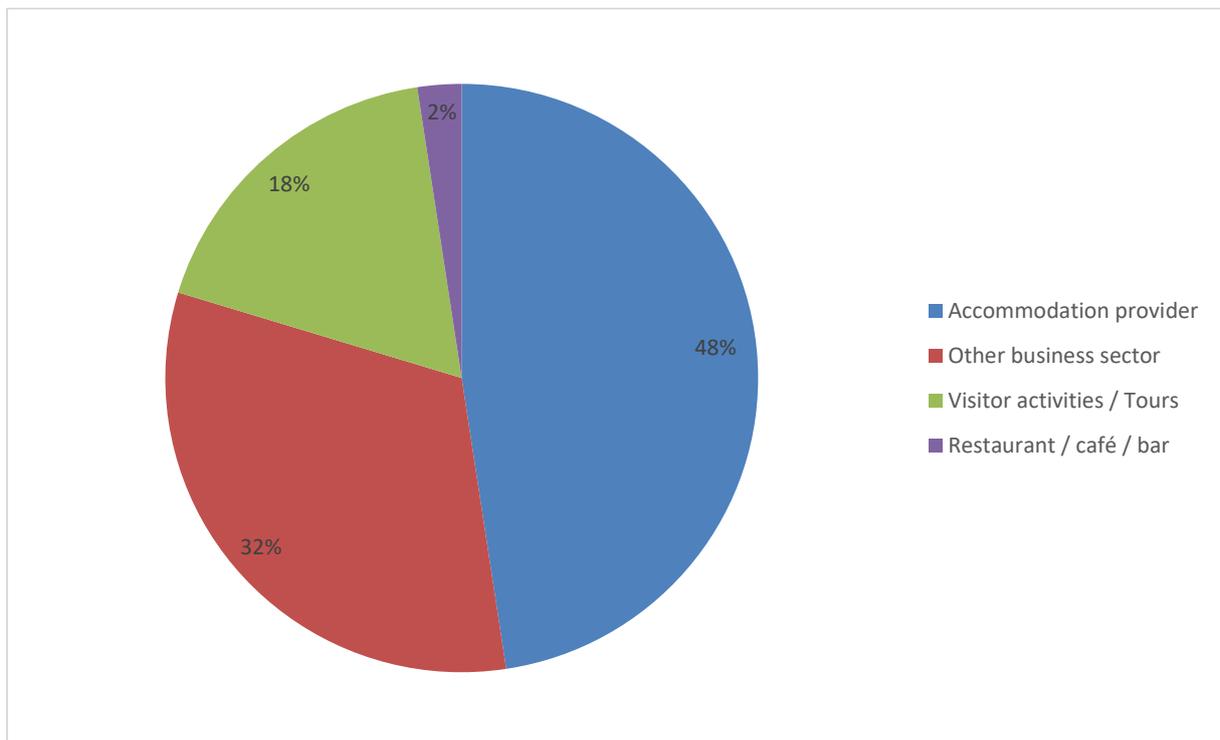
Over two thirds (69%) of respondents have been in their current role for under 10 years (Figure 4). Only 6% of those surveyed have been in their role for over 20 years.

Figure 5: How long have you been in this role



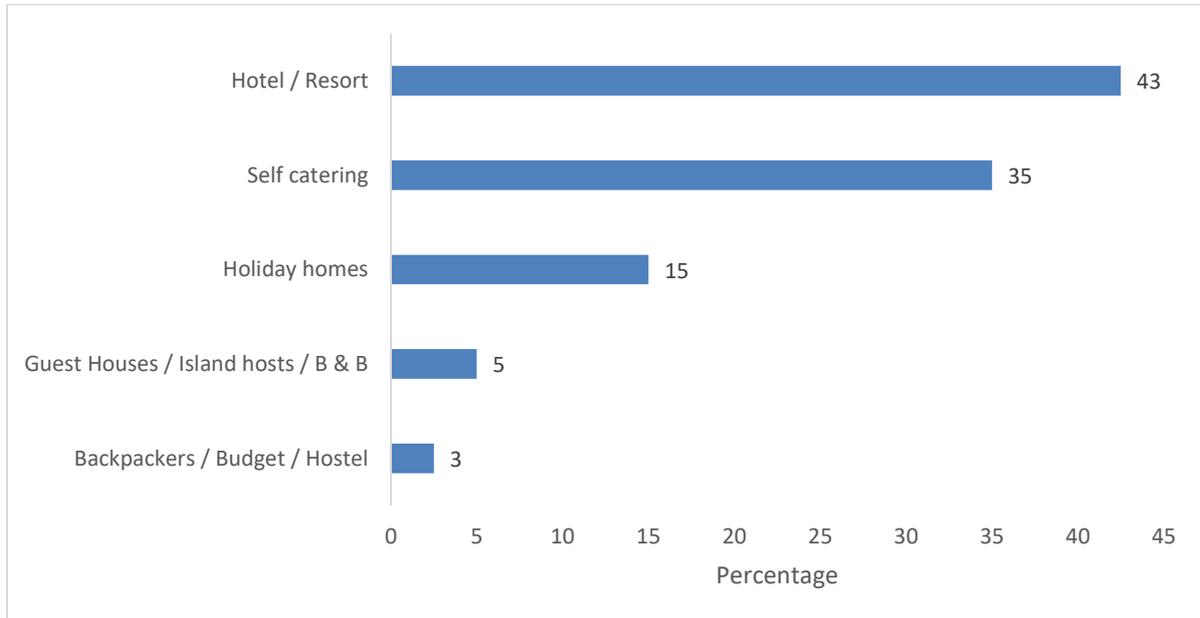
Under half (48%) of businesses surveyed noted 'accommodation provider' as their primary focus, and another 18% focused on 'visitor activities/tours' (Figure 6). Over one third (34%) of businesses surveyed are non-tourism businesses (including restaurants / café / bar).

Figure 6: What is the primary focus on your business



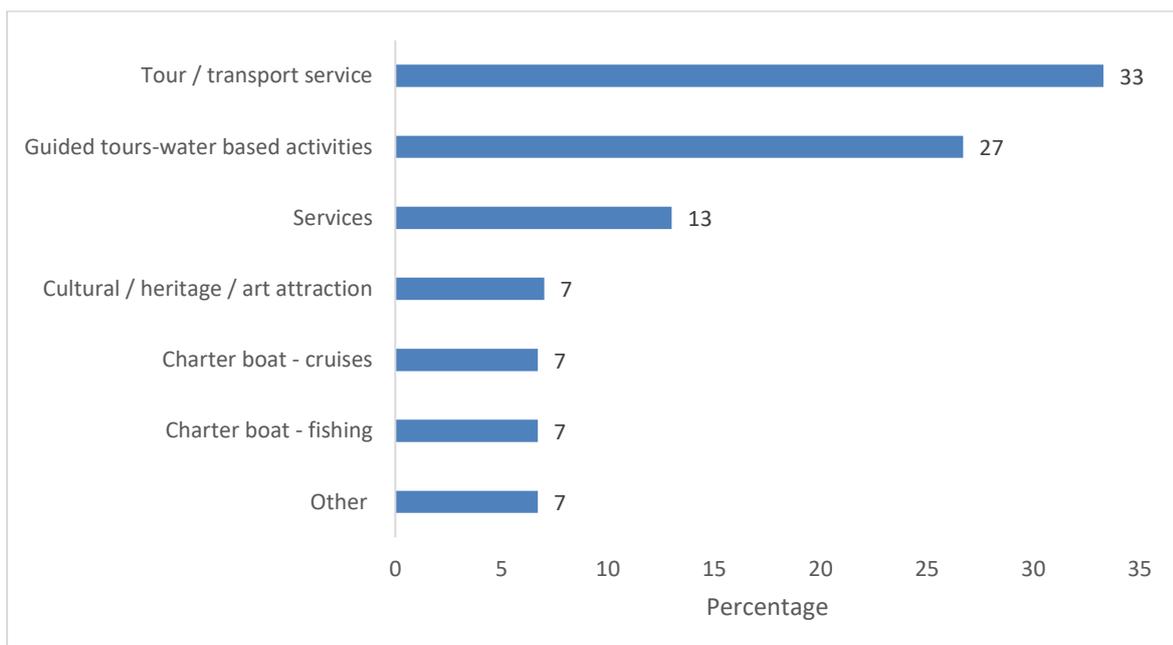
Under half (43%) of those who have accommodation as their primary focus classify the business as hotels/resorts, a further 35% are 'self-catering', with holiday homes making up a further 15% (Figure 7).

Figure 7: Accommodation provider: main focus of business



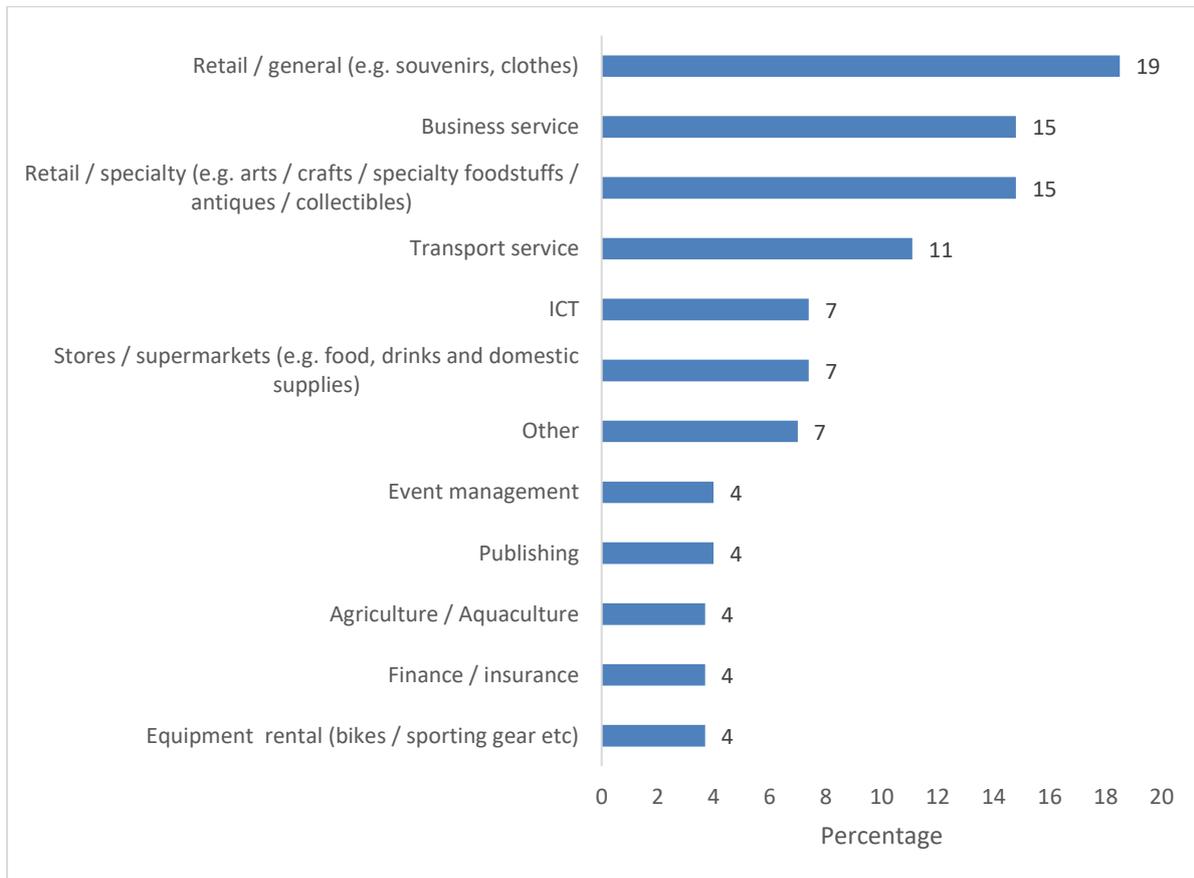
For those who have visitor activities as their primary focus, one third (33%) are tour operators or transport service companies. Over one quarter (27%) are classified as 'guided tours – water based activities' (Figure 8).

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



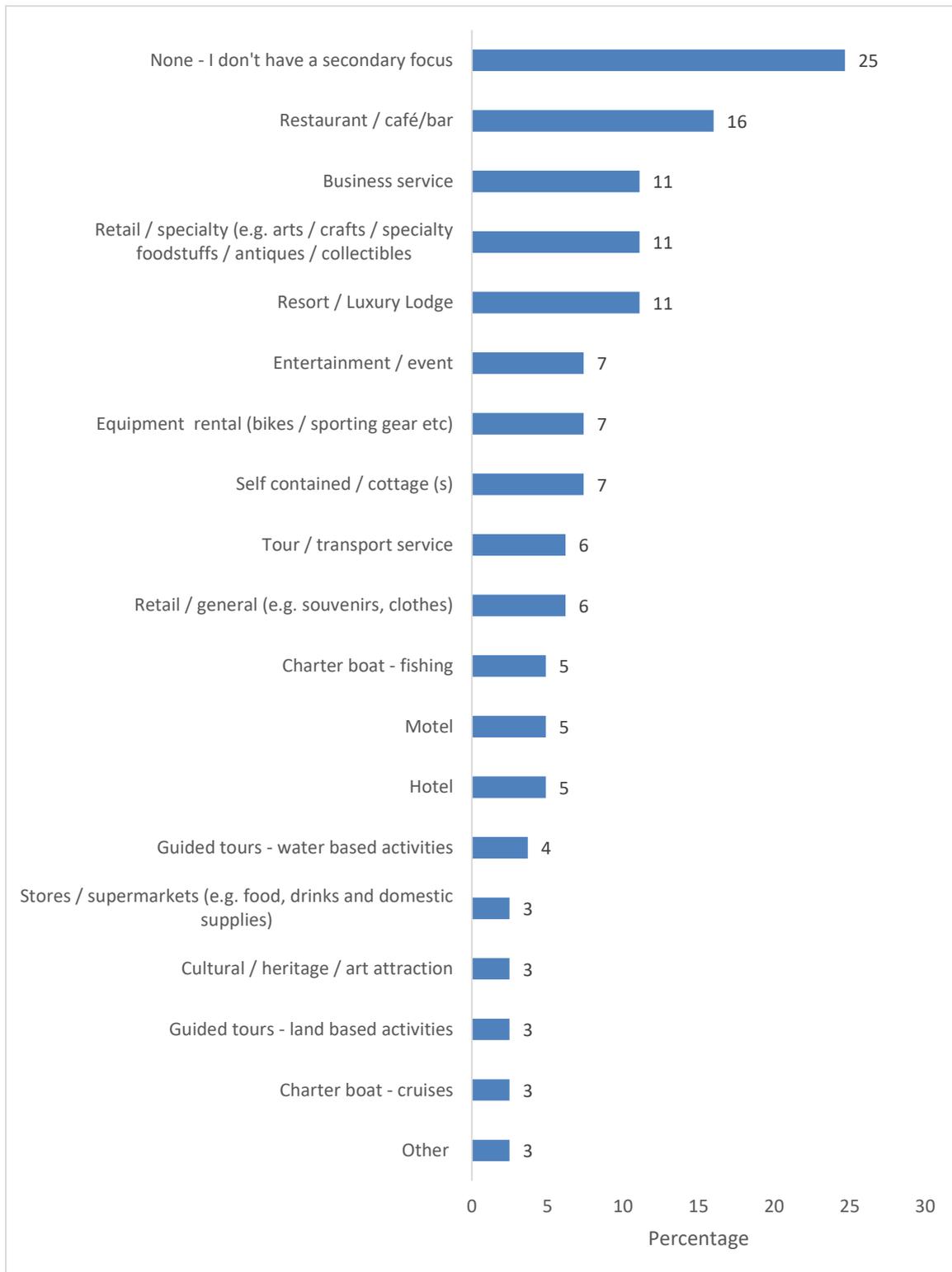
'Other business sectors' include general retail (19%), business services (15%), and special retail (15%) (Figure 9).

Figure 9: Other business sectors: main focus of business



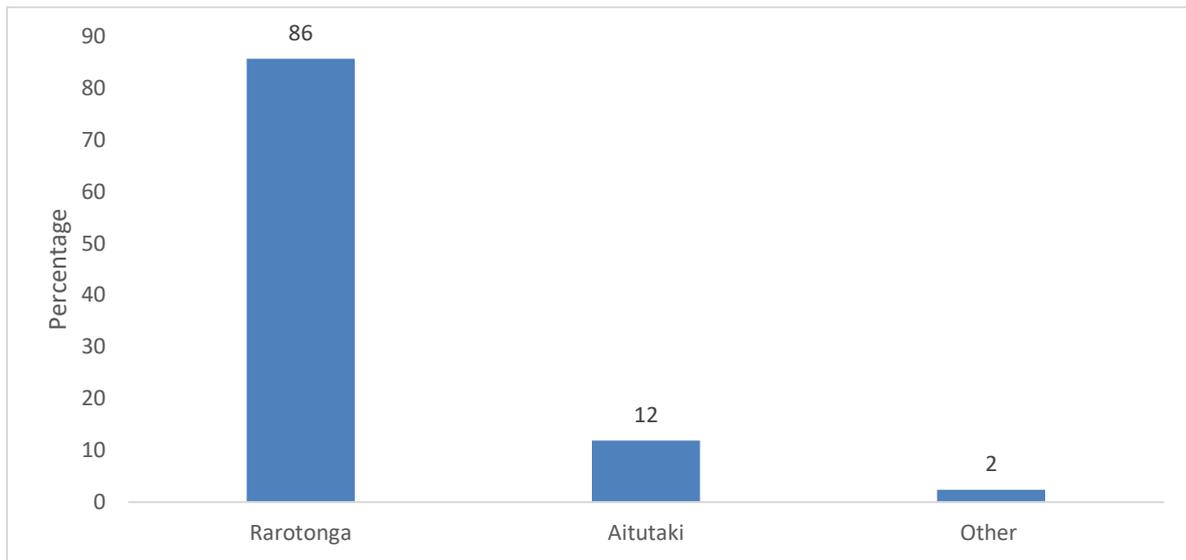
Respondents were also asked to indicate whether they had secondary business activities in addition to their primary focus. One quarter (25%) of respondents do not have a second focus. For those who have secondary focuses, the business activities were mainly focused on restaurant / café/bar (16%), business service, special retail, resort or luxury lodge (11% respectively) (Figure 10).

Figure 10: Secondary focus of business



The majority of businesses covered in the survey are located in Rarotonga (86%), with a smaller percentage located in Aitutaki (12%) and other islands (2%) (Figure 11).

Figure 11: Where is your primary business located?

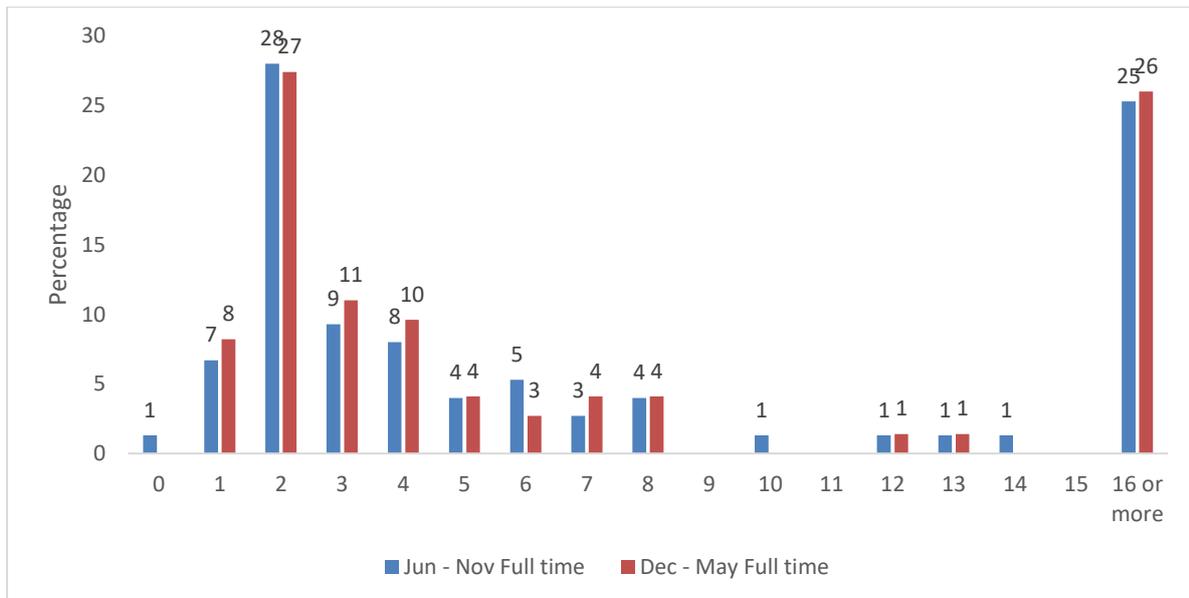


All businesses captured in the survey (both tourism and non-tourism) operate all year round.

Staffing

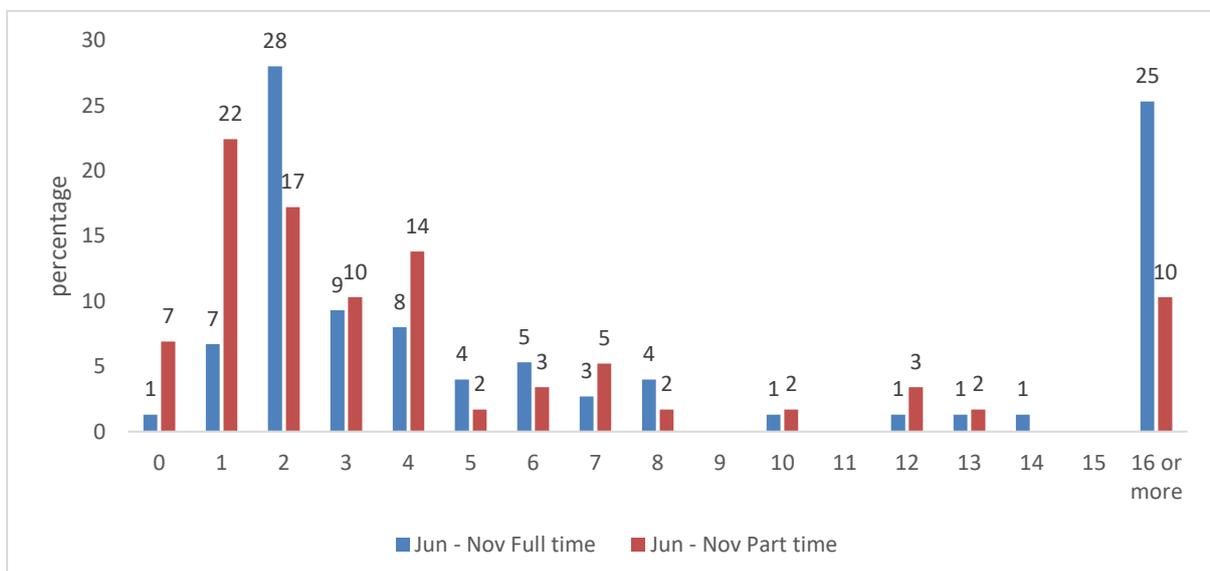
For both high season (June to November) and low season (December to May), we can clearly see the bifurcated nature of employment within the businesses responding – most have either 1-4 staff or 16 and over (Figure 12). The majority (99%) of the businesses that participated in the survey hire at least one full time staff member.

Figure 12: Average number of full-time staff



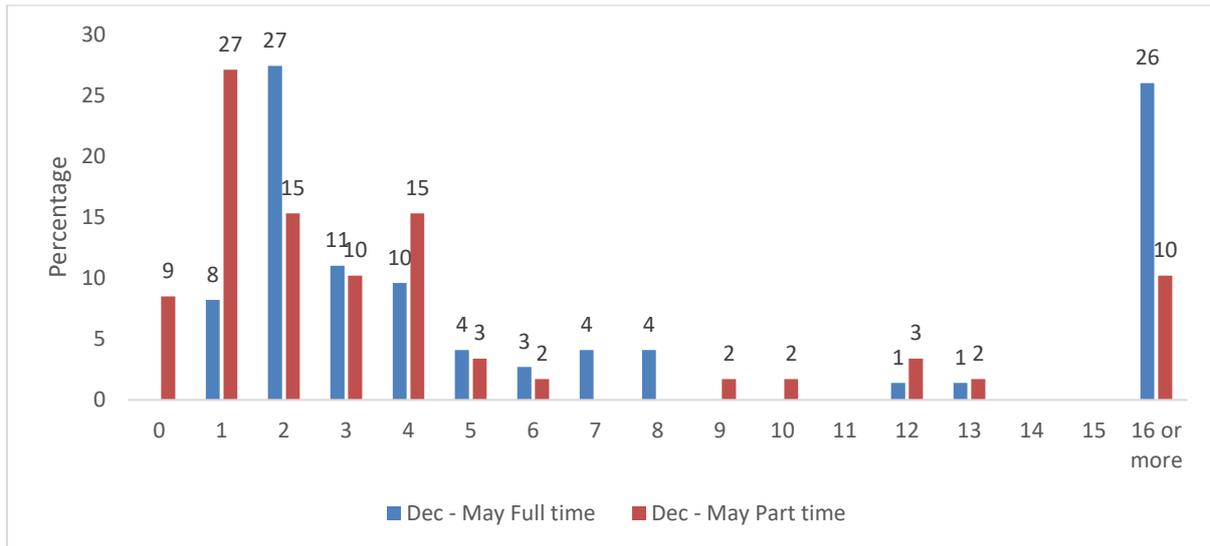
During the high season (June to November), the average number of full-time and part-time staff per business are 7 and 6 respectively. Over half (52%) of the businesses employ four or fewer full-time staff. One quarter (25%) of businesses have more than 15 full-time staff (Figure 13). The majority (71%) of businesses employ fewer than 4 part-time staff.

Figure 13: Number of full and part-time employees (including respondent) from June to November



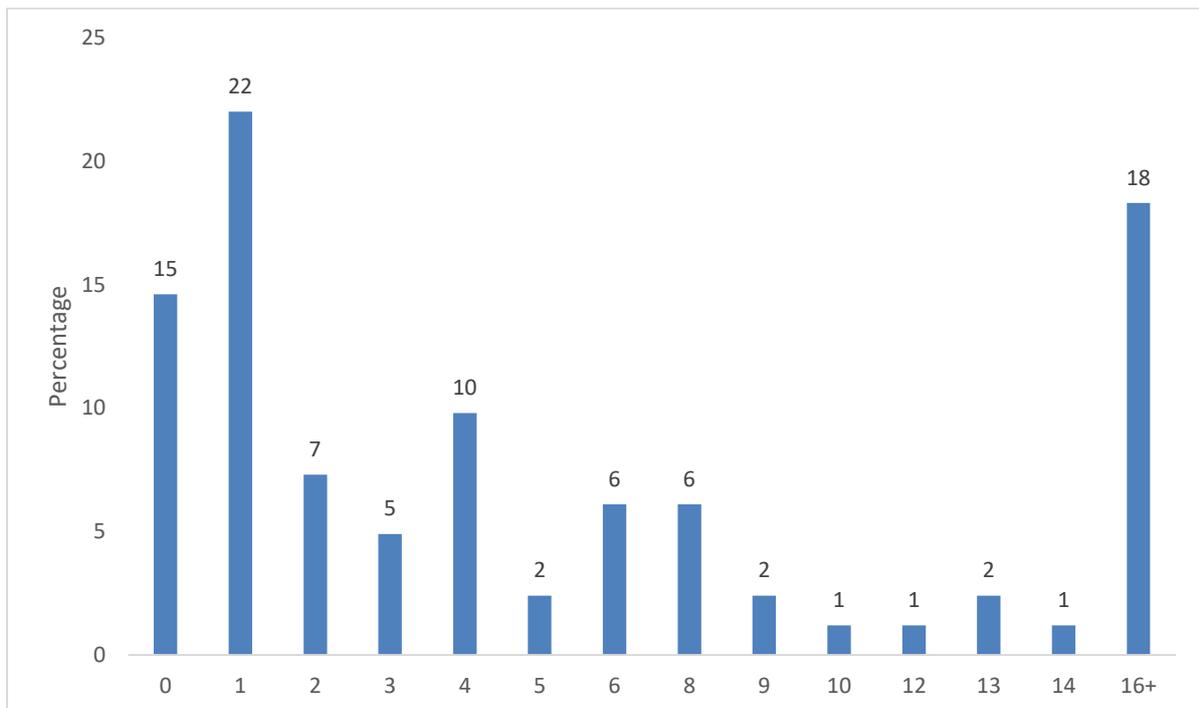
During the low season (December to May), the average number of full-time and part-time staff per business are 7 and 6 respectively. Over half (56%) of the businesses employ four or fewer full-time staff. Over one quarter (26%) of businesses have more than 15 full-time staff (Figure 14). The majority (76%) of businesses employ 4 or fewer than part-time staff.

Figure 14: Number of full and part-time staff (including respondent) from December to May



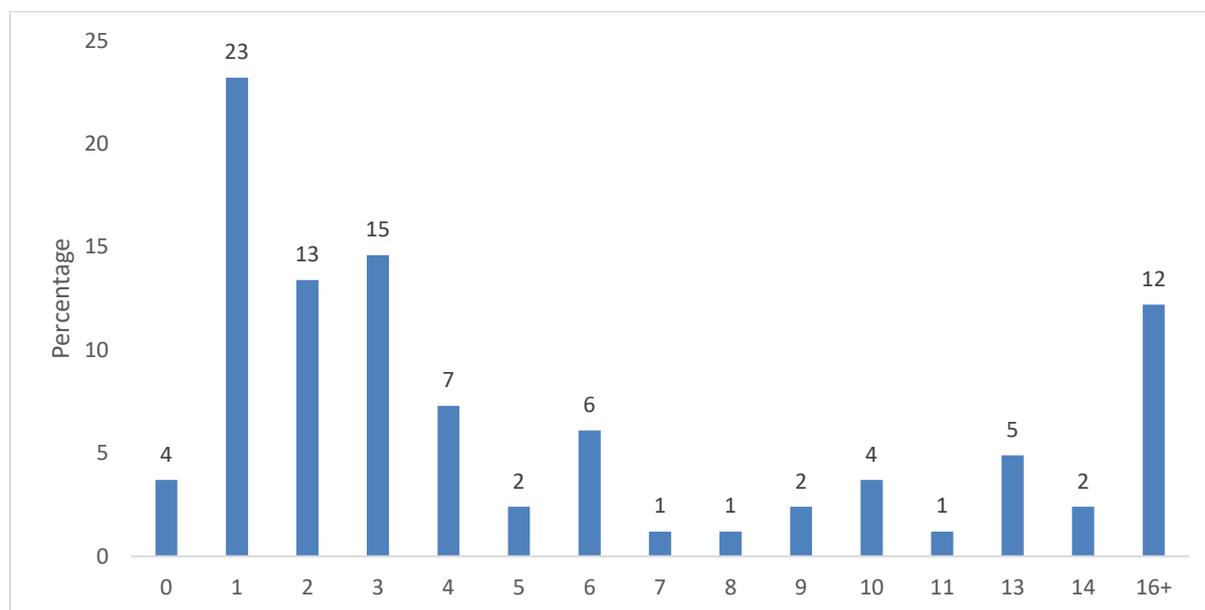
Nearly one fifth (18%) of businesses employ over 16 Cook Islands Maori staff, with 15% not having any Cook Islands Maori staff (Figure 15).

Figure 15: Number of staff that are Cook Islands Maori



Over half (51%) of businesses hire one to three women. Over one in ten businesses hire over 16 female employees (Figure 16).

Figure 16: Number of staff that are women



Nearly two thirds (61%) of businesses covered in the survey indicated they have problems finding suitable staff. Of those respondents who stated they have difficulty finding staff, nearly half (45%) noted that they find it hard to recruit staff who have relevant skills (Table 1). A further 24% mentioned that there are simply limited human resources in the Cook Islands in general. Another 21% stated it was difficult to find reliable and honest staff.

Table 1: Problems finding suitable staff?

Theme	Share of respondents
Suitable skills	45%
Limited local human resources	24%
Reliability and honesty	21%
Unwilling to work	8%
Other	5%
Low pay scale	3%

* 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:

“Must look overseas - pay levels means lower skilled.”

“Specialised ICT skills are lacking in the Market.”

“It is very rare to find suitable staff on Aitutaki despite advertising using every medium.”

"...don't get many replies when we advertise."

"Recently we interviewed a candidate for a job which we subsequently offered and was accepted (the candidate was very enthusiastic and met the criteria we were looking for). Did not turn up on the first day! No contact, no explanation."

"Reliability and consistency. Locals are a problem in this area."

"Local staff tend to prioritise family and sports and often call late to say they can't make it, even if they are good at what they do. Foreign staff are expensive and time consuming to bring in and frequently aren't as skilled or qualified as their resume and interviews indicated."

"Hard to find people wanting to work in the industry."

Of those who did not have any difficulties finding staff, the majority of those that commented noted that they have loyal staff, and that they have family members to help.

When hiring new employees, nearly two thirds (64%) of businesses are looking for reliability and honesty (Table 2), nearly one third (30%) focusing on specific skills and relevant education as being essential attributes. A further 22% mentioned good work ethic, such as commitment and punctuality. One fifth (20%) of businesses mentioned personality, such as friendliness, enthusiasm, and patience. A further six percent mentioned that being 'local' is a key factor looked for when hiring staff.

Table 2: What are you looking for when you hire new employees?

Theme	Share of respondents
Reliability and honesty	64%
Skill and education	30%
Good work ethics	22%
Personality	20%
Ability and willingness to learn	8%
Experience	8%
Other	7%
Local staff	6%

* 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 what businesses are looking for in new staff hiring included:

"Cook Island Maori, reliable, can converse confidently with customers, good knowledge of the Cook Islands."

"Honest, Sober habits, doesn't smoke and reliable."

"Happy, trustworthy, friendly person who would do the job well."

"Reliability, punctuality, consistency, honesty, customer focused, local culture."

“Skills, willingness to work, good attitude, willingness to learn.”

“Reliability, good people skills (Kia Orana Spirit), teachable.”

“Positive attitude and committed to excellence in service delivery and achieving high levels of customer satisfaction.”

“People that will be reliable, trustworthy and a good work ethic.”

Nearly two thirds (61%) of businesses noted that they have training needs (Table 3). Of these, nearly half (42%) focused on the need to train their staff in customer service and care. Other main training needs include: housekeeping (21%), sales and marketing skills (19%), management skills (15%), ICT (15%), first aid (10%), general hospitality and tourism (8%), accounting skills (8%), retail skills (8%), food and beverage (6%). Of note is the fact that four percent of businesses mentioned Kia Orana Values or Kia Orana service courses.

Table 3: Business training needs

Theme	Share of respondents
Customer service	42%
Housekeeping	21%
Sales & marketing	19%
Management	15%
ICT skill	15%
First Aid	10%
Hospitality and tourism	8%
Accounting	8%
Retail skills	8%
Food and beverage	6%
Kia Orana Value	4%
Mechanical skills	4%

* 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:

“Customer service, housekeeping, computer skills.”

“To have computer skills & Retail experience (Good Customer Service Friendly Skills).”

“Customer Service, Cultural training (to understand the expectations of guests), Safety in the workplace.”

“Housekeeping - we've attended one workshop with CI Tourism, but another would be helpful.”

“Hygiene standards (front of house and cleaning systematically), barista, In house wine service.”

“Training staff to know what product we have and how to sell it better, better advertising.”

“We provide first aid and in-house safety training, some external in this area would also be good.”

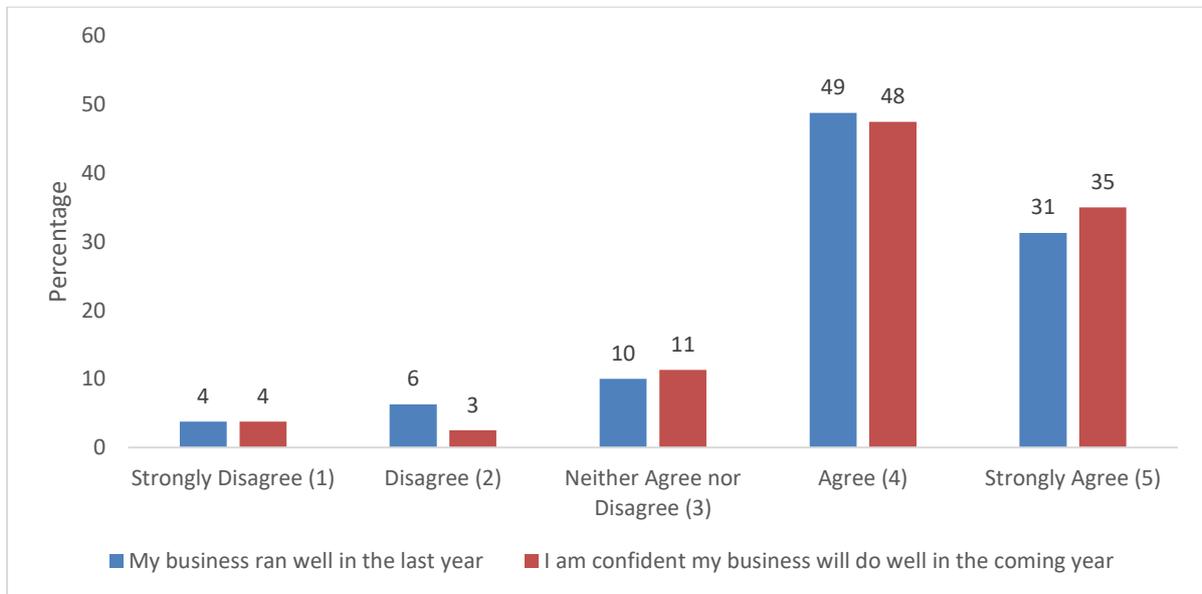
“Te Reo Maori/Tikanga Maori course.”

Respondents were asked to list any local business/organisations they belong to. Over three quarters (85%) of respondents answered the question - including 10% who specifically said they do not belong to any grouping. The majority of those that did respond are members of the Chamber of Commerce (42%), and/or the Cook Islands Tourism Industry Council (42%).

The business climate

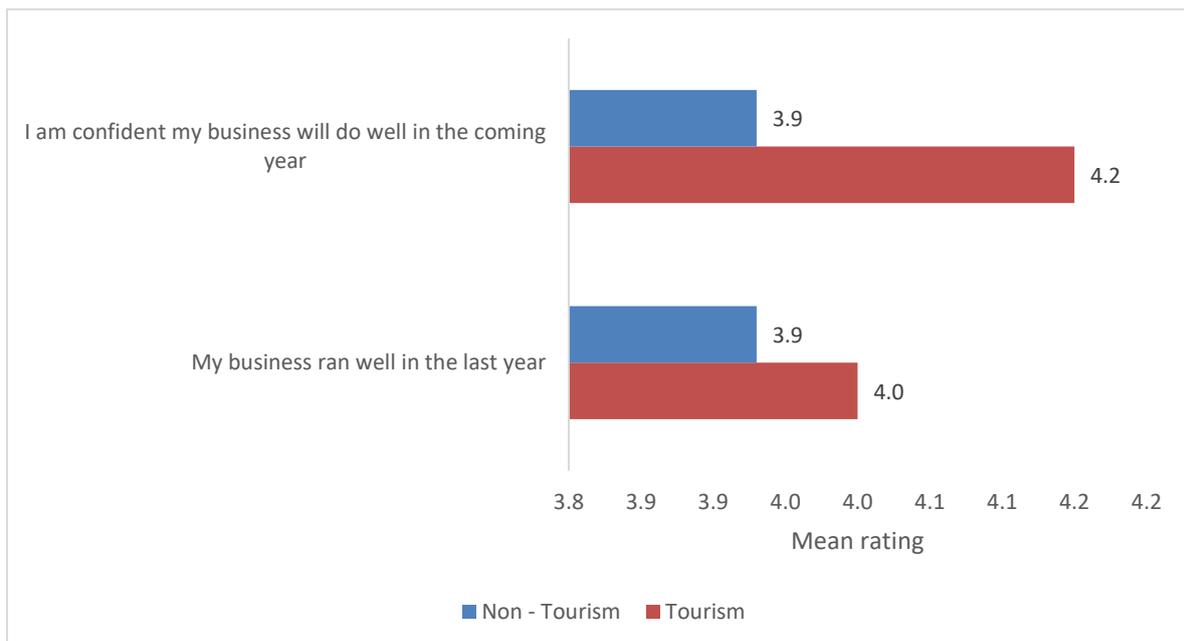
Respondents were asked to rank statements related to their level of confidence in the business climate. The majority of respondents feel that their business ran well in the previous 12 months (80%), and feel confident that their business will do well in the coming year (83%) (an average of 4.0 and 4.1 out of 5 respectively) (Figure 17).

Figure 17: Please indicate your level of agreement with the following statement



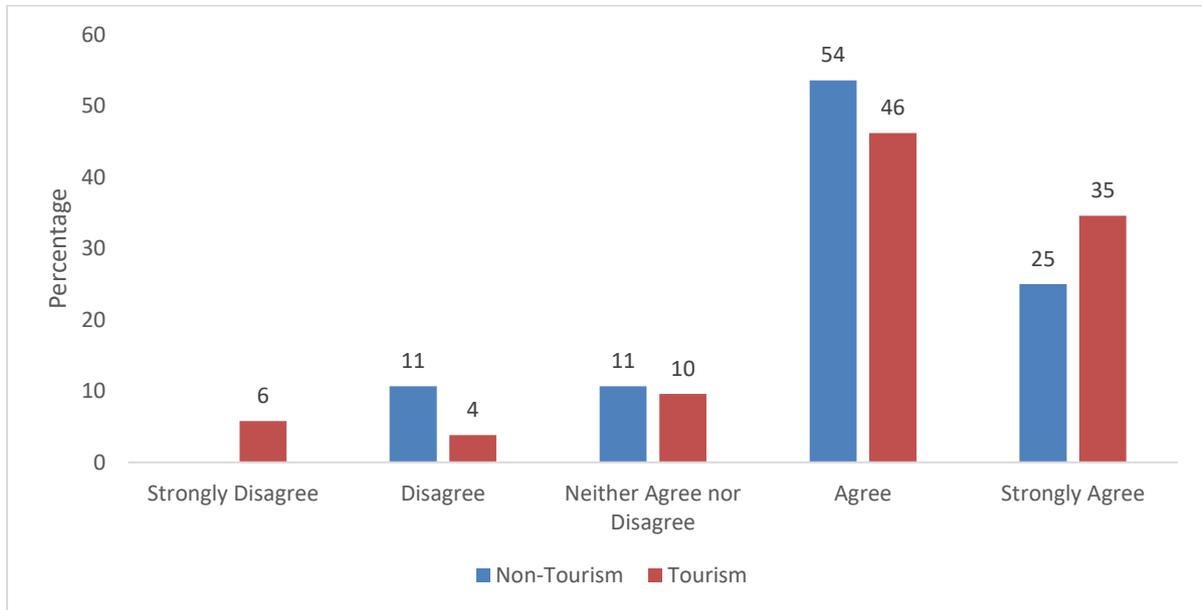
Tourism businesses have a higher level of confidence than non-tourism businesses about the past and coming year (Figure 18).

Figure 18: Please indicate your level of agreement with the following statement



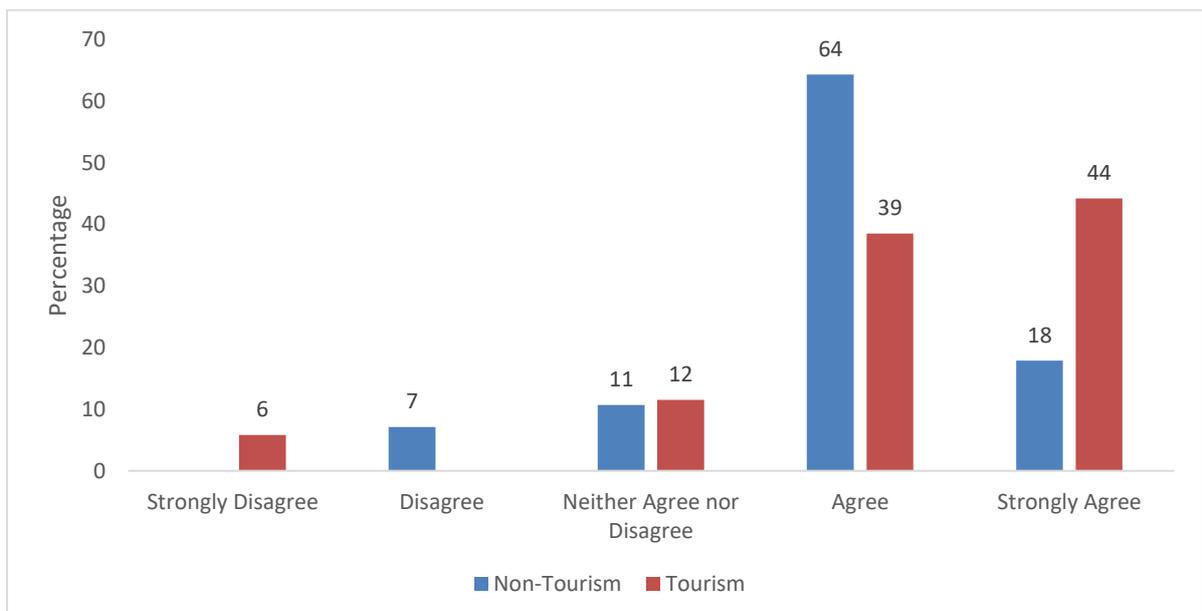
Tourism businesses were slightly more confident with the statement “My business ran well in the last year (81%), than non-tourism businesses (79%) (Figure 19). It is worth noting that more considerably more tourism businesses (35% vs 25%) strongly agree with this statement.

Figure 19: My business ran well in the last year



Tourism businesses have a slightly higher level of agreement with the statement “I am confident my business will do well in the coming year” (83%), than non-tourism businesses (82%) (Figure 20). In terms of levels of “strongly agree” with the statement, tourism businesses (44%) were much higher than their non-tourism counterparts (18%).

Figure 20: I am confident my business will do well in the coming year



Respondents were asked to answer: “What do you see as being the major challenge that will face your business in the next five years?” Over one quarter (28%) of respondents mentioned human resource development (Table 4), followed by climate change/environmental degradation (20%), political issues and regulations (16%), competition from other businesses (15%), infrastructure (15%). A small group (10%) expressed concern over a possible decline in tourist numbers due to poor value for money or degradation of natural resources.

Table 4: What do you see as being the major challenges that will face your business in next five years?

Theme	Share of respondents
Human resources	28%
Climate change or environmental degradation	20%
Political issues and regulations	16%
Competition from other businesses	15%
Infrastructure	15%
Tourists and tourism slowdown	10%
Operating costs	9%
Advertising and marketing	6%
Flight connections	5%
Destination development	5%
World economics	3%
Business development	1%
Investment	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:

“Finding suitably qualified staff.”

“Changing /difficult government policies, general feeling about 'non-cook island' business owners, staffing.”

“Increasingly competitive market and attracting more guests during the low season. There is also growing evidence of unfair competition: Some businesses have preferential rates from suppliers due to family connections. In addition, there are some businesses who do not have correct licences yet continue to operate - seemingly with no consequence or conscience.”

“Down turn in local economy due to external shocks and cruise ship cancellations due to unfavourable weather.”

“Muri environmental concerns (including lagoon pollution, extreme weather events (cyclones/floods).”

“Reduced tourism due to price inflation compared to cheaper overseas destinations, cyclone damage, lagoon and marine / environment damage.”

“Over saturation of rental vehicles on the island and not being policed and complying to the law/act.”

“Uncertainty created by Government Legislative changes and/or change in Government and Policy.”

“Sustaneability of Tourism numbers. Getting infastructure improved to minimise tourism impact on facities. The Island needs Tourists so we need to manage the growth, not stop it.”

“Cost and Quality of communication such as internet, housing for offshore workers.”

Respondents were asked to respond to the question: “What do you see as being the major opportunities for your business in the next five years?” Respondents often mentioned general business growth (23%) and also focused specifically on the growth of tourism numbers/quality of visitors (20%). Other areas of opportunity identified included: product development (17%), marketing (13%), tourism growth (12%), and targeting of specific a market segments (12%) (Table 5).

Table 5: What do you see as being the major opportunities for your business in the next five years?

Theme	Share of respondents
General business growth	23%
More tourists or high yield tourists	20%
Product development	17%
Marketing	13%
Tourism growth	12%
Target market segments	12%
Technology	7%
Improved flights	4%
Improved Environment	4%
Investment	4%
Local human resources	3%
Greater collaboration	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:

“Expansion into more specialised styles of accommodation.”

“Growing the profile of our events and increasing Pacific awareness of what we offer.”

“With the increased tourists coming in and returning Cook Islanders here on holiday.”

“Cruise ship and foreign fishing using Avatiu Port.”

“High year-round occupancy with growing tourist arrival numbers.”

“Flexibility to change, superior customer care (loyalty schemes / incentives).”

“Expanding the number of rooms, renovating and upgrading the bar & restaurant.”

“Travellers wanting to experience new destinations - particularly for cultural experiences and meeting genuine local people in a true island paradise.”

“Develop strong online presence including active social media platforms.”

“Continued promotion of pacific Style, the growing cuisine style of the pacific.”

“More flights, untouched markets to develop.”

“Ongoing tourism in the Muri area (if challenges above don't become unsurmountable), diversification in the type of tourist currently coming (away from fast food crowd to people who like casual and cosy sit-down dining).”

“Advances in technology to optimise our business processes as our operational costs and tax burden are on the up and up.”

“More awareness of sustainability practices. Other destinations being closed due to higher numbers of tourists”

When respondents were asked: “Where do you see your business going in the next five years”, over half of the comments focused on having a continued growth trajectory (57%) (Table 6). A further 16% of businesses will focus on product enhancement, such as product diversity, and developing more local cuisine. Some comments (11%) mentioned they would love to expand the business, but this depends on the other factors, such as tourism growth and infrastructure capacity. A number (8%) of businesses stated that they will try to improve the quality of their service and make higher profits. Seven percent of businesses indicated that they will develop new markets. Another 7% would simply like to maintain their current level of business activity.

Table 6: Where do you see your business going in the next five years?

Theme	Share of respondents
Continued growth	57%
Product enhancement	16%
Depends on broader circumstance	11%
Service improvement	8%
Higher profit	8%
New markets	7%
No change	7%
Technology	5%
Higher occupancy	4%
More networks	3%
Environment focus/improvement	3%

* 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:

“Focus on returning guests from NZ/Australia and develop stronger ties with Northern Hemisphere markets.”

“We have a good name on some wedding sites and our business appears to be naturally growing in a support role for weddings.”

“Increasing our education programmes backed up with real events to showcase the growth - growing Creative Industry sector with support from Government agencies.”

“Outer islands expansion, retail and rental development - diversification as well.”

“More about consolidating the existing business. Doing what we do well and sticking to our goals.”

“More growth due new property and improved facilities at current properties.”

“Expanded offerings with more VIP customized experiences for fitness minded travellers.”

“Hopefully improving given Government steps in to assist with more Destination Marketing spends.”

“Business risk increases with any sustained drop off in Tourists arrivals and vice versa. My business development is tied closely with visitor arrivals.”

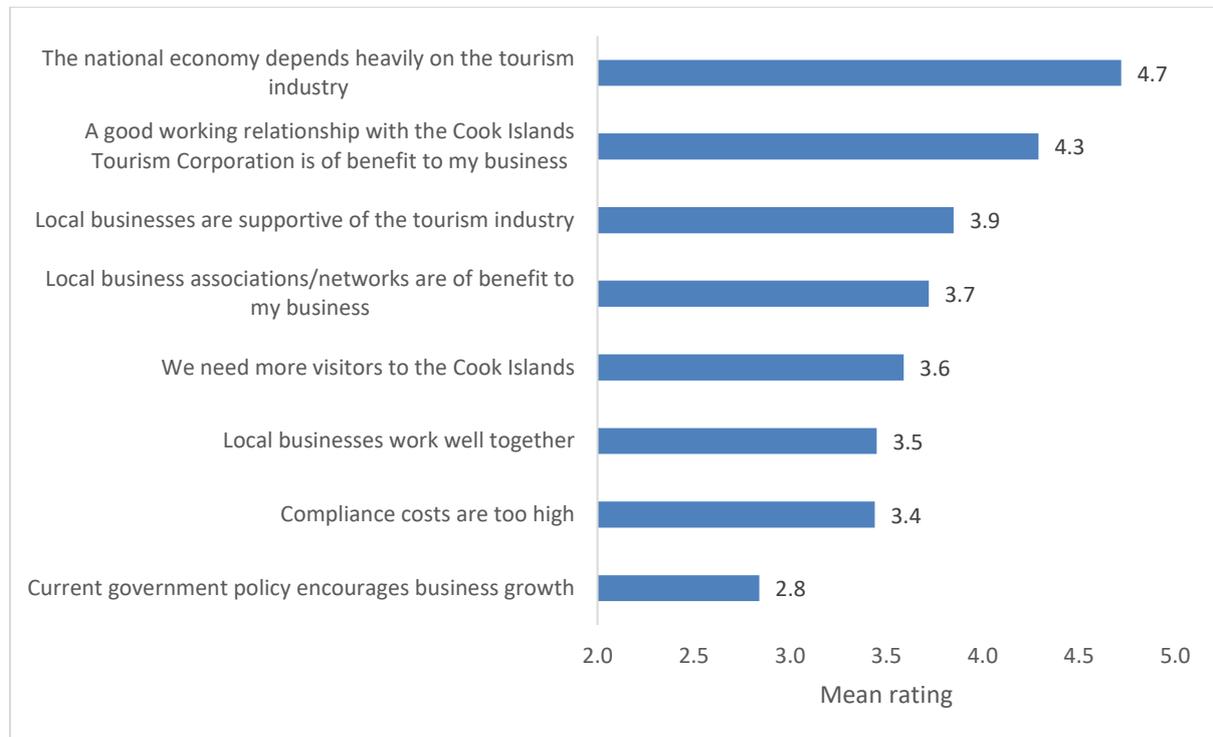
“Improved service delivery and varied local cuisine.”

“Focus more on online sales and accessing wider supply chain.”

“Becoming more environmentally focused.”

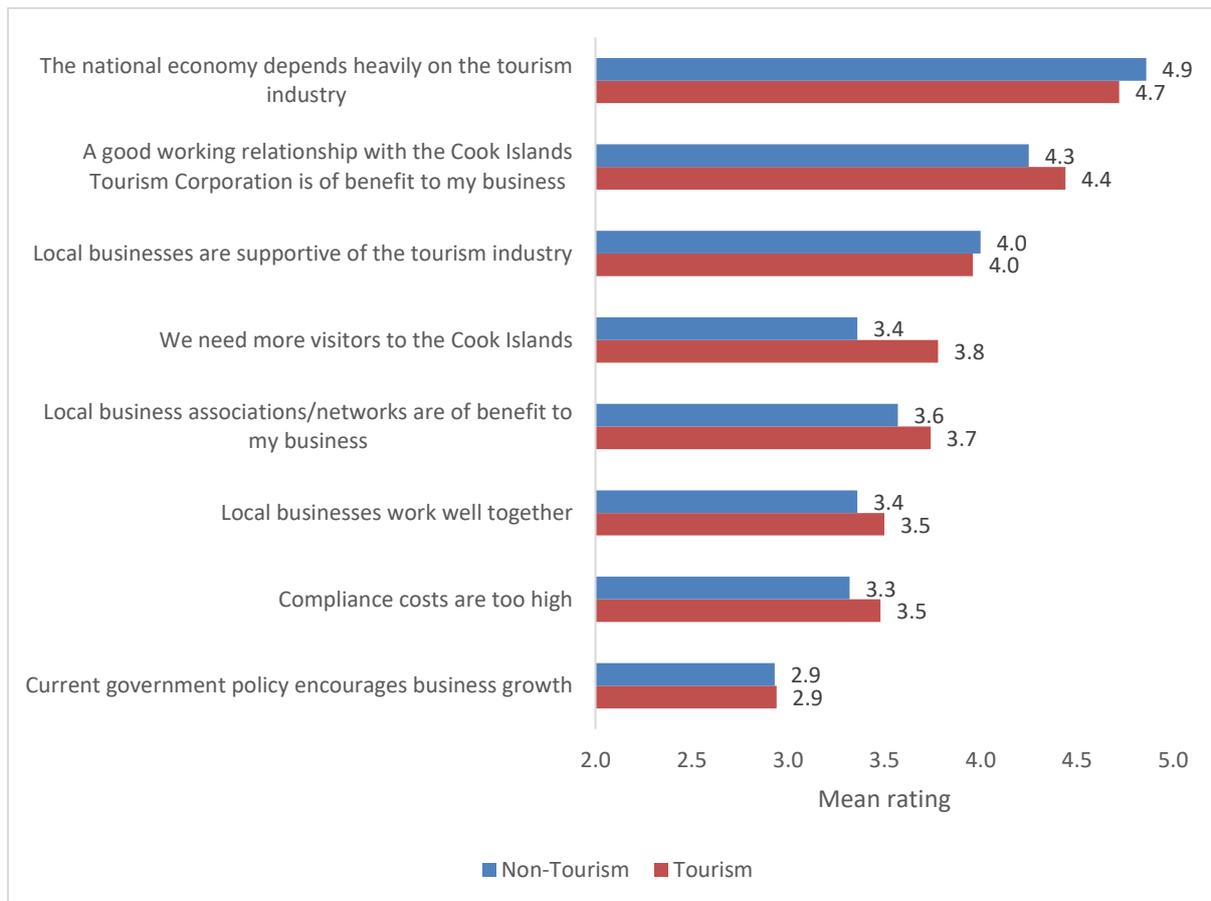
Respondents were asked to rate their agreement with a range of statements about tourism, the Cook Islands and government policy (Figure 21). The statement “the national economy depends heavily on the tourism industry” received the highest level of agreement (4.7 out of 5). “Current government policy encourages business growth”, by contrast, received the lowest rating (2.8 out of 5).

Figure 21: Please respond to the following statements



Tourism businesses show a higher level of agreement compared with their non-tourism counterparts with “a good working relationship with the Cook Islands Tourism Corporation is of benefit to my business”, “we need more visitors to the Cook Islands”, “local business associations/networks are of benefit to my business”, “local business work well together”, and “compliance costs are too high” (Figure 22). Tourism businesses are less likely than non-tourism businesses to agree with the statement that as “the national economy depends heavily on the tourism industry” and “local business are supportive of the tourism industry”.

Figure 22: The importance of statements relating to the Cook Islands - tourism and non-tourism sector



Some respondents gave further comments, including:

“Our Tourism have done an awesome job with promoting the Cooks, now we need to start looking at maintaining why we are different from every other destination and to look at maintaining our beauty, environment, cultural values and heritage.”

“Innovation by small business is killed by copycat big business. I have led my business field by thinking outside the square and within 3 weeks I'm copied by larger businesses and undercut. Small business that keep money in the Cooks suffer because larger business keep an eye on innovative small business and copy what works. Intellectual property should be protected.”

“We need better infrastructures to have more tourists - the environment can't handle that many people!”

“The CI should now concentrate on bringing quality visitors rather than quantity. Immigration should have better policies and procedures in place for foreign workers, instead of dealing with files on a case to case basis.”

“Only need more visitors to the Cook Islands in the low season. Compliance costs are only too high for those that pay them!”

“We need to make and apply laws for environment sustainability. People burns plastic and the majority of septic tanks must be upgraded.”

“Compliance costs are necessary. We need to make sure all accommodators/businesses are compliant to maintain high standards, which will ensure visitors continue to visit the Cooks.”

“Tourism is a double edged sword we need to manage numbers and infrastructure. Focus less on the numbers game and more on yield.”

“There are a lot of disjointed organisations that overlap but don't work together. A lot of businesses are not realising their full potential. Some things are done as token gestures.”

“In Aitutaki the local industry is still to learn more about how visitors choose our Island.”

“We don't need MORE visitors, we need quality visitors, and cheap budget folks use the same resources as eco travellers or tourists with more dollars to spend. We DONT want hordes of Chinese who are difficult tourists and don't have environmentally acceptable practices. We MUST take care of our environment as a priority.”

“Accreditation is undermined when blanket accreditation is given to whole night market without inspecting where the food is actually prepared (separation of meat and vegetables raw/cooked food in freezers/fridges, stainless steel or other food prep surface that are requirements for compliance) where minimum number of toilets, and parking is not considered, and where most vendors are not vat registered/paying taxes. Similarly there is more return on investment if one was to spend accreditation funds on individual marketing, as destination marketing will go on regardless. Hence saying compliance costs are too high.”

“If compliance is to continue then more has to be done with 'pop-up' businesses management and regulation.”

“Statistics on room nights sold will be of more value to the industry than arrival numbers.”

“We are a small team that likes interacting with guests from overseas. We welcome anyone to experience our food from Our Blue Lagoon Restaurant & Bar and we offer local rates to our friends & families from Rarotonga. We love what we do.”

“Quality, not quantity regarding visitors to the Cook Islands.”

“The business environment, in particular tourism, has had increased costs placed on it over the past 8 years. This includes departure taxes, withholding tax, fees for government services rising beyond reasonable rates and immigration fees. Coupled with a zero unemployment rate and non-competitive workforce, the Cook Islands is fast becoming a society where performance is not required in order to stay employed,

simply showing up will do. This will have long term impacts both on the quality of the delivery of services, and in the cultural impression of what work actually is.”

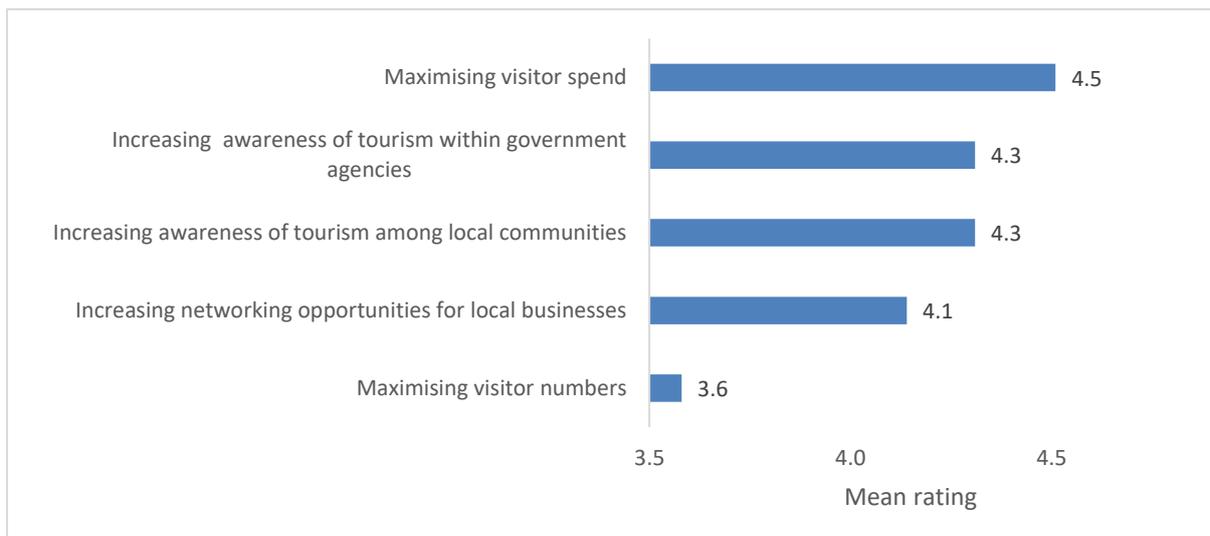
“Tourism are too locked into the numbers game and spinning nonsense instead of providing fact.”

“Business owners generally don't work together & see each other as competition. Perhaps this is something we should work on.”

“I think tourism numbers should be limited - we should learn from other peoples mistakes, stop being greedy and develop a product that is expensive, but worth it and more exclusive, thereby reducing the tourism impact on the islands. Operators are not concerned with sustainability, just the numbers game.”

When respondents were asked to rate a range of statements in terms of their importance to the Cook Islands, “maximising visitor spend” (4.5 out of 5), “increasing tourism awareness within government agencies” (4.3) and “increasing tourism awareness among local communities” (4.3) were given the highest scores (Figure 23). “Maximising visitor numbers” received the lowest rated response.

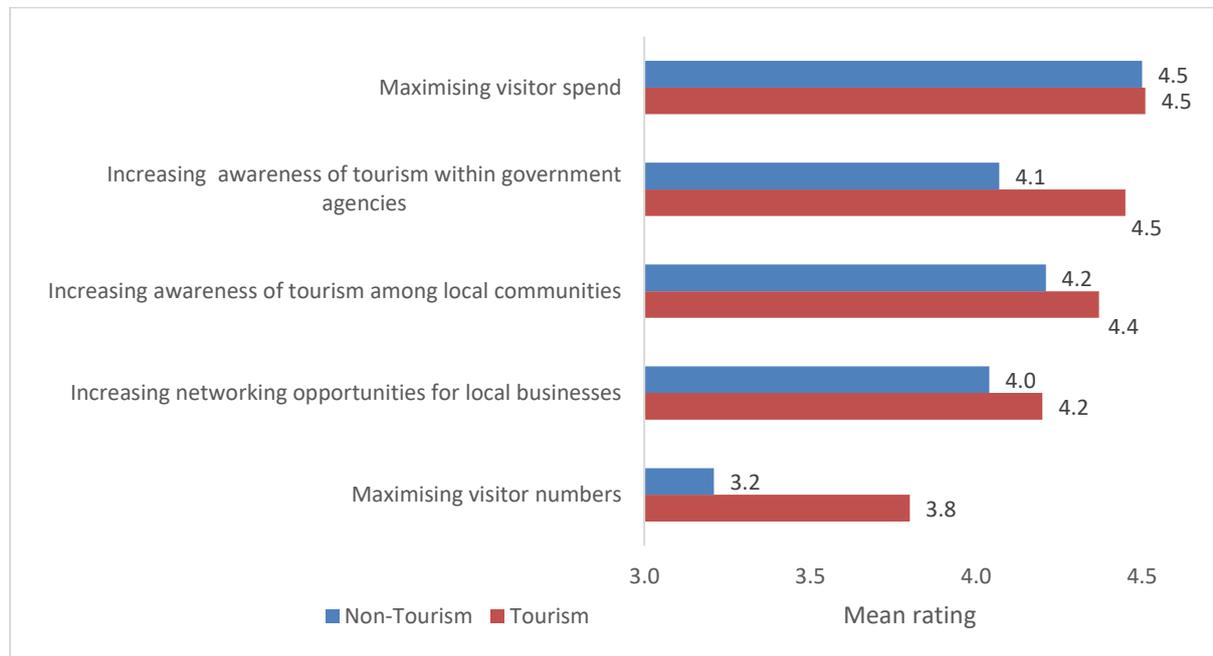
Figure 23: How important are the following to the Cook Islands



There were some variations in responses to these statements between tourism businesses and ‘other’ sectors. Tourism businesses in particular assigned a higher degree of importance to “increasing tourism awareness among local communities” and “increasing tourism awareness within government agencies”, “increasing networking opportunities for local

businesses”, and “maximising visitor numbers” than their non-tourism counterparts (Figure 24).

Figure 24: How important are the following to the Cook Islands - tourism and non-tourism sector



Additional comments relating to this question included:

“Bigger spend per tourist rather than an increase in number.”

“Not maximising numbers but targeting markets that are likely to spend more. The infrastructure cannot support unlimited numbers.”

“Only maximising numbers if it's done in a sustainable way.”

“We should be careful not to be seen as greedy. We are already seen as an expensive destination. We should never turn visitors away as we may not have them forever so we need to manager these opportunities.”

“As mentioned numbers are not what we should focus on or measure success with it is part of the equation but not all of it- Yield, Community wellbeing, Environment health etc.”

“We want to create an Industry of "return" clients don't focus on first time spend but realise this over several visits. We do not want visitors to leave feeling "ripped off".

“We must be very careful WHO are tourists are. We need QUALITY tourists not heaps of tourists, our environment must not be damaged by tourism and waste. We must also cater to cook islands residents.”

“It may be a good time to consider limiting the number of new hospitality industry licences issued, there are many businesses for sale and failing, including locally owned ones, and it would improve their value and the overall quality if rather than new businesses start, existing ones are taken over and reinvigorated.”

“Be aware of businesses which encourage visitors to remain on 'captive' sites through incentives - bar tabs etc.”

“We should be investing in the customer over a number of visits not just trying to get their spend on one visit. Create value for money so they will want to return...over the next 10 years or more.”

“Need to sort the infrastructure before increasing numbers.”

“Need to target not just NZ arrivals but North America/Europe.”

“French Polynesia has only about 25,000 more visitors per year than the Cooks, yet revenue from tourism is far higher. The Cooks are developing primarily for the mid to bottom end of the NZ market, and this should have a strategic change. The quality of our properties and products is paramount to attracting the yield we want, but right now there is no programme to focus on this.”

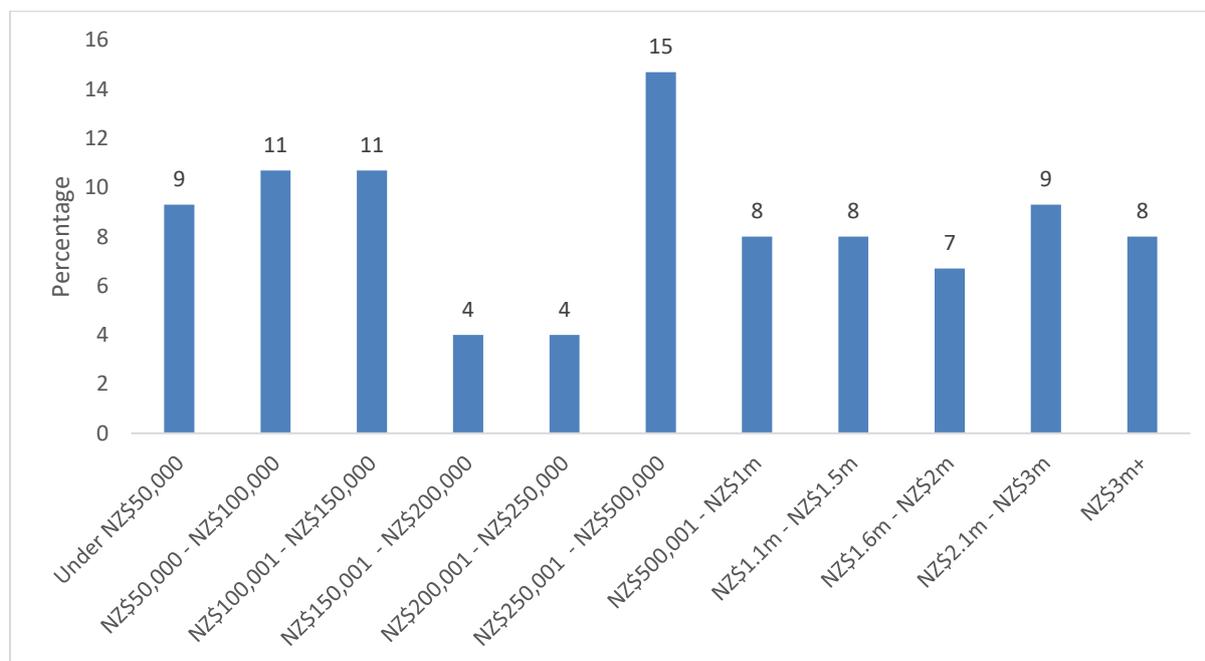
“It would be great to maximise visitor numbers but at the current environmental situation I think we need to deal to our environment first. Sewage, rubbish, plastic should be banned!”

“On Aitutaki we have to work together as businesses - we do not need a network to make that happen.”

Revenue, cost and linkages

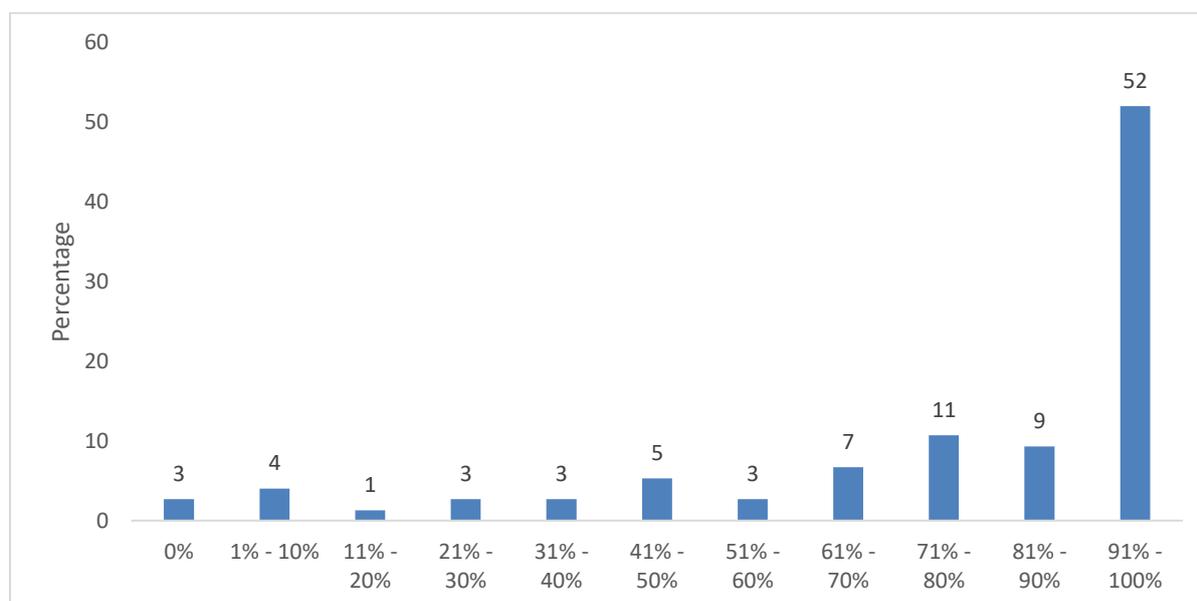
Nearly one third (31%) of businesses surveyed reported an annual turnover of less than \$150,000 in the last financial year (Figure 25). A further 32% of businesses generated more than \$1million in revenue.

Figure 25: Approximate annual turnover in the last financial year (VAT inclusive)



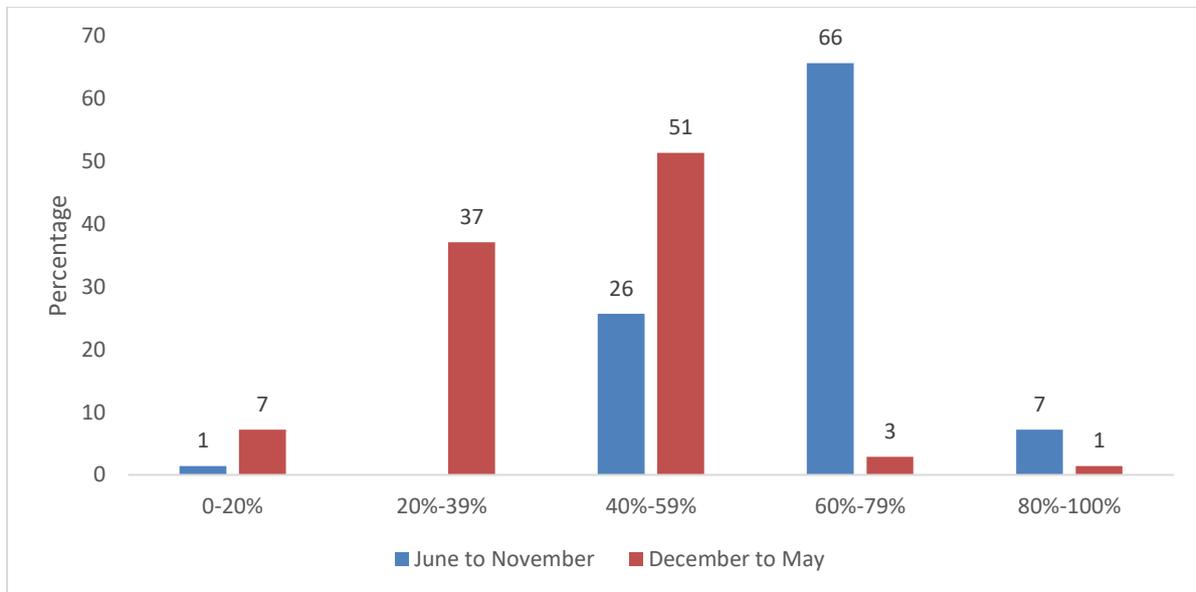
Over half (52%) of the businesses surveyed attribute more than 90% of their annual turnover directly to tourism (Figure 26). Only 7% of businesses indicated less than 10% of revenue flowing directly from the sector.

Figure 26: Approximate annual turnover estimated to come directly from tourism



Respondents were asked to estimate what percentage of this turnover is generated in the high season (June to December) and low season (December to May) (Figure 27). On average, 61% of turnover was generated during high season (39% of turnover was generated during the low season). Nearly three quarters (73%) of businesses surveyed generate more than 60% of their revenue during the high season.

Figure 27: Percentage of this turnover generated in the high/low seasons



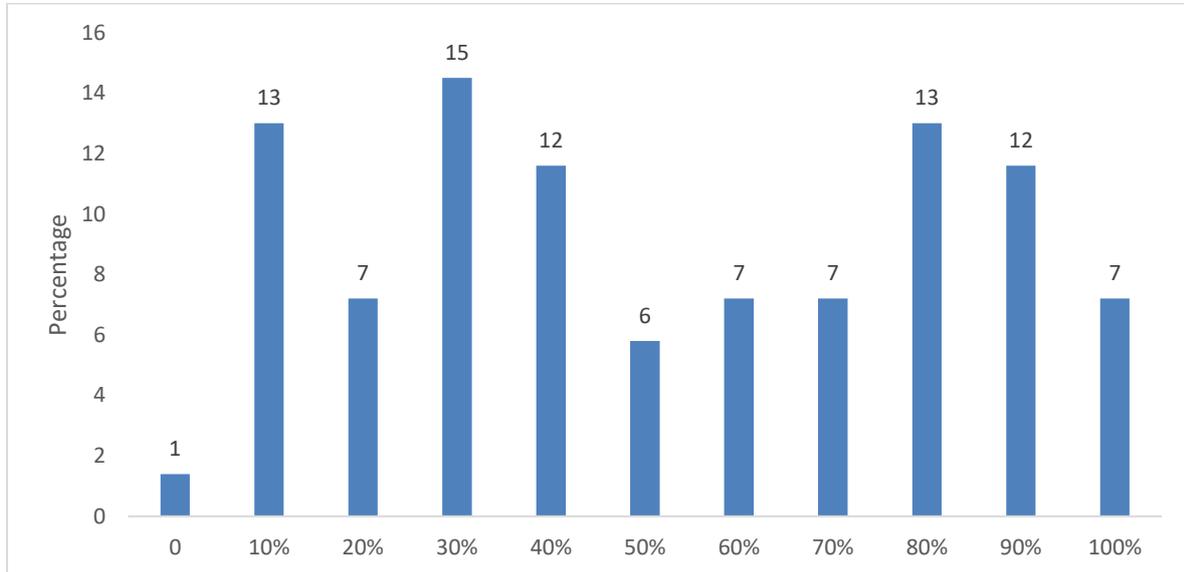
On average, 67% of business costs are allocated to labour (wages and salaries) and the cost of goods sold, 34% of annual business expenses are allocated to 'other expenses including rent, power, phone and consumables (Figure 28).

Figure 28: Approximate breakdown of the business annual expenses



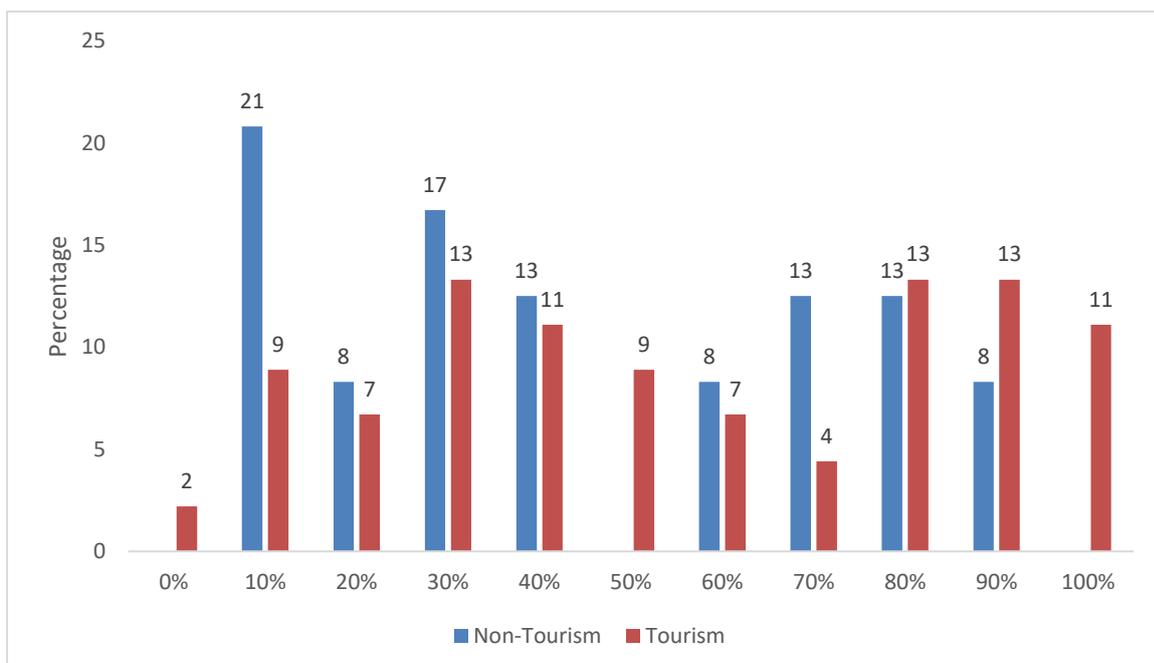
Over two thirds (39%) of the businesses make more than 70% of their purchases of products and services locally (Figure 29).

Figure 29: Percentage of non-labour expenses spent annually on products and services supplied by businesses in the Cook Islands



Forty one percent of the tourism businesses make more than 70% of their non-labour purchases through businesses based in the Cook Islands, while 34% of non-tourism business make more than 70% of purchases of products and services locally (Figure 30).

Figure 30: Percentage of non-labour expenses spent annually on products and services supplied by businesses in the Cook Islands – tourism and non-tourism sectors



Conclusions

The report presents results from an online business survey conducted from February to April 2018. This survey is the fifth to have been produced since 2016, with a low and high season survey being conducted every year at approximately six month intervals.

The majority of respondents feel that their business ran well in the last year (2017) (49%/31% agree/strongly agree), and will do well in the coming year (48%/35% agree/strongly agree). Tourism businesses show a higher level of confidence than non-tourism businesses about the last year and the upcoming year. In terms of anticipated challenges to their business, over one quarter (28%) of respondents mentioned limited human resource issues. One fifth (20%) of businesses identified that more tourists, especially high yield tourists, represent the major opportunity for business growth in the coming five years. Over half (57%) of those surveyed feel confident that their business will experience continued growth over the next five years.

Respondents 'strongly agree' with the statement that "the national economy depends heavily on the tourism industry" (4.7 out of 5). "Maximising visitor spend" is ranked as a very important factor to focus on at a national scale (4.5 out of 5).

This research underscores the challenges businesses face and the opportunities that exist. It is clear from the time series data presented in the Appendix that confidence levels within the tourism sector tend to drop in the low season. Most notably, tourism businesses showed a higher level of confidence than non-tourism businesses. There are challenges that need to be addressed, such as limited human resources, climate change, and the competition from other businesses.

Overall, these survey results provide a relatively consistent message on the health of the Cook Islands' economy. The work highlights the value of generating ongoing cost-effective and robust data that can be shared in a way that can guide the development of local business policy and strategy. The Business Survey offers a timely barometer of future economic activity, it highlights the big issues and gives crucial data to plan the way forward.

As the survey enters the end of its third year the challenge ahead is to grow business participation rates in the survey and to ensure that the findings are disseminated effectively to end users. To this end we plan to continue to develop the time series data and to integrate further into future reporting.

APPENDIX

SUMMARY OF TIME SERIES TRENDS 2016-2018

Phase 1 – Low season 2016

Phase 2 – High season 2016

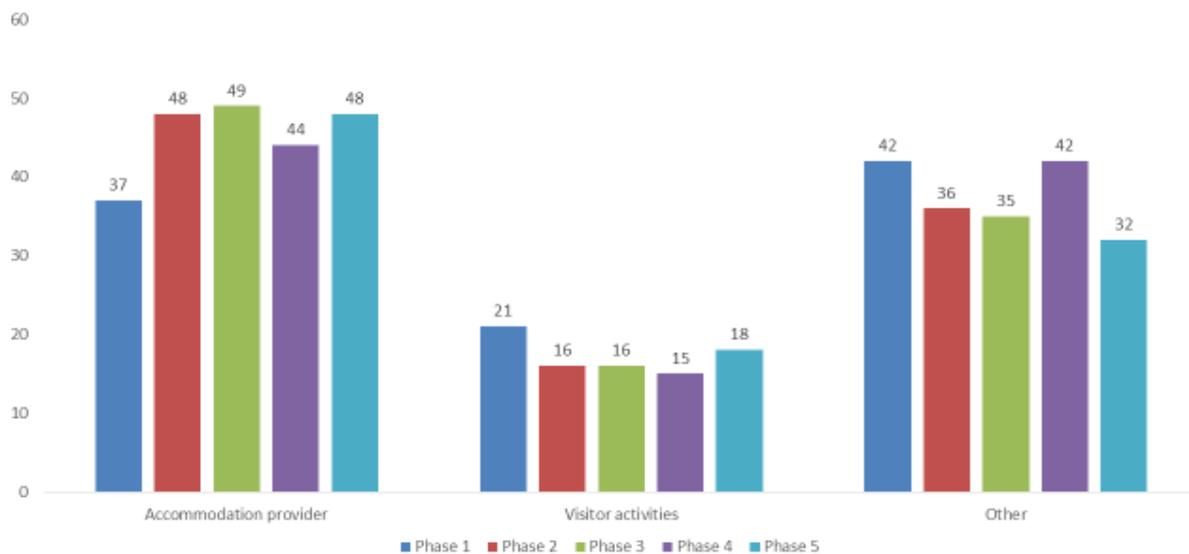
Phase 3 – Low season 2017

Phase 4 – High season 2017

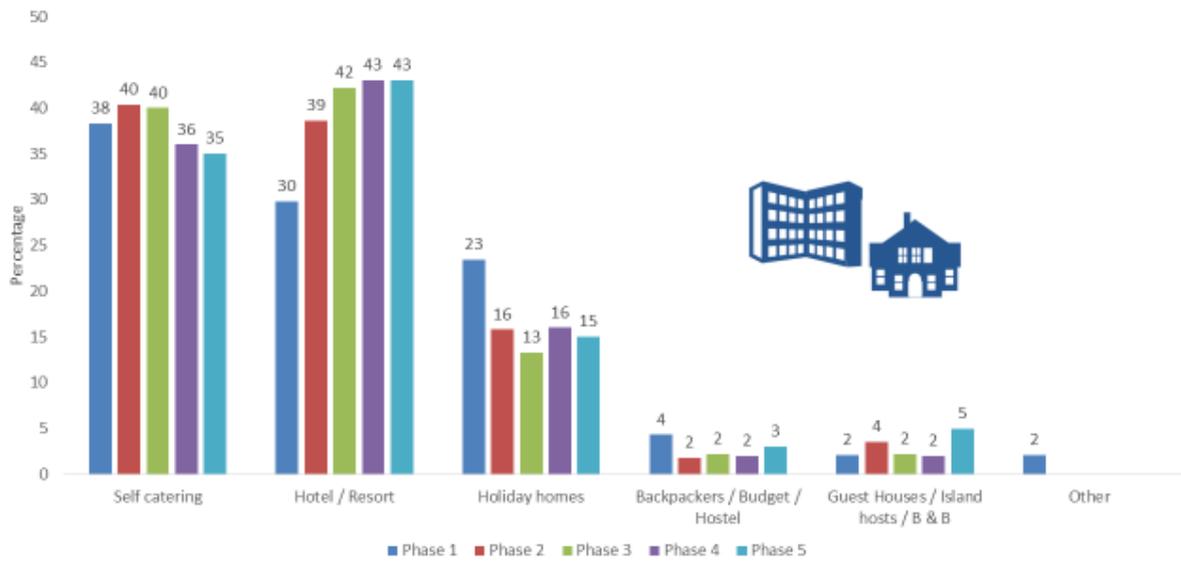
Phase 5 – High season 2018

Respondents					
	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)
Number of responses	128	124	97	106	84
Conversion rate	41%	40%	31%	34%	27%
Had participated the survey previously		37%	58%	57%	58%

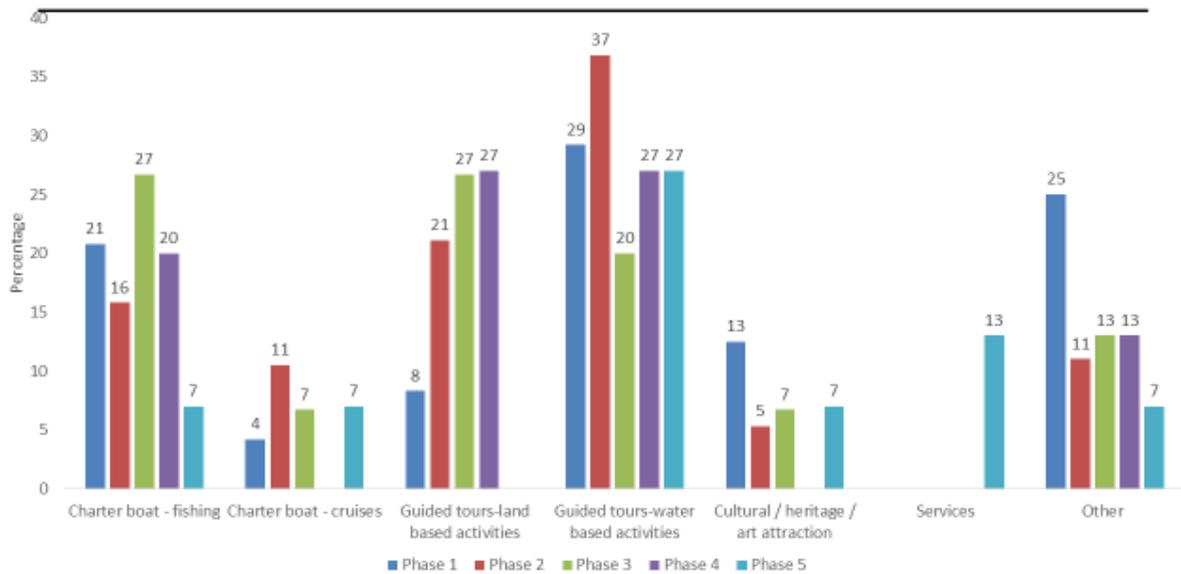
What is the primary focus of your business?



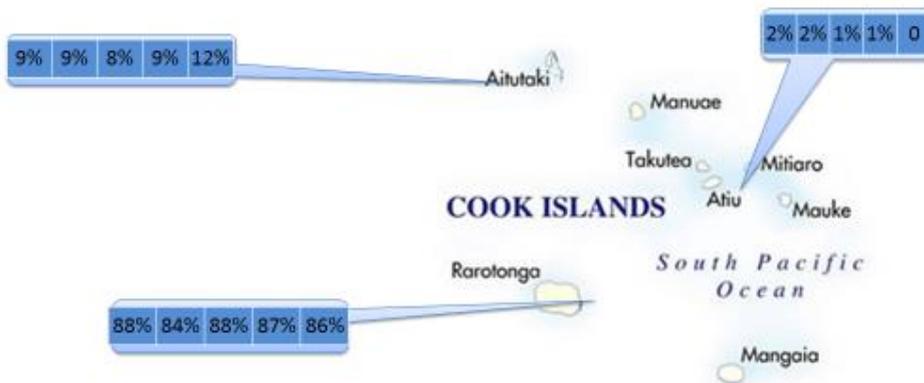
Accommodation provider: main focus of business?



Visitor activities / tours: main focus of business?



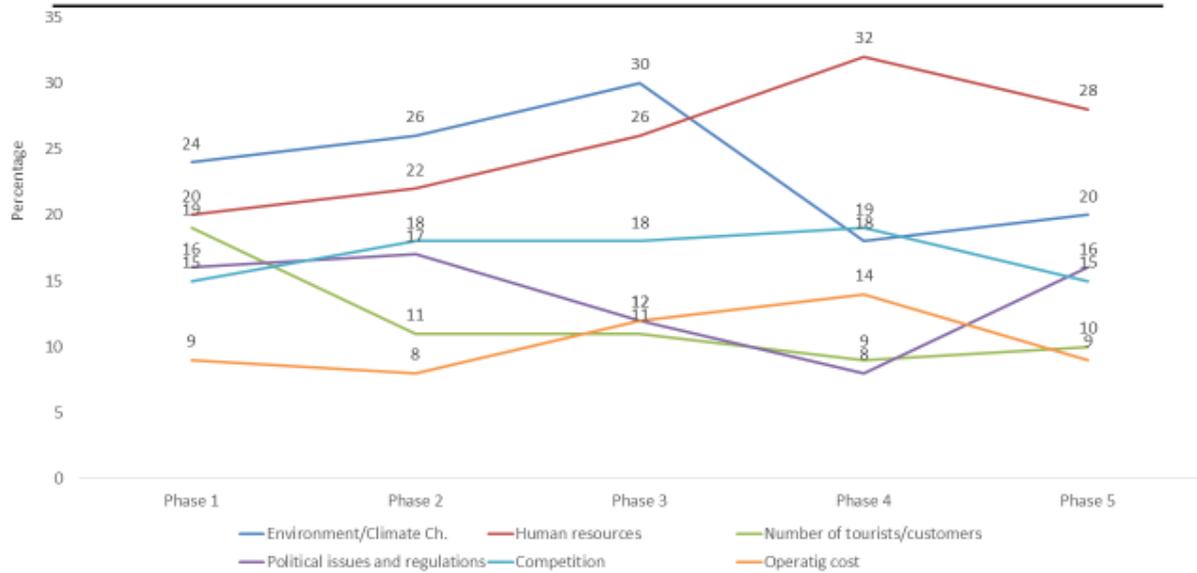
Where is your primary business located?



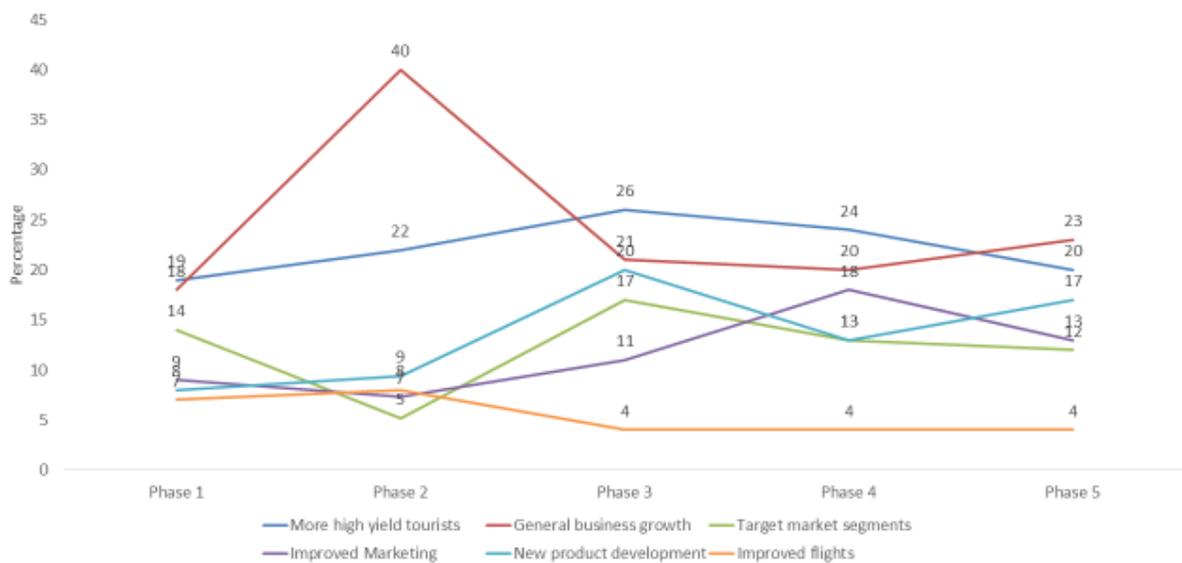
Your level of agreement with the following statement



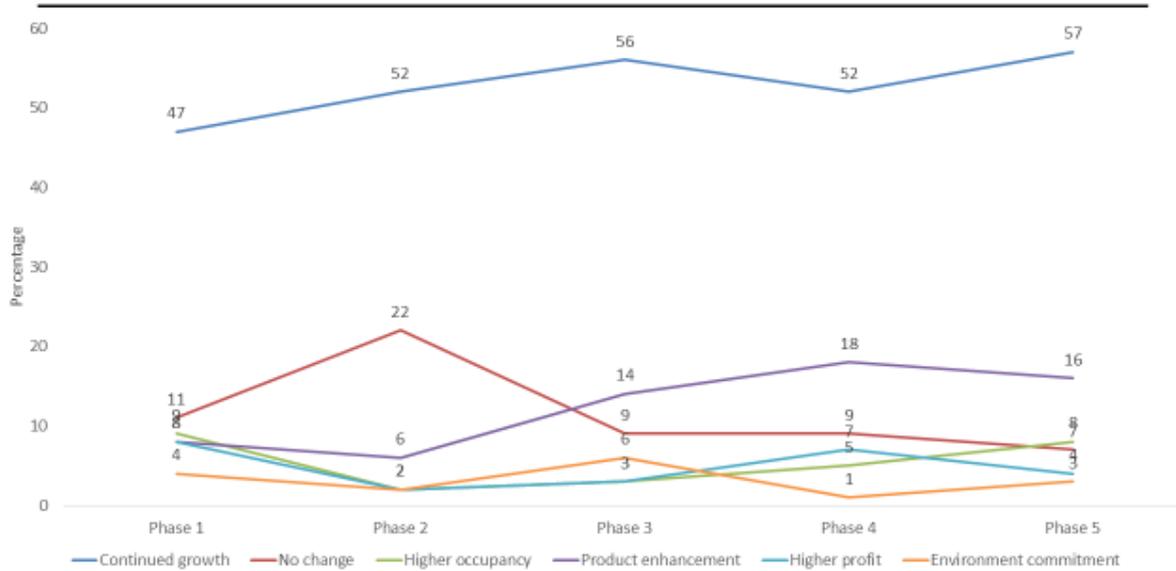
What do you see as being the major challenges that will face your business in next five years?



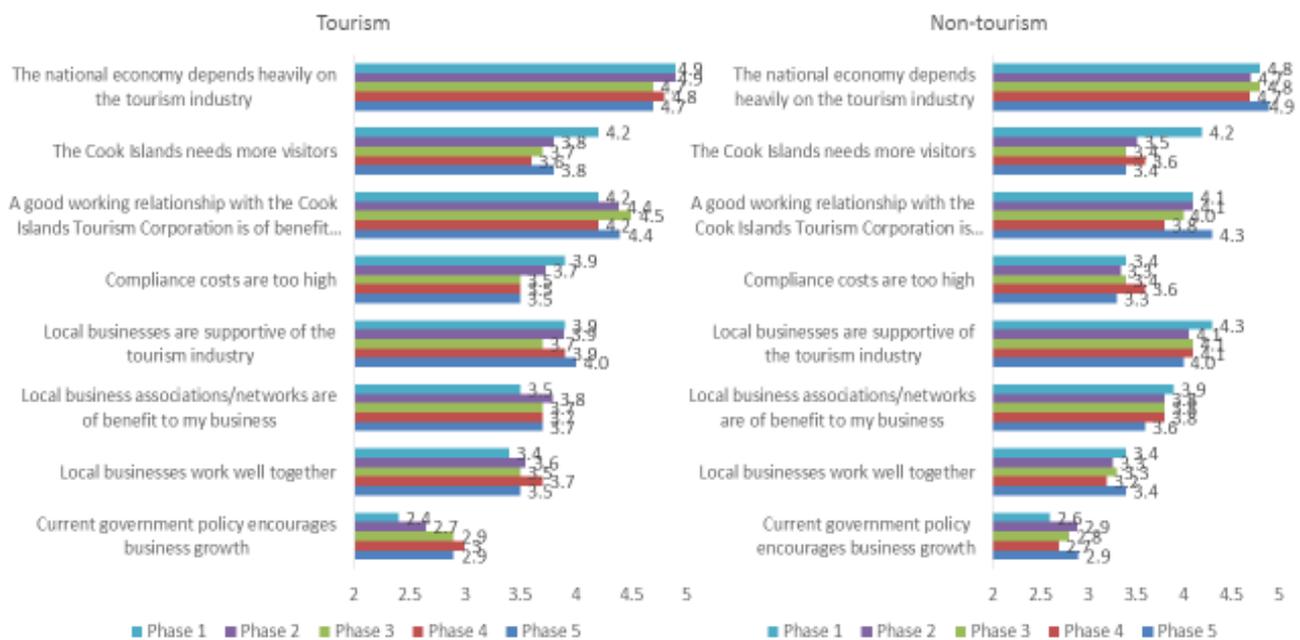
What do you see as being the major opportunities that will face your business in next five years?



How do you see your business in next five years?



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



How important are the following to the Cook Islands?

