Cook Islands Business Survey and Confidence Index

Report 2: 2016

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 September to October 2016. Over this two-month period, 314 businesses were contacted with 124 completed surveys received - a conversion rate of 40%. The data presented in this report includes: business profile, staffing, the business climate, revenue, costs and linkages.

The majority (76%) of survey respondents are Cook Islands residents, and most are owners, operators or managers (98%). Over two thirds (68%) of respondents have been in their current role for less than ten years. More than two thirds (68%) 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 16% focused on 'visitor activities/tours'. Businesses surveyed are mainly located in Rarotonga (84%), with a smaller number of businesses located in Aitutaki (9%) and Atiu (2%). The majority (98%) of businesses operate all year round.

Over one quarter (28%) of businesses employ 100% Cook Islands Maori staff, with 15% of businesses indicating 90% of their staff are Cook Islands Maori. Nearly two thirds (60%) of businesses indicated they have problems finding suitable staff. A further 59% of respondents stated that they have training needs.

The majority of respondents are confident that their business ran well in the last year (2016) (50%/37% agree/strongly agree), and will do well in the coming year (44%/45% agree/strongly agree). Tourism businesses show a higher level of confidence than tourism businesses. In terms of anticipated challenges to their business, over one quarter (26%) of respondents mentioned climate change and general environmental concerns, followed by business development (23%), and human resource issues (22%). Continued growth trajectory (40%), attracting higher yield visitors (22%), and the ability to develop new markets (9%) represent the major opportunities identified by businesses in the coming 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" and "increasing tourism awareness within government agencies" are ranked as very important (4.6 out of 5).

Over one third (35%) of local businesses report an annual turnover of less than $150,000 in the last financial year. Over half (57%) of the businesses surveyed attribute more than 90% of their annual turnover directly to the tourism industry.

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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 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 2nd Cook Islands Business Confidence Index Survey conducted from September to October 2016. Over this two-month period, 314 businesses were contacted, 124 completed surveys were received - a conversion rate of 40%. Over one third (37%) of the respondents had participated the 1st Cook Islands Business Confidence Index Survey.

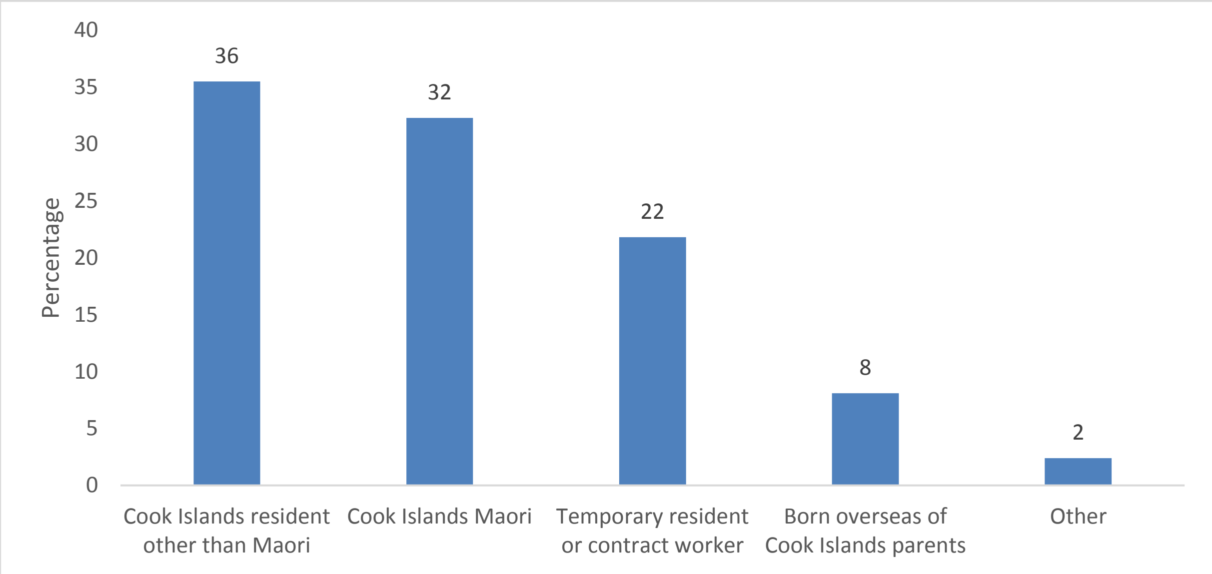
The data presented in this report includes: general business profile, staffing levels, the business climate, and information on revenues, costs and economic linkages.

Because the national economy is so dependent on tourism there are few businesses that don't rely to a considerable degree on the direct or indirect economic impacts that tourism brings to the local economy. For the purposes of this survey we split much of the analysis between 'tourism' (accommodation, attractions etc.) and 'other' businesses – the latter also includes businesses that may depend heavily on tourism (e.g. restaurants) and others that have a focus on a more local clientele.

Business Profile

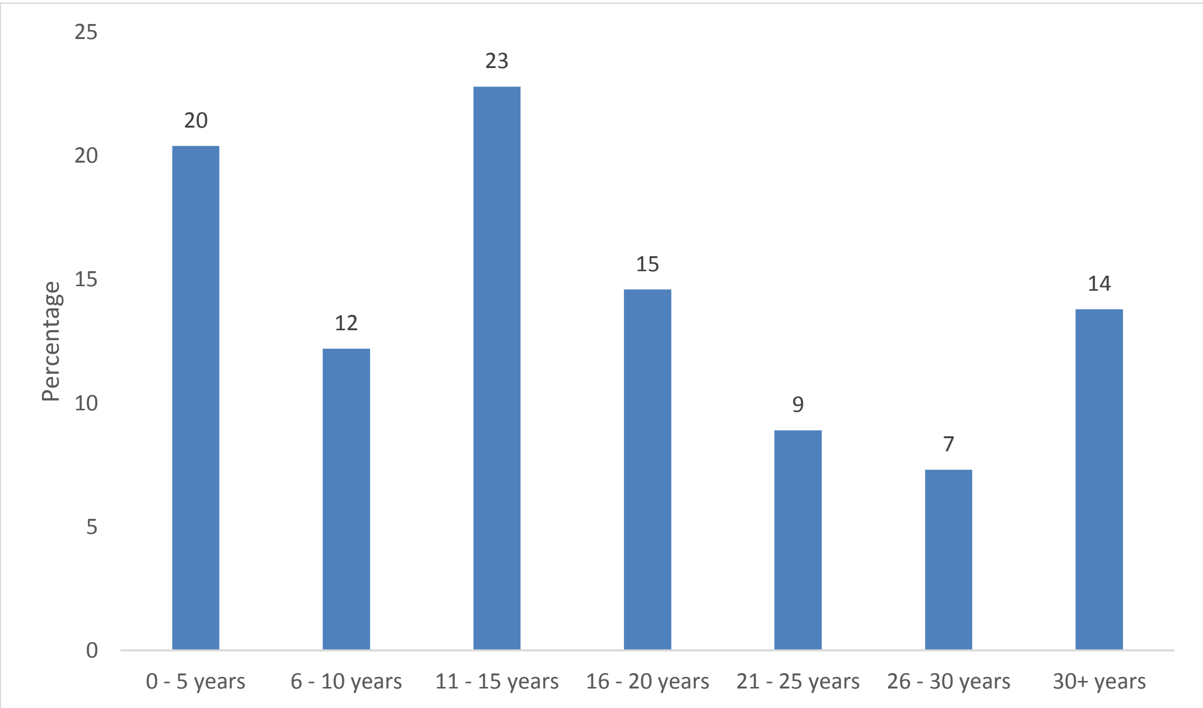
The majority (76%) of respondents are permanent Cook Islands residents - either Cook Island Maori (32%), non-Maori (36%) or born overseas to Cook islands parents (8%) (Figure 1).

Figure 1: Which of the following best describes you (n=128)



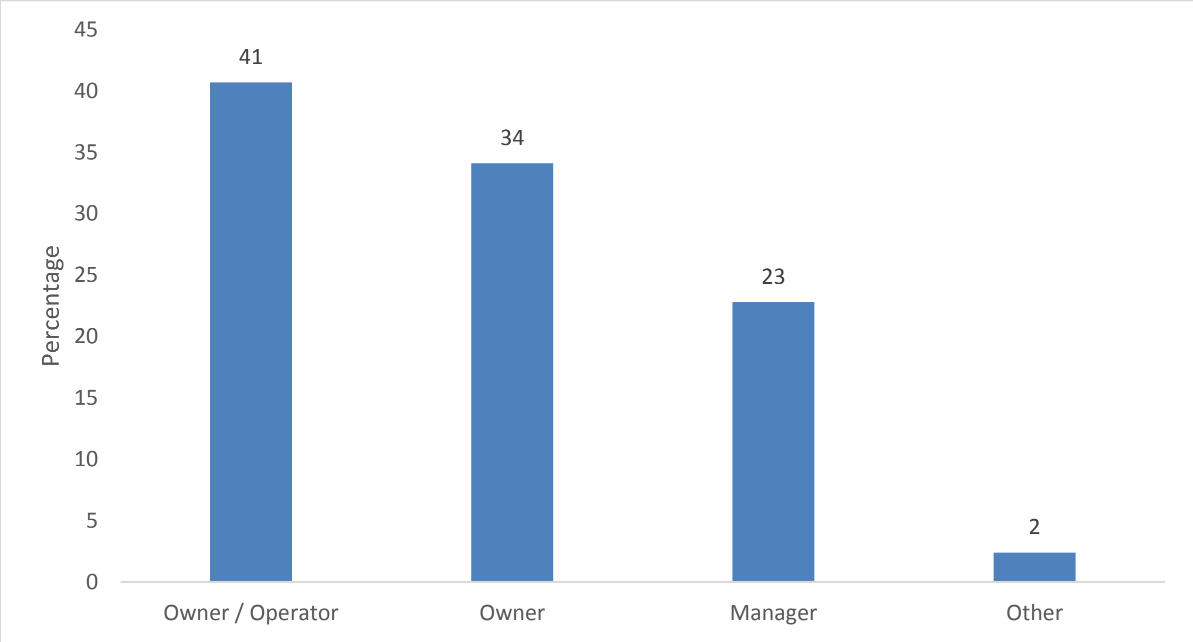
Over two thirds of responding businesses (68%) have been in operation for more than 10 years (Figure 2). A small, yet significant, number of businesses (14%) have been operating for more than 30 years. A fifth of businesses have been operating for 5 years or less.

Figure 2: How long has your business been operating in this country (n=123)



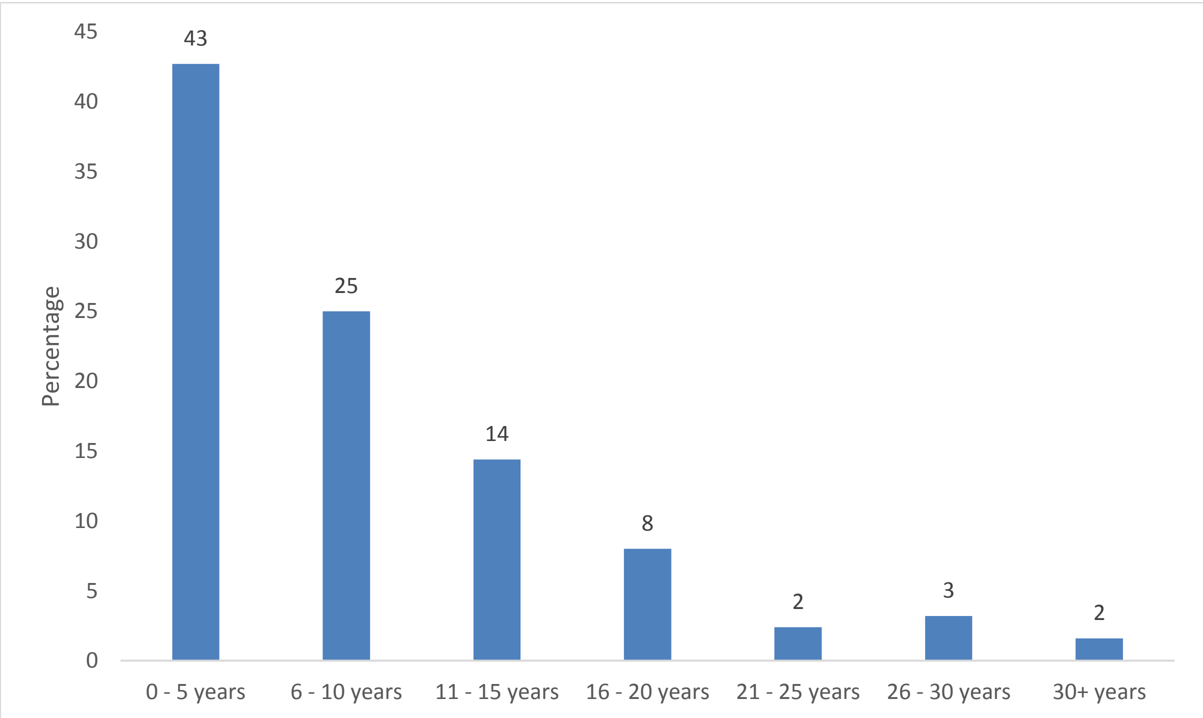
The majority of business respondents are owner/operators (41%) or simply owners (34%); a further 23% classify themselves as managers (Figure 3). It is a good sign that more owners, operators, and managers participated the survey than in the first business survey.

Figure 3: What is your role in this business (n=123)



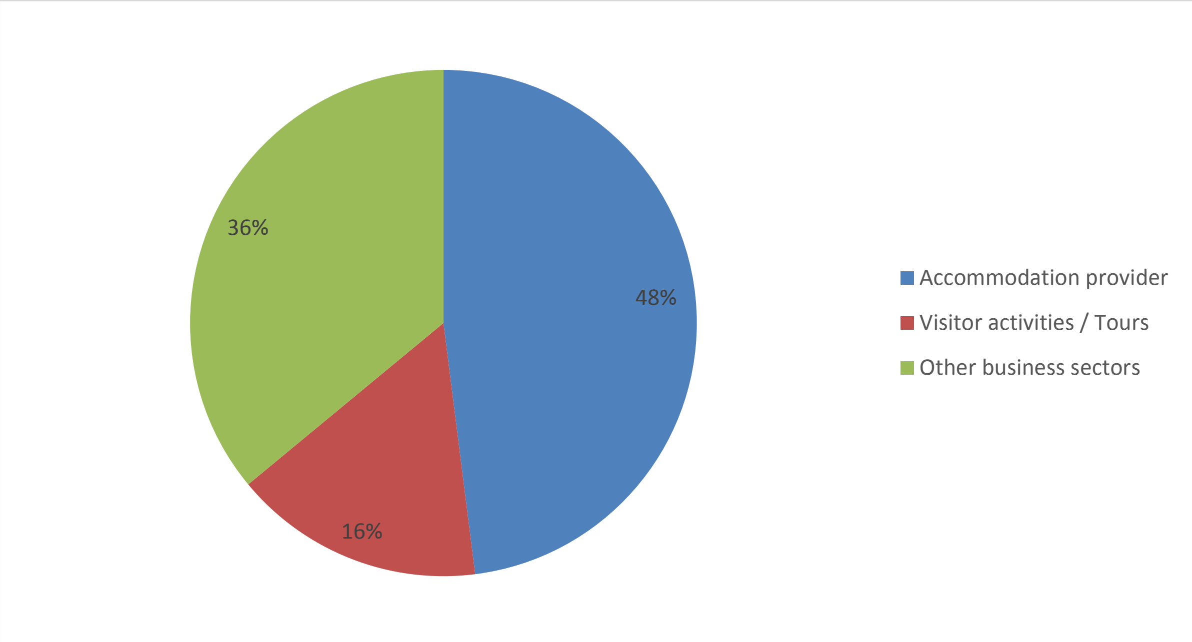
Over two thirds (68%) of respondents have been in their current role for under 10 years (Figure 4). Only 7% of those surveyed have been in their role for over 20 years.

Figure 4: How long have you been in this role (n = 124)



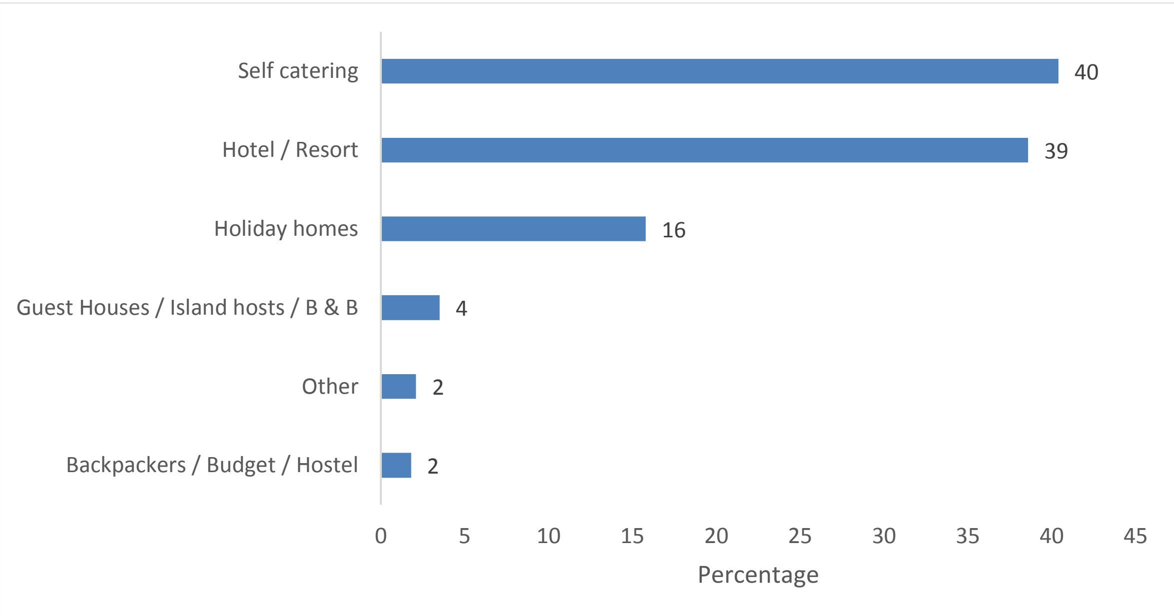
Nearly half (48%) of businesses surveyed noted ‘accommodation provider’ as their primary focus (compared with the 1st survey - 37% accommodation), and another 16% focused on ‘visitor activities/tours’ (Figure 5).

Figure 5: What is the primary focus on your business (n = 123)



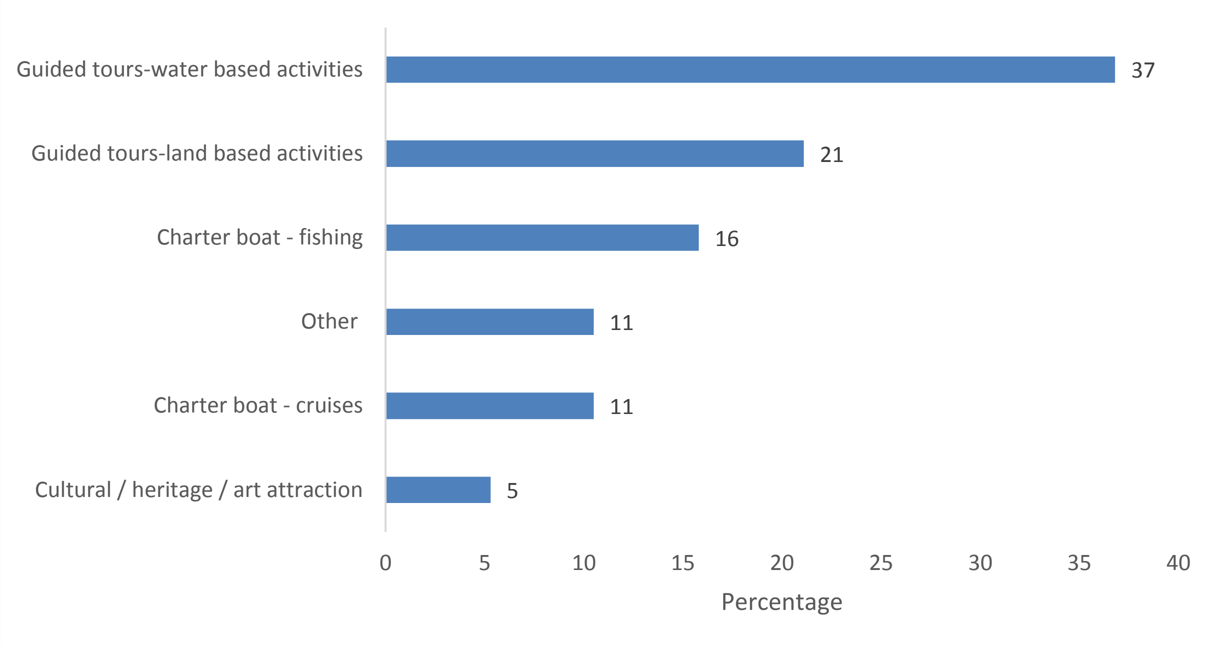
Over one third (40%) of those who have accommodation as their primary focus classify the business as being ‘self-catering’, a further 39% are hotels/resorts, with holiday homes making up a further 16% (Figure 6). Compared with the 1st survey, we have a higher percentage of respondents from the hotel sector.

Figure 6: Accommodation provider: main focus of business (n = 57)



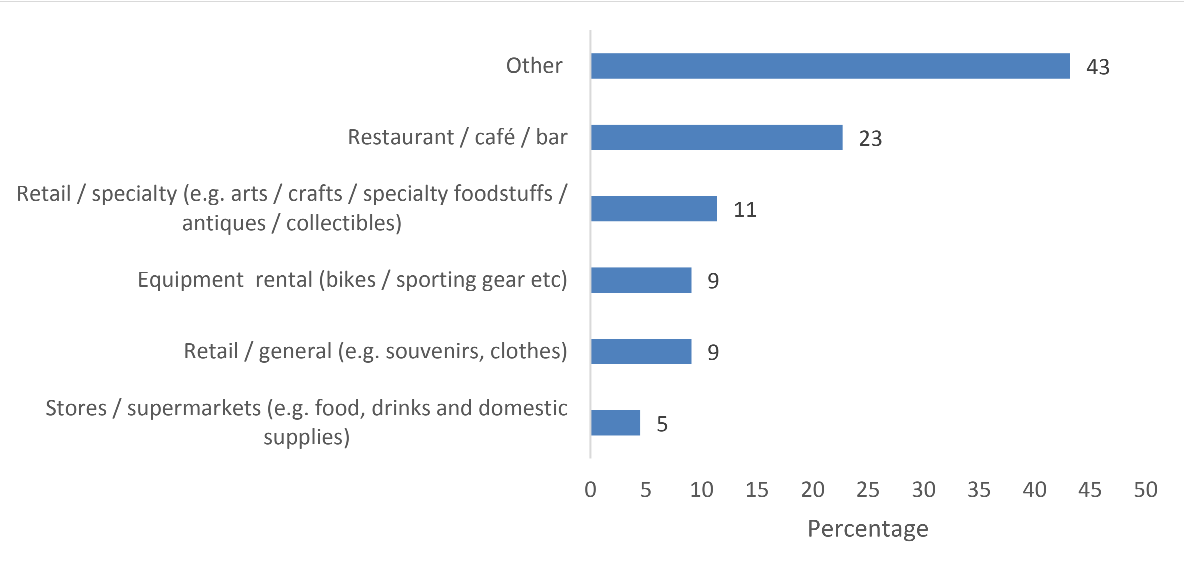
For those who have visitor activities as their primary focus, over one third (37%) are classified as 'guided tours – water based activities' (Figure 7). The percentage of participants from guided water-based and land-based activities increased from the 1st survey.

Figure 7: Visitor activities/tours: main focus of business (n = 19)



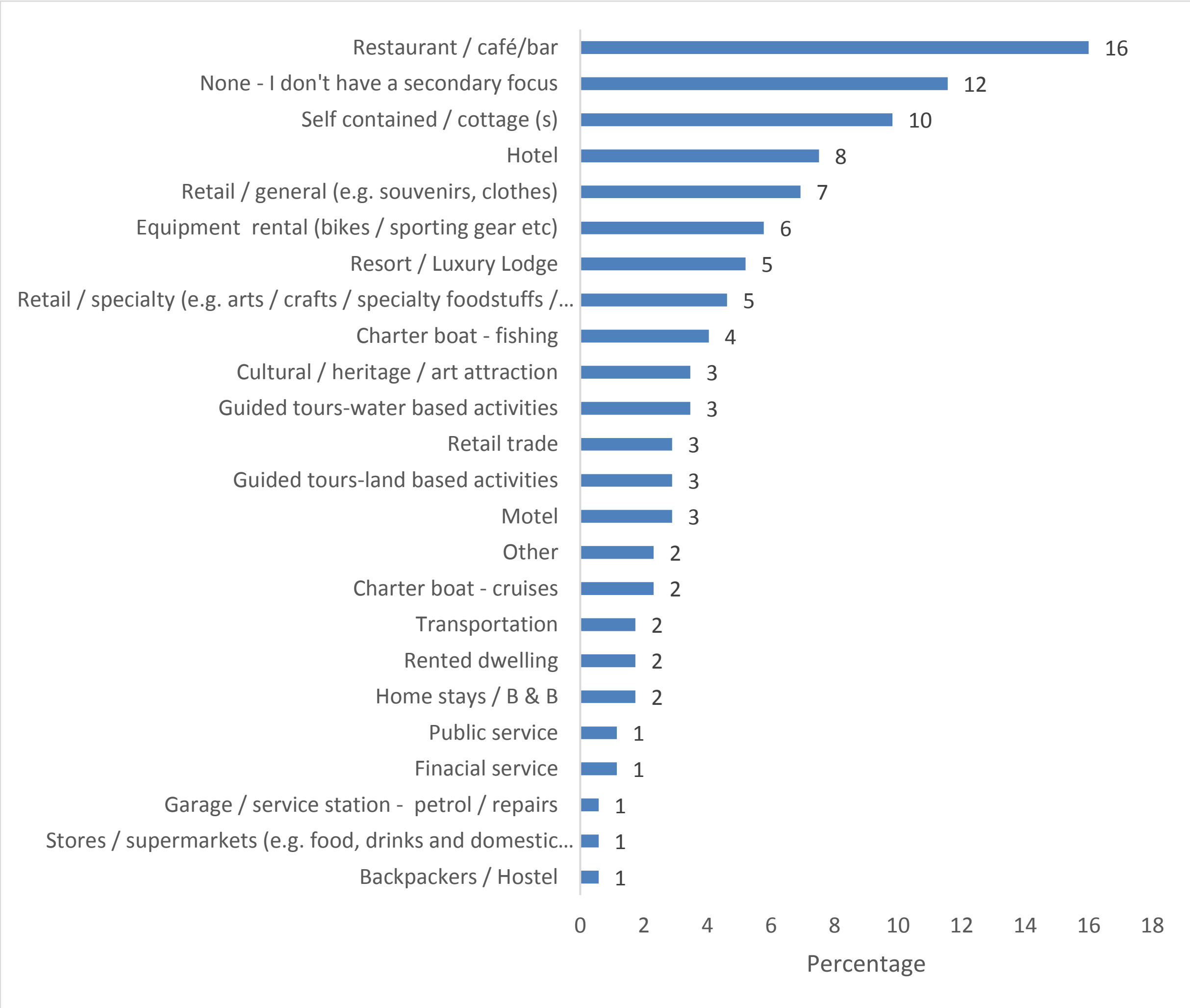
'Other business sectors' include restaurant/cafe/bar (23%), specialty retail (11%), equipment rental (9%), and general retail (9%) (Figure 8). "Other" businesses include consultant and marketing, public service, financial service, and agriculture.

Figure 8: Other business sectors: main focus of business (n = 48)



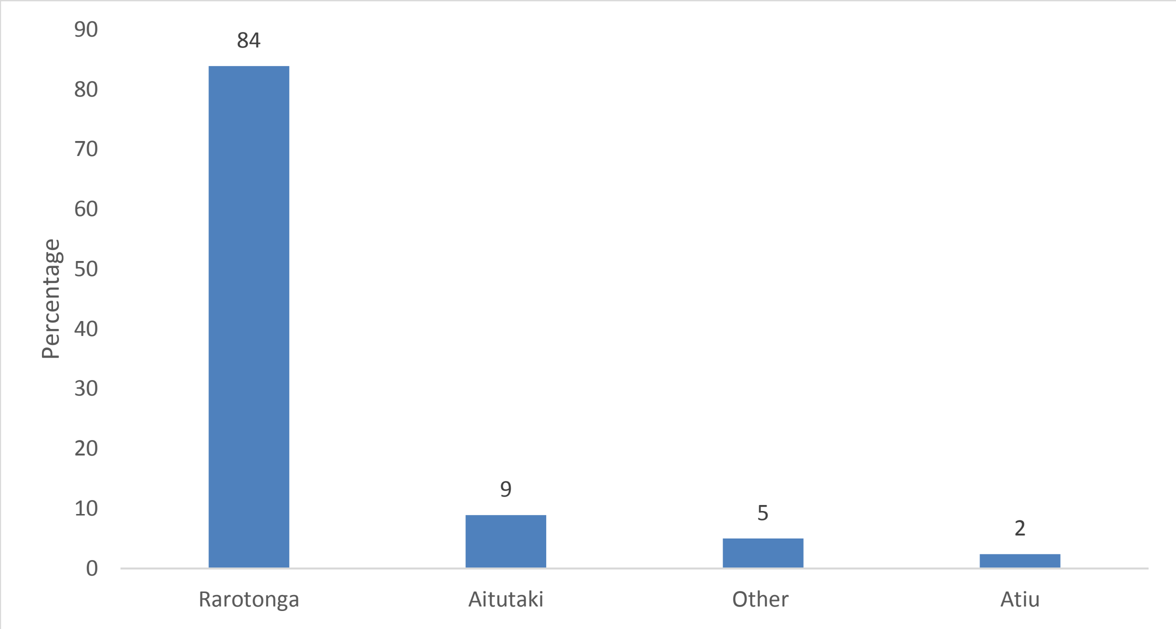
Respondents were also asked to indicate whether they had secondary business activities in addition to their primary focus. Secondary business activities were mainly focused on restaurant / café / bar (16%), self-contained / cottage accommodation (10%), hotels (8%), general retail (7%) and equipment rental (6%) (Figure 9).

Figure 9: Secondary focus of business (n = 121)



The majority of businesses covered in the survey are located in Rarotonga (84%), with a small number of businesses located in Aitutaki (9%) and Atiu (2%) (Figure 10). Approximately 5% came from other outer islands including Mangaia, Mauke. Compared with the 1st survey, more businesses located in the outer islands participated. As the survey progresses we hope to increase participation from the outer islands and to find ways to encourage more awareness of, and engagement with, the survey.

Figure 10: Where is your primary business located (n = 124)

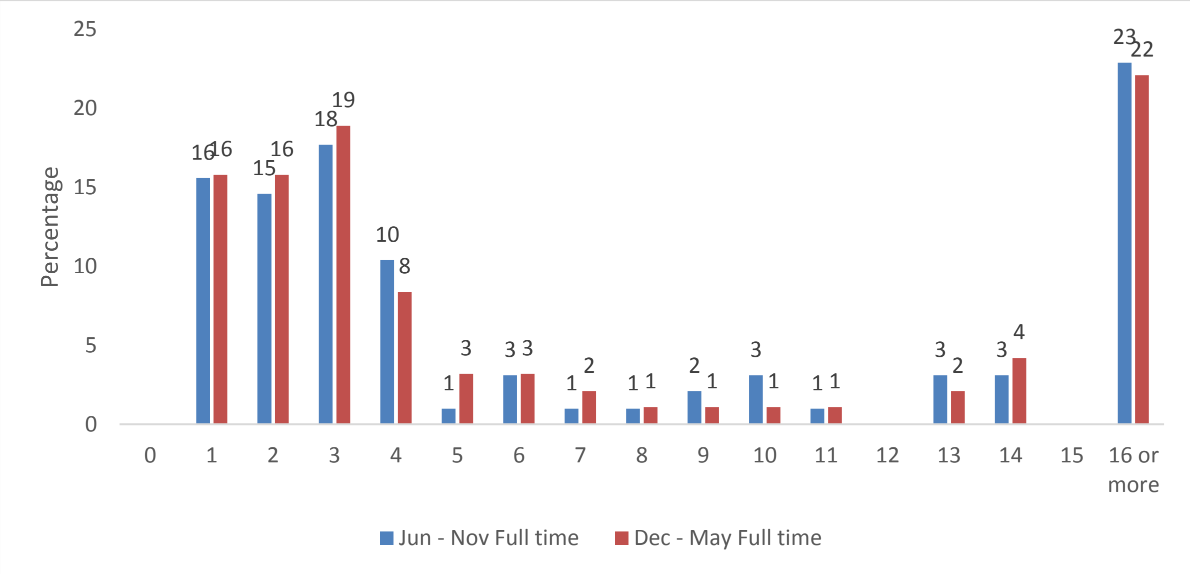


Nearly all (98%) of businesses captured in the survey (both tourism and non-tourism) operate all year round. Of the very small number of businesses that do not operate year round, two thirds third close in February, and one third close in December and January.

Staffing

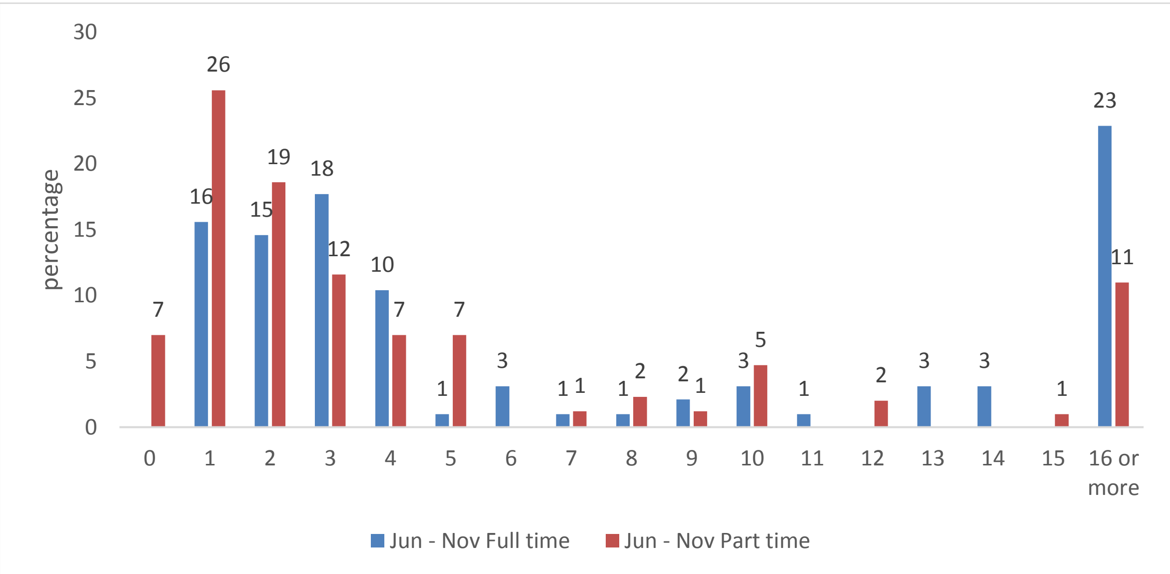
During the high season (June to November) the average number of full-time staff per business is 8 (Figure 11). We can clearly see the bifurcated nature of the businesses responding – most with either 1-4 staff or 15 and over. All of the businesses that participated in the survey hire at least one full time staff member.

Figure 11: Average number of full-time staff (n=95)



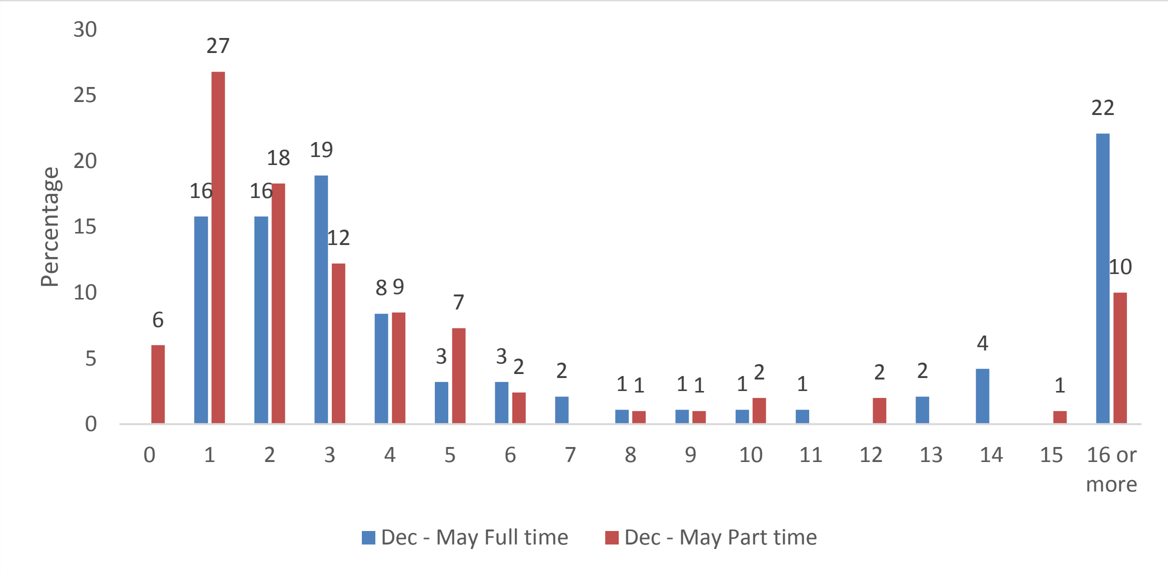
Over half (58%) of the businesses employ four or fewer full-time staff. Nearly one quarter (23%) of businesses have more than 15 full-time staff (Figure 12). The majority (63%) of businesses employ fewer than 4 part-time staff.

Figure 12: Number of full and part-time employees (including respondent) from June to November (n = 86)



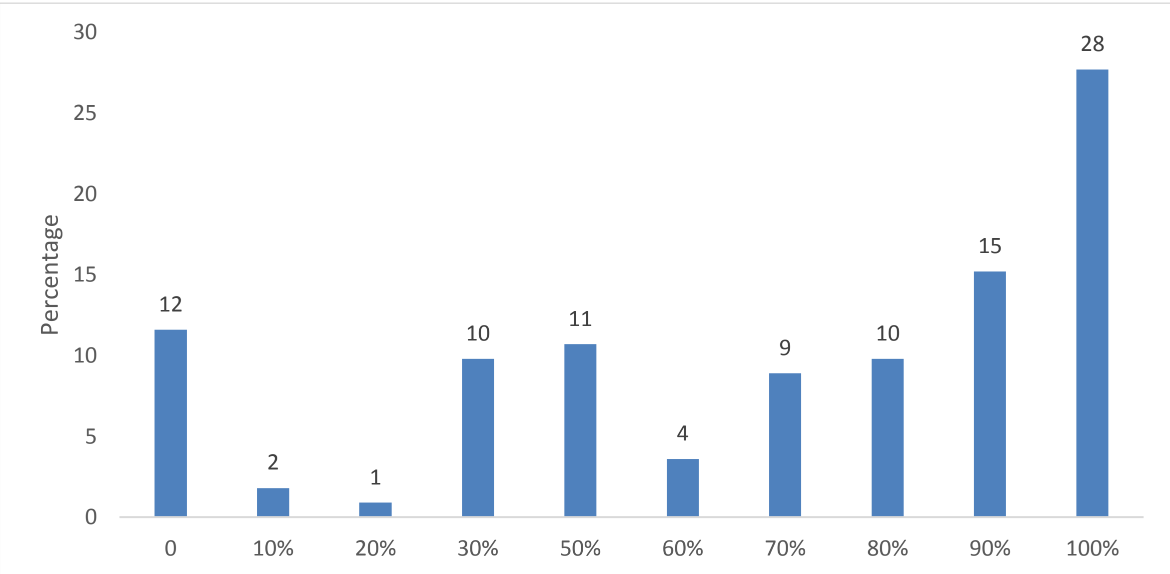
During the low season (December to May), the average number of full-time and part-time staff per business are 7 and 5. Over half (59%) of the businesses employ four or fewer full-time staff. Nearly one quarter (22%) of businesses have more than 15 full-time staff (Figure 13). The majority (66%) of businesses employ 4 or fewer than part-time staff.

Figure 13: Number of full and part-time staff (including respondent) from December to May (n = 82)



Over one quarter (28%) of businesses employ 100% Cook Islands Maori staff, with a further 15% indicating that at least 90% of their staff are Cook Islands Maori (Figure 14).

Figure 14: Percentage of staff that are Cook Islands Maori (n = 112)



Nearly two thirds (60%) of businesses covered in the survey indicated they have problems finding suitable staff. Of those respondents who stated they have difficulty finding staff, one third (32.9%) noted that they find it hard to recruit staff with the specific skills needed (Table

1). Over twenty percent mentioned that it is difficult to find suitable human resources in the Cook Islands. A further 20% stated that it is difficult to find "reliable" staff that will turn up when needed. For a small group there was a sense that the local people were not willing to work, especially Sundays (7.1%).

Table 1: Problems finding suitable staff? (n=70)

Theme	Share of respondents %
Suitable skills	32.9%
Limited local human resources	22.9%
Reliability	20.0%
Unwilling to work	7.1%
Other	4.3%
Low pay scale	1.4%

* 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 included:

> *"Difficulty finding Cook Islanders with a good knowledge of the culture and history and who can converse easily with all age groups."*
>
> *"Tried for 15 years, very rare to find locals that are interested in Scuba Diving."*
>
> *"Too many people leaving. Not enough resources to service growing tourism numbers."*
>
> *"Constant problems finding local staff. Even after posting the positions we are lucky to get any applicants. Getting staff who can work Sunday is a huge issue."*
>
> *"Had problems with reliability and honesty."*
>
> *"Not enough CI people willing to work."*
>
> *"Hard to recruit young Maori Cook Islanders to do housekeeping work."*

Of those who did not have any difficulties finding staff, the majority of those that commented noted that it was easy to hire family members for a family owned business, and that their staff may introduce their friends and/or partners who are looking for a job. Some respondents noted the importance of paying well to attract or keep staff.

When hiring new employees, over half (52.3%) of businesses are looking for reliability and honesty (Table 2), with one quarter (24.8%) focusing on good work ethics, such as commitment, puncture, working hard, and sober habits. Twenty two percent of businesses mentioned specific skills and relevant education as being essential attributes. Nearly twenty percent mentioned positive attitude towards learning is an important aspect. Personality traits, such as honesty, flexibility, enthusiasm, positive attitude, loyalty, and responsibility is considered by 18.3% of participants. Only six percent mentioned being 'local' as a key factor they looked for in staff.

Table 2: What are you looking for when you hire new employees? (n=109)

Theme	Share of respondents %
Reliability, commitment	52.3%
Good work ethics	24.8%
Skill and education	22.0%
Ability and willingness to learn	19.3%
Personality	18.3%
Experience	12.8%
Local staff	6.4%
Other	7.3%

* 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 on what businesses are looking for in employees included:

> *"Anyone who turns up! Willingness to work, good team player, reliable, good communicator, can work Sunday's."*
>
> *"Reliability, honesty, willing to turn up on time. Ability to complete tasks as directed."*
>
> *"Knowledge of Cook Islands Environment, reporting skills, people skills, reliability and honesty (not in that order)."*
>
> *"Ability to communicate, good work ethic, responsible, good time management, ability to use their initiative. Good presentation of themselves and a sense of professionalism."*
>
> *"Good attitude, work ethic, personal attributes, honesty, reliability, experience (less important)."*
>
> *"Cook Islanders with a good knowledge of the culture and history, and can converse easily with all age groups."*

Over half (59%) of businesses noted that they have training needs (Table 3). Of these, nearly one third (31.7%) focused on the need to train their staff in customer service and care. Other training needs include: general hospitality and tourism (23.3%), management skills (15%), sales and marketing (15%), and accounting skills (10%).

Table 3: Business training needs (n=60)

Theme	Share of respondents %
Customer service	31.7%
Hospitality and tourism	23.3%
Sales & marketing	15.0%
Management	15.0%
Accounting	10.0%
Housekeeping	6.7%
Technical skills	6.7%
Food and beverage	6.7%
ICT skill	6.7%
First Aid	5.0%
Retail skills	3.3%
Lifeguard	3.3%

* 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 on training needs included:

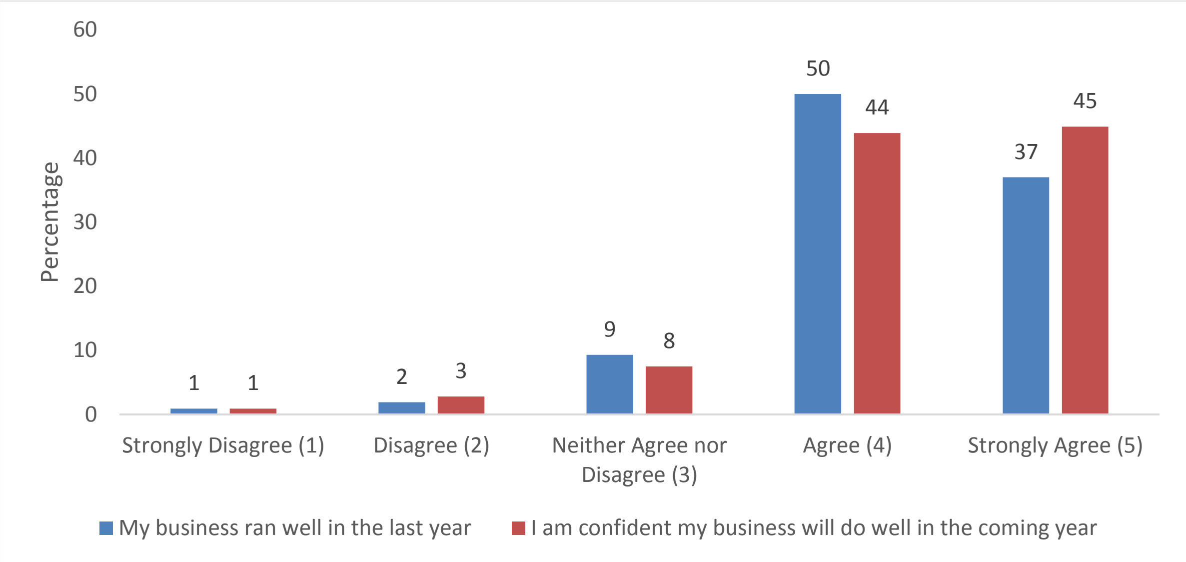
> *"Service training, accountability and knowledge of what the expectations of guests visiting Aitutaki are."*
>
> *"Customer Service - how to deal with complaints, how to be courteous."*
>
> *"Hospitality training. We use CITTI which is great - but adding a housekeeping course would be ideal."*
>
> *"Project management, proposal writing, field work technical skills."*
>
> *"Becoming an Examiner for IKO- so that we can certify instructors."*
>
> *"On going short hospitality courses for front of restaurant staff, all kitchen staff."*
>
> *"IT and Social Media Marketing training."*

Respondents were asked to list any local business/organisations they belong to. Just over two thirds (71%) of respondents answered the question - including 11% who specifically said they do not belong to any grouping. The majority of those that did respond are members of the Chamber of Commerce (36%), and/or the Cook Islands Tourism Industry Council (36%).

The business climate

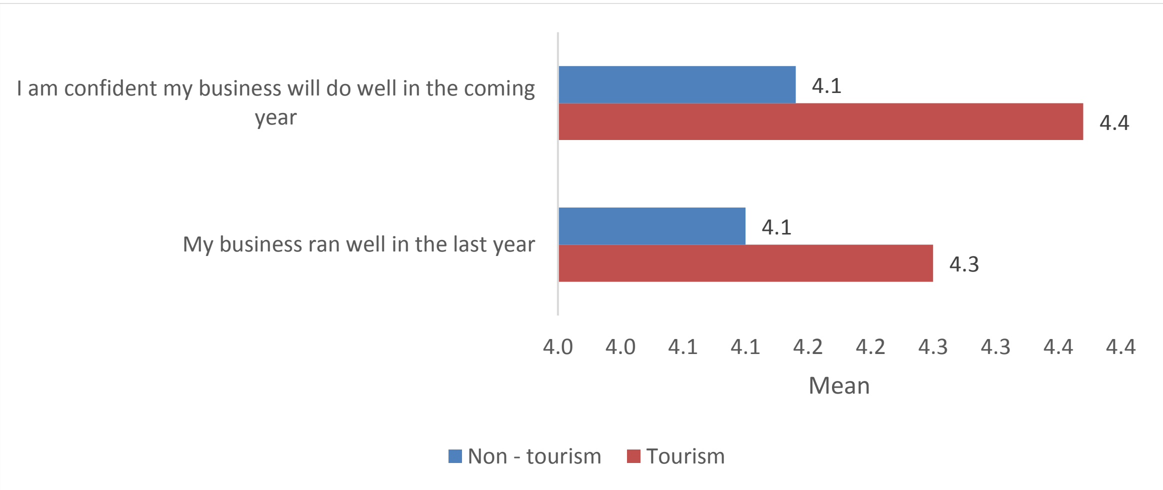
Respondents were asked to rank statements relating to their levels of confidence in the business climate. The majority (87%) of respondents feel that their business ran well in the previous 12 months (with an average response of 4.2 out of 5), and nearly nine in ten (89%) respondents feel confident that their business will do well in the coming year (with an average of 4.3) (Figure 15).

Figure 15: Please indicate your level of agreement with the following statement (n=108)



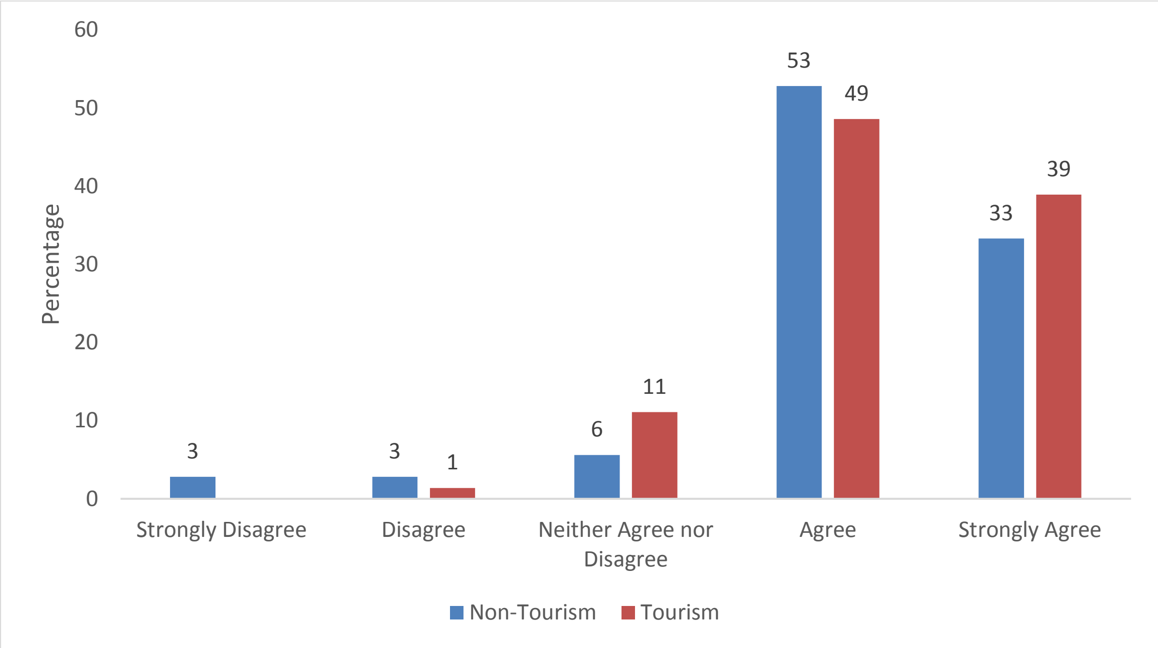
Tourism businesses have more confidence than non-tourism businesses about the coming 12 months (2017) and were more positive about the previous year (2016) as well (Figure 16). The confidence of tourism businesses is higher than non-tourism businesses. Compared with the 1st survey conducted at the start of the year tourism businesses show an increase in their confidence both for the previous year and the coming year.

Figure 16: Please indicate your level of agreement with the following statement (n = 107)



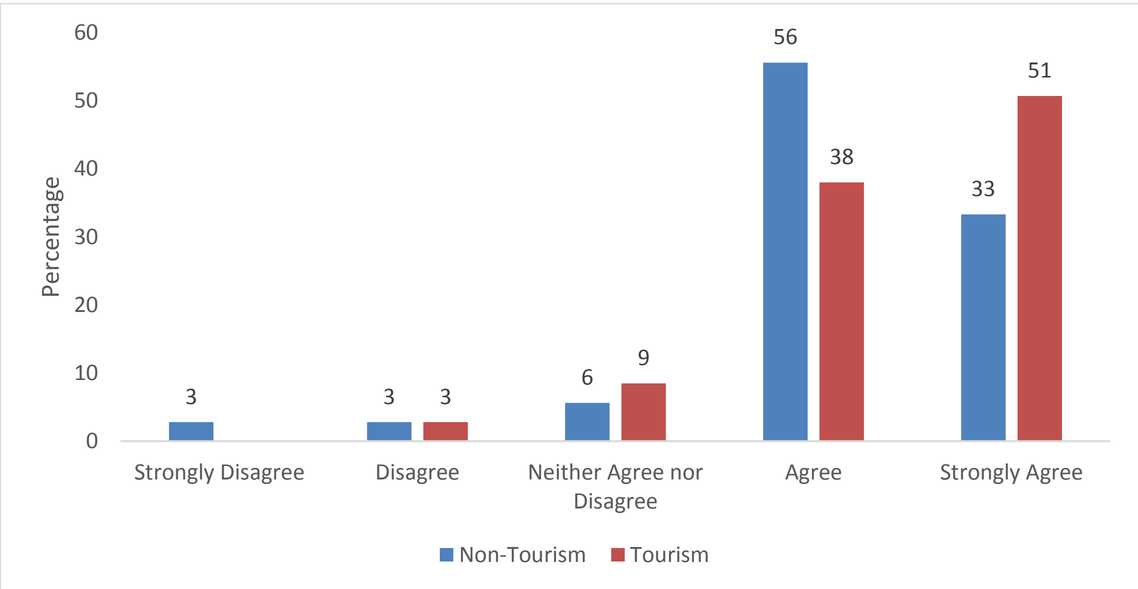
Non-tourism businesses were more in agreement with the statement "My business ran well in the last year (53%), than tourism businesses (49%) (Figure 17). However, more tourism businesses (39% vs 33%) strongly agree with this statement.

Figure 17: My business ran well in the last year



Levels of "strongly agree" with the statement "I am confident my business will do well in the coming year", were much higher among tourism businesses (51%) than their non-tourism counterparts (33%) (Figure 18). This represents a significant increase over the previous survey when only 34% of tourism businesses strongly agreed with the statement.

Figure 18: 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 (26.2%) of respondents mentioned that climate change/environmental degradation, especially the Muri Lagoon case, would be a major challenge (Table 4), followed by business development plans (23.3), human resource development and availability (22.3%), competition from other businesses (17.5%), and political issues and regulations (16.5%).

Table 4: What do you see as being the major challenges that will face your business in next five years (n=103)

Theme	Share of respondents %
Climate change/environmental degradation	26.2%
Business development	23.3%
Human resources	22.3%
Competition from other businesses	17.5%
Political issues and regulations	16.5%
Numbers of tourists/customers	10.7%
Infrastructure	8.7%
Operating costs	7.8%
Advertising and marketing	3.9%
Destination/Tourism development	2.9%
Attracting investment	2.9%
Flight connections	1.9%
World economics	1.0%
Growing customers' spending	1.0%

* 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:

> *“Climate change - increasing water temperatures leading to increasing algae bloom and harming the reef.”*
>
> *“Inept Government action on environmental issues, and land tenure issues.”*
>
> *“The lack of action by Government on environment issues i.e. Muri Lagoon.”*
>
> *“Decline in tourism numbers thru environment issues such as Muri lagoon, and infrastructure.”*
>
> *“A move to digitalisation and automation. Bedding down the interbank payments systems.”*
>
> *“Finding casual staff to help. I do the work myself. Sorting out rent & lease with my landowner.”*
>
> *“Lack of human resources to take up the roles required in the business operation.”*

"Picing Competition New Businesses Continued growth in Tourism."

"Influx of non-accredited operators on the water and global warming."

"Lack of government focus on the industry and supporting it to be able to develop and be viable."

"The Muri Markets have affected business in the village. We have a steady trade now only four days out of 7."

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 mentioned more "high quality/yield" tourists (19%), general business growth (18%), and the opportunity to develop more new markets (14%) (Table 5).

Table 5: What do you see as being the major opportunities for your business in the next five years? (n=96)

Theme	Share of respondents %
General business growth	39.6%
More high yield tourists	21.9%
Product development	9.4%
Improved flights	8.3%
Marketing	7.3%
Greater collaboration	6.3%
Other opportunities	5.2%
Target market segments	5.2%
Tourism growth	5.2%
Technology	2.1%
Local human resources	2.1%
Improved Environment	1.0%

* 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:

"Growth development as visitors became more aware of our product and services."

"Continued growth in providing to the 5 star client and working towards greater yield."

"Enhance and keep the high standards concerning food quality, service standards and CRM."

"Being able to stay ahead and being part of the market change."

"Tourism growth and younger tourists seeking more adventurous activities."

"New product development to respond to new emerging customer segments & needs."

"Increased flight capacity to Rarotonga, more local events focused in Aitutaki."

"Increased presence in NthAM market, consolidation of NZ and AUS markets – more direct flights."

"We need to collaborate, compete and change, its difficult...... and exhausting, and demand seems to be at the lower end for cheap food served in plastic containers ... go figure."

"The Mana Tiaki "protect a little paradise" programme that will bring income to support our work."

When respondents were asked: "Where do you see your business going in the next five years", over half of the comments focused on continued growth trajectory (52.1%) (Table 6). Many comments indicated that they would like to maintain their current level of business activity (22.3%). Nearly ten percent (9.6%) of businesses mentioned they would love to expand the business, but this depends on the tourism development and other factors, such as environment degradation. Technology (9.6%), product enhancement (6.4%) and service improvement (5.3%) were some of the other areas highlighted. In the category of "other", two businesses are planning to sell the business, one mentioned decline.

Table 6: Where do you see your business going in the next five years (n=94)

Theme	Share of respondents %
Continued growth	52.1%
No change	22.3%
Depends	9.6%
Technology	9.6%
Product enhancement	6.4%
Service improvement	5.3%
Other	4.3%
Higher occupancy	2.1%
Higher profit	2.1%
Environment concerns	2.1%
More network	2.1%

* 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:

"Constant building industry growth will continue to see growth in opportunities."

"It will continue to grow regardless of support or lack of support from tourism."

"Continued growth on the back of increased air capacity and more direct access to the market via the internet."

"The Company is already well developed however there's always room for improvement so continued upgrading of our systems, continued emphasis on marketing thru online & social media, attending tourism related workshops, looking at overseas trends and listening to customer feedback, looking after staff all contribute to keeping on top of the game. Looking forward to good progress & continued growth with the business and the local community/businesses for at least the next 5 years."

"We are happy to maintain our current level of staffing, but increase on the ground community projects with funding from Mana Tiaki."

"I don't see business growth, we are trying to scale down operations to the demand. We are limited to changing too much of our product due to the fixed operating costs of our location."

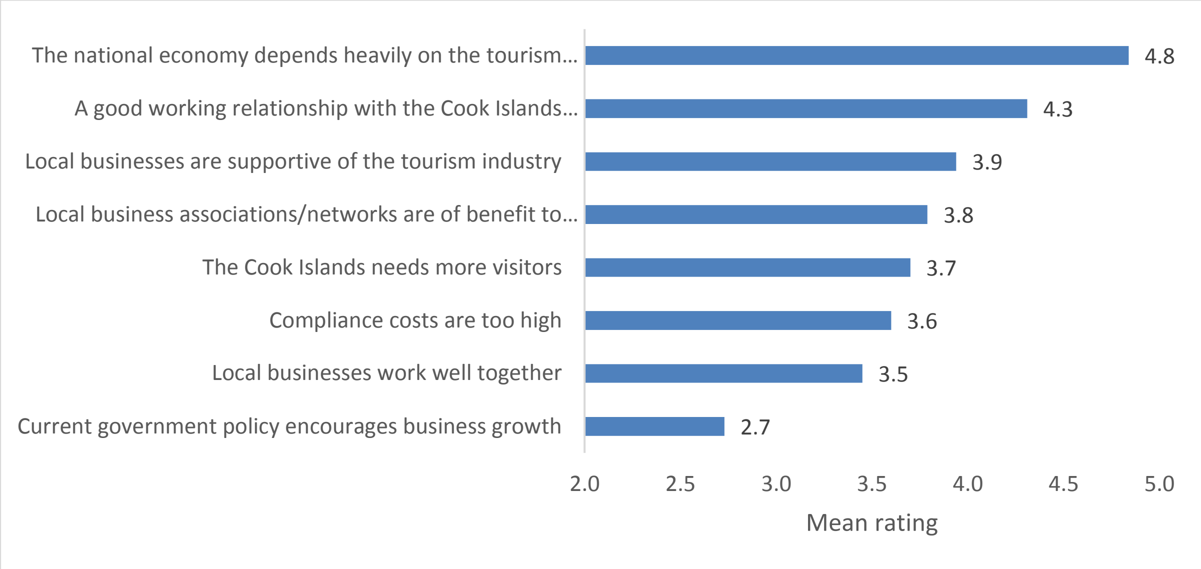
"We don't want to grow as in numbers, we want to keep our quality high."

"Hopefully more sustainably and eco-friendly with less impact on the environment."

"Hard to say at this point. We are quite reliant on Tourism. Changes in the Tourism Industry will affect us. Upgrading our Fleet is of Priority but an extremely costly exercise."

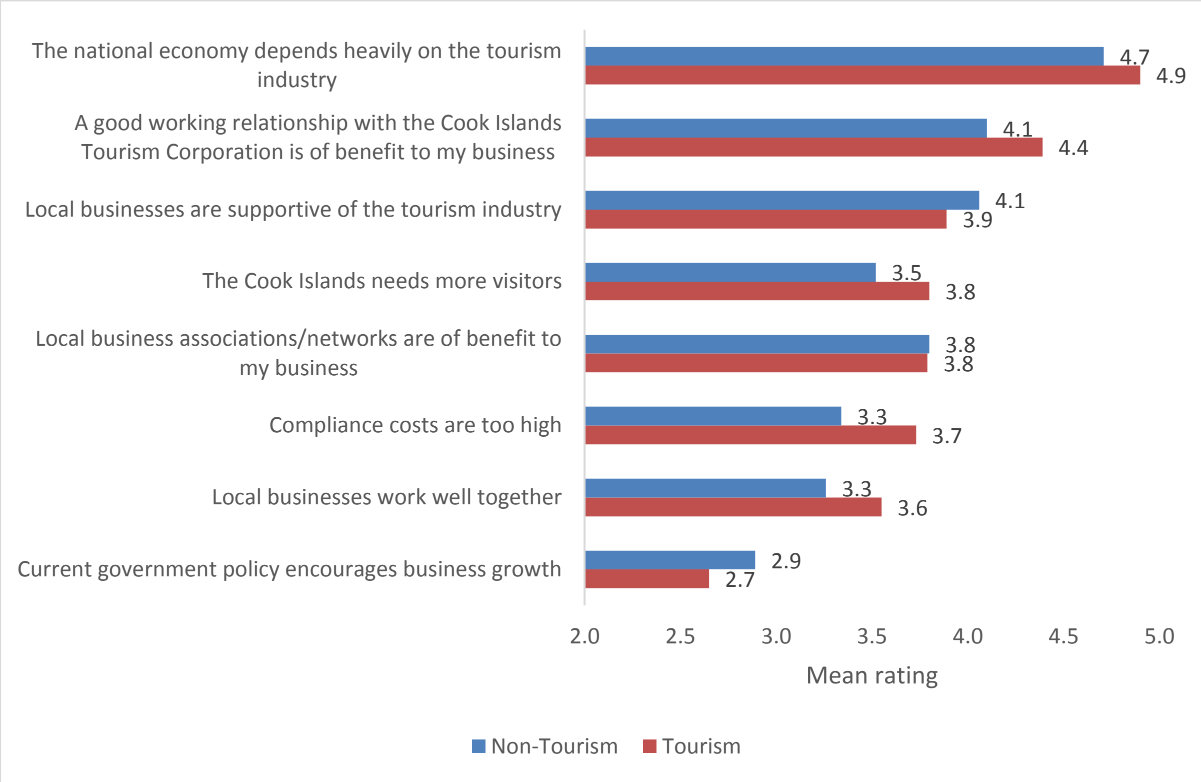
Respondents were asked to rate their agreement with a range of statements about tourism, the Cook Islands and government policy (Figure 19). The statement "the national economy depends heavily on the tourism industry" received the highest level of agreement (4.8 out of 5). "Current government policy encourages business growth", by contrast, received the lowest rating (2.7 out of 5). In the 1st survey, the agreement rate of "the Cook Islands needs more visitors" was 4.2 in the 2nd survey this was rated only 3.7. In simple terms there seems to be a growing awareness that the future of the industry lies in higher yield, lower impact tourism.

Figure 19: Please respond to the following statements (n =105)



Tourism businesses show a higher level of agreement compared with their non-tourism counterparts, with tourism related statements (Figure 20), such as “the national economy depends heavily on the tourism industry” and “a good working relationship with the Cook Islands Tourism Corporation is of benefit to my business”. Tourism businesses also have a higher level of agreement with the statement “the Cook Islands needs more visitors”, “compliance costs are too high”, and “local business work well together”. Tourism businesses are less likely than non-tourism businesses to agree with the statement that “local business are supportive of the tourism industry” and “current government policy encourages business growth”. Tourism businesses showed a higher level of agreement with the statement “A good working relationship with the Cook Islands Tourism Corporation is of benefit to my business” than in the 1st survey.

Figure 20: The importance of statements relating to the Cook Islands - tourism and non-tourism sector



Twenty nine respondents gave further comments, including:

> *"I think we need to put the ecology first before looking at increasing tourist numbers on the island. We don't want to spoil the island with high nutrients and rubbish."*

> *"Unlevel playing field in hospitality - easy entry for food stalls, controls in place but few locals take this seriously. Same with the Liquor Licensing."*

> *"Govt departments need to work hand in hand with non govt owners and stop imposing fees and ridiculous health checks during our busy time."*

> *"The government needs to focus on working with Cook Islanders to encourage them developing skills to give them opportunities in the hospitality industry. Try to change the perception of working in hospitality form a menial job to a career option. Or allow for easier roads to employ from overseas and improve the speed and requirements of the process."*

> *"Environmental issues urge to be solved: eco-friendly sewage system by law urges, rubbish bins installed everywhere, laws to stop burning plastics, banned agricultural chemicals, etc."*

> *"The BTIB process is cumbersome. Land law reform is needed to drive sustained and valued investment."*

"We cannot support more visitors as the infrastructure is not there. Roads, Water is going to be a big problem as more buildings are built. They use bigger pipes and some locals are left without any water while businesses have swimming pools. Locals are becoming second rate citizens in their own country."

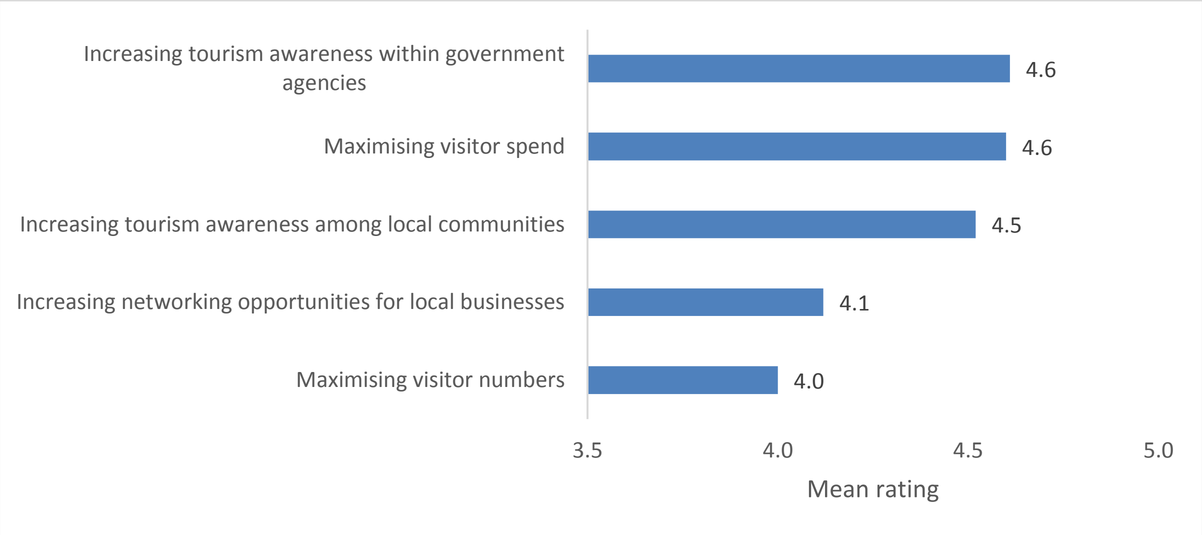
"Government need to review its tax system on businesses with the aim to allow businesses to grow. One of the ways to do this is to remove taxation on secondary employment."

"Inefficient government tax administration is a major challenge for small businesses especially in unprecedented and "surprise" tax liabilities/penalties charged by Tax department. Liabilities dating back to many years (unknowingly to taxpayers). Good tax administration and regular issue of notices could have avoided all the trouble. Tax penalties are not "real tax" so government should consider writing these off to allow fresh start for businesses."

"I believe Government should play an active role in ensuring locals not involved with tourism understand and buy into the benefits for the whole economy, I also think that all that are involved in education and training here should be delivering tourist-focussed courses and qualifications - qualifications will lift the bar on service and great service means higher wages can be achieved."

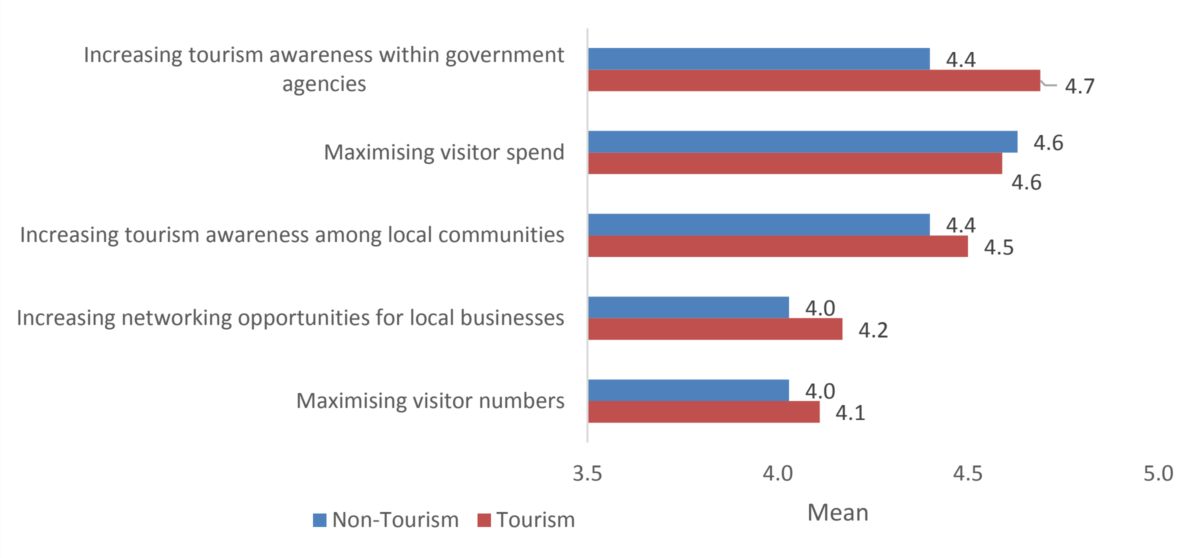
When respondents were asked to rate a range of statements in terms of their importance to the Cook Islands, "maximising visitor spend" and "increasing tourism awareness within government agencies" were given the highest scores (4.6 out of 5) (Figure 21). Compared with the 1st survey, fewer businesses rank "maximising visitor numbers" as the most important aspect.

Figure 21: How important are the following to the Cook Islands (n = 105)



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 within government agencies", "increasing tourism awareness among local communities", and "increasing networking opportunities for local businesses" than their non-tourism counterparts (Figure 22).

Figure 22: How important are the following to the Cook Islands - tourism and non-tourism sector



Additional comments relating to this question included:

> *"Most important is to respect and take care of the environment. Everything else will follow."*

> *"Maximising visitor numbers is not as important as maximising visitor spending. The more the visitors the higher is the stress to our environment, hence a cost to us to maintain."*

> *"Immigration needs to be more in touch with tourism. We need a seasonal workers plan that makes it easy to have short term 3-5 mth permits without requiring police checks and health certs, especially if they are NZ passport holders. Same with Health Dept, they do not enforce compliance with their own regulations."*

> *"We need to be striving for a quality tourism who spends more, rather than mass market who do not spend great numbers. Sustainable tourism numbers is the key, particularly with what is quite basic infrastructure."*

> *"I think that in Aitutaki, it being such a small community, suppliers to the tourism trade should understand that the tourists are the ones that keep the economy of the island afloat and their attitude towards them and the resorts they may supply should be more consistent."*

“Some of the grumpiest people to deal with on Raro are govt workers. It's embarassing to bring a wedding couple to the courthouse and have the marriage registry staff treat them rudely.”

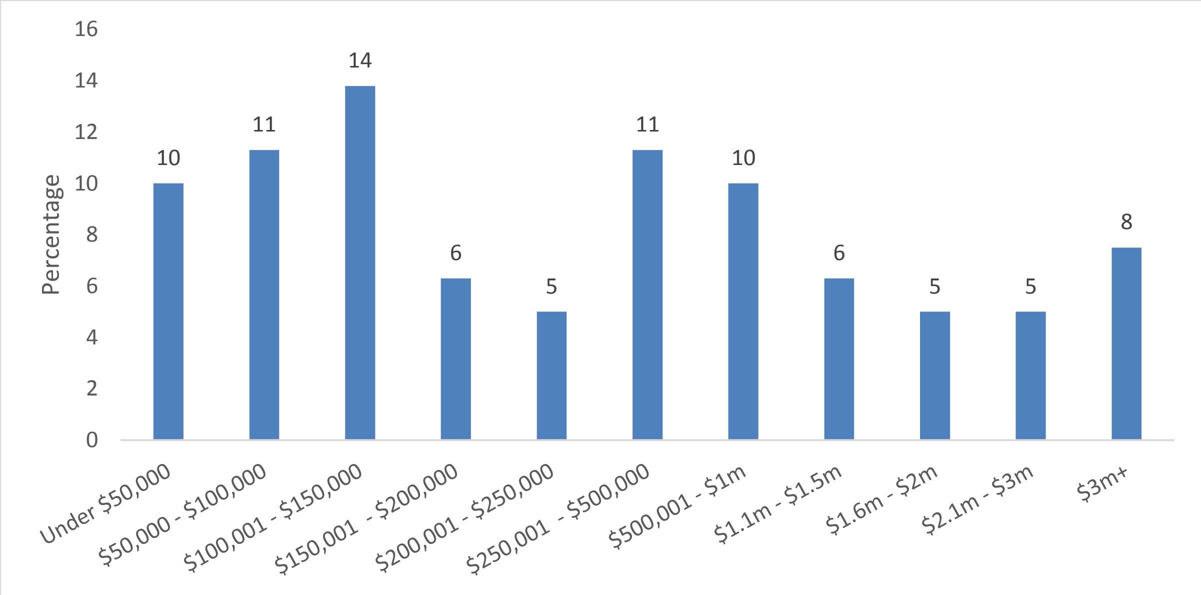
“Everyone in country needs to understand the importance of tourism as a generator of funds to pay their wages and livelihoods in the Cook Islands.”

“Road rules - in parts, the new helmet law does not make any sense. Why do older tourists need to wear helemts but locals don't. Try to explain that to someone!”

Revenue, cost and linkages

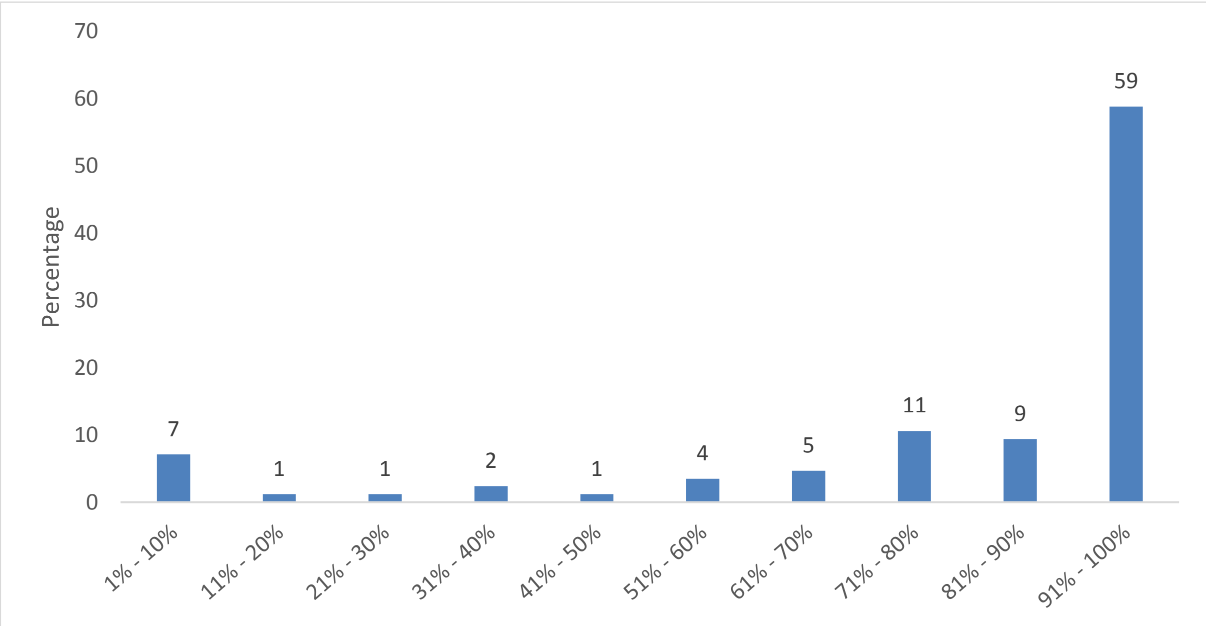
Over one third (35%) of businesses surveyed reported an annual turnover of less than $150,000 in the last financial year (Figure 23). A further 24% of businesses generated more than $1million in revenue. Compared with the 1st survey, fewer businesses reported an annual turnover under $50,000.

Figure 23: Approximate annual turnover in the last financial year (VAT inclusive) (n = 80)



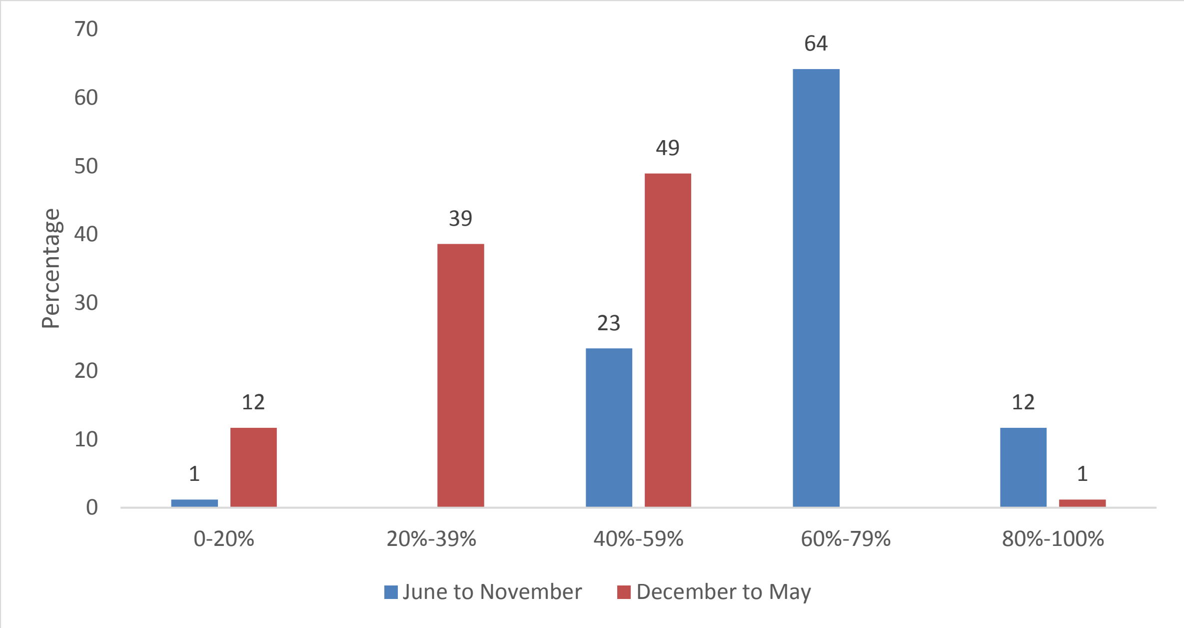
Well over half (59%) of the businesses surveyed attribute more than 90% of their annual turnover directly to tourism (Figure 24). Only 7% of businesses indicated less than 10% of revenue flowing directly from the sector.

Figure 24: Approximate annual turnover estimated to come directly from tourism (n = 85)



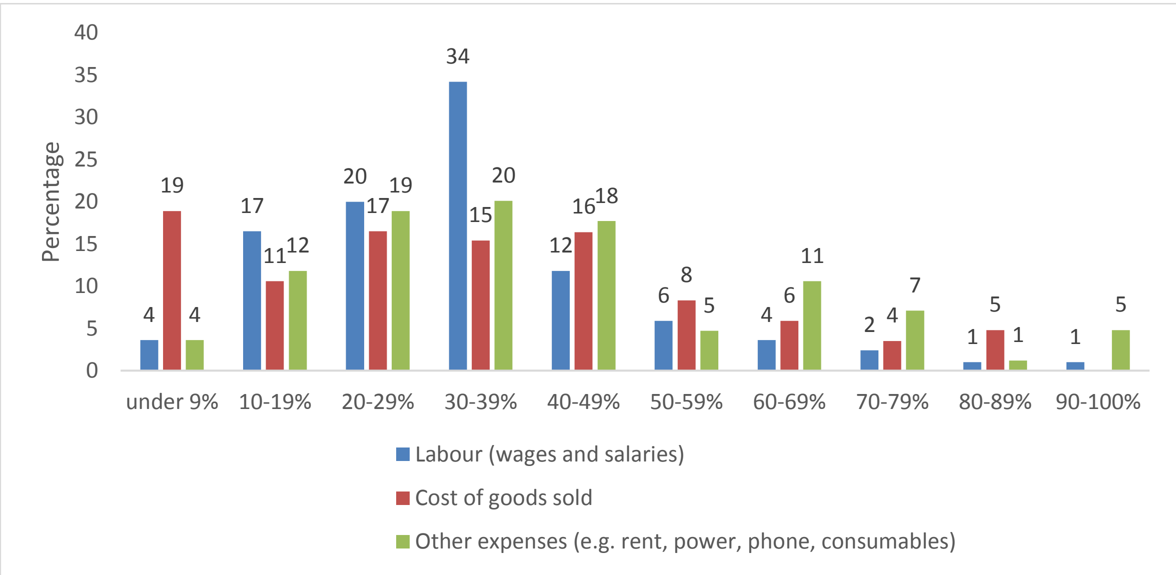
Respondents were asked to estimate what percentage of this turnover is generated in the high season (June to December) and low season (December to May) (Figure 25). On average, 64% of turnover was generated during high season (36% of turnover was generated during the low season). Nearly two thirds (64%) of businesses surveyed generate more than 60% of their revenue during the high season.

Figure 25: Percentage of this turnover generated in the high/low seasons (n=86)



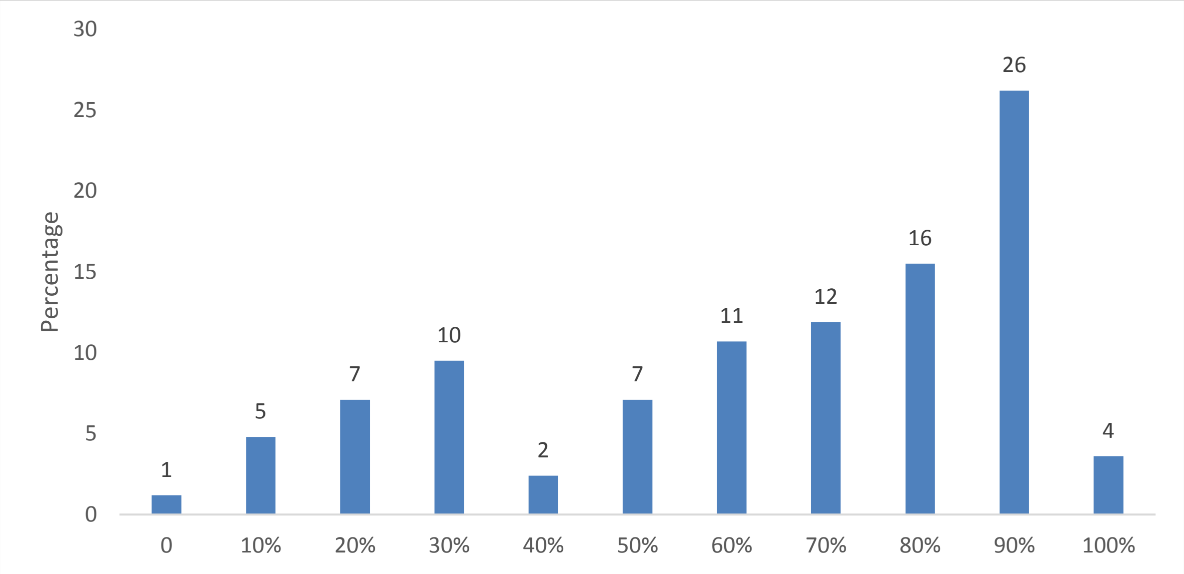
On average, 62% of business costs are allocated to labour (wages and salaries) and the cost of goods sold, 38% of annual business expenses are allocated to 'other expenses including rent, power, phone and consumables (Figure 26).

Figure 26: Approximate breakdown of the business annual expenses (n=85)



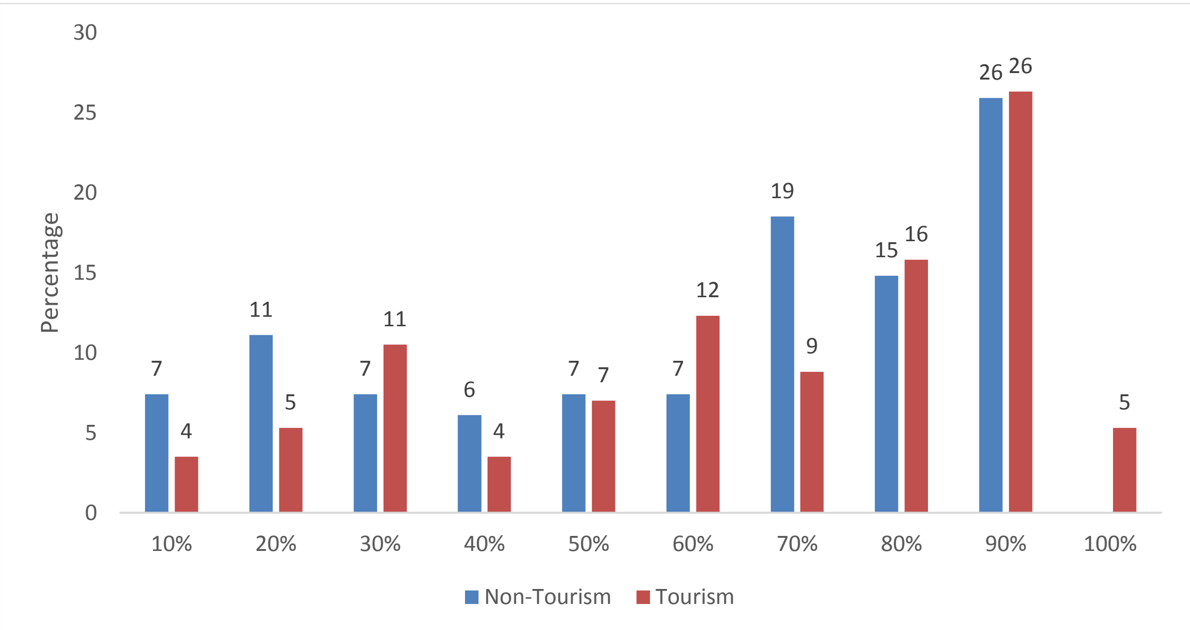
Over half (57%) of the businesses make more than 70% of their purchases of products and services locally (Figure 27).

Figure 27: Percentage of non-labour expenses spent annually on products and services supplied by businesses in the Cook Islands (n=84)



Well over half (56%) of the tourism businesses make more than 70% of their non-labour purchases through businesses based in the Cook Islands, while only 59% of non-tourism business make more than 70% of purchases of products and services locally (Figure 28).

Figure 28: Percentage of non-labour expenses spent annually on products and services supplied by businesses in the Cook Islands – tourism and non-tourism sectors



Conclusions

While businesses in the tourism industry and other sectors are generally positive about their outlook, there are several concerns that emerge from the survey. Perhaps the most critical thing to emerge is the lack of cooperation and networking within the nation. This lack of cooperation hinders the ability of the country to make the most of the diverse array of tourism resources and business skills that exist.

The businesses surveyed revealed a higher level of confidence for the coming year than in the previous survey. There are, however, challenges that need to be addressed, such as climate change, environmental degradation, human resources, political issues and the lack of effective implementation of regulations. Businesses feel strongly that the government does not provide enough support for tourism development. Results showed a clear call for the government to give more funding to local industry in the region.

There is a clear awareness of environmental and sustainability issues and a desire to develop a higher yield, higher value tourism industry, there were also a notable number of comments relating to the quality or standard of tourism declining.

The goal of this research programme was not simply to generate business data. It is also to bring industry together around a common cause: the need to generate cost-effective and robust data that can be shared in a way that can guide the development of local business policies. The Business Surveys are an important barometer of how the industry feels about itself, it highlights the big issues and gives crucial data to plan the way forward. Our hope is that this work will not only raise awareness of the value and importance of research but also lead to closer collaboration and networking between stakeholders in the industry and a deeper understanding on the part of government of pressing industry needs.

Data on industry costs and linkages will be used in future International Visitor Survey reports to show the indirect impacts of tourism on the local economy, by doing this it will be possible to get a clearer picture of the true value of the tourism industry to the Cook Islands.

This second survey has generated a strong response from the business sector and painted a clear picture of current levels of confidence, employment and industry needs. As the survey continues, we hope that the information generated can help inform change in the economic and political climate and provide the nation’s tourism organisations and decision makers with a wealth of valuable data to inform decision making.

Appendix – Cook Islands Business Survey

Cook Islands Business Confidence Index Survey

Information for participants

Kia Orana.

Thank you for agreeing to take part in the Cook Islands Business Confidence Index survey. Your input is important and very much appreciated.

By completing the Survey you will be helping to provide a better understanding of the current business climate facing the Cook Islands and the challenges and opportunities that lie ahead. Your participation ensures that the business sector's voice can be heard more clearly by policy makers and the nation as a whole.

We invite **all** businesses to complete the survey, regardless of sector or size. This survey will take approximately 10-15 minutes to complete.

Please be assured that all your answers will be kept in the strictest confidence and can in no way be linked to your personal details. The research is funded by the Cook Islands Tourism Corporation and conducted by the New Zealand Tourism Research Institute at AUT University, Auckland, New Zealand.

To thank you for your participation, you can go into the draw to WIN an $800 Air NZ travel voucher courtesy of Cook Islands Tourism. Enter by completing the prize draw section at the end of the survey.

Take the survey

Participation is entirely voluntary. By taking the survey you are giving consent to be part of this research.

Aggregated results of this research may be used in journal and conference publications. A summary of the results of this research will also be available on www.nztri.org in 2016.

Cook Islands Business Confidence Index Research

ABOUT YOU AND YOUR BUSINESS

As a local Cook Islands business operator, you are invited to participate in the business survey. The aim of this research is to gain a better understanding of the visitor industry in the region and to develop a visitor strategy that can enhance benefits for local communities and businesses. The survey is focused on all the businesses in the Cook Islands, not just those that are totally involved in the visitor industry.

Please note the information you give below is confidential and cannot be linked to your business in any way

1. Which of the following best describes you?

❍ Cook Islands Maori (1)
❍ Cook Islands resident other than Maori (2)
❍ Born overseas of Cook Islands parents (3)
❍ Temporary resident or contract worker (4)
❍ Other (please specify) (5) ____________________

2. How long has your business been operating in this country?

❍ 1 year or less (1)
/
❍ 30+ years (31)

3. What is your role in this business?

❍ Owner (1)
❍ Manager (2)
❍ Owner / Operator (3)
❍ Other (please specify) (4) ____________________

4. How long have you been in this role?

❍ 1 year or less (1)
/
❍ 30+ years (31)

5. What is the primary focus of your business? (select one only)

- ❍ Accommodation provider (1)
- ❍ Visitor activities / Tours (2)
- ❍ Other business sectors (3)

Answer If 5. What is the primary focus of your business? Accommodation provider Is Selected

Q38 5.1 Please indicate which of the following best describes the primary (main) focus of your business (tick one only):

- ❍ Hotel / Resort (1)
- ❍ Self catering (2)
- ❍ Holiday homes (4)
- ❍ Guest Houses / Island hosts / B & B (5)
- ❍ Backpackers / Budget / Hostel (3)
- ❍ Other (please specify) (9) ____________________

Answer If 5. What is the primary focus of your business? Visitor activities/Tours Is Selected

Q39 5.2 Please indicate which of the following best describes the primary (main) focus of your business (tick one only):

- ❍ Charter boat - fishing (1)
- ❍ Charter boat - cruises (2)
- ❍ Guided tours-land based activities (3)
- ❍ Guided tours-water based activities (4)
- ❍ Cultural / heritage / art attraction (5)
- ❍ Horse / pony trekking (6)
- ❍ Other (please specify) (7) ____________________

Answer If 5. What is the primary focus of your business? Other businesses sectors Is Selected

5.3 Please indicate which of the following best describes the primary (main) focus of your business (tick one only):

- ❍ Restaurant / café / bar (1)
- ❍ Stores / supermarkets (e.g. food, drinks and domestic supplies) (2)
- ❍ Retail / general (e.g. souvenirs, clothes) (3)
- ❍ Retail / specialty (e.g. arts / crafts / specialty foodstuffs / antiques / collectibles) (4)
- ❍ Garage / service station - petrol / repairs (5)
- ❍ Equipment rental (bikes / sporting gear etc) (6)
- ❍ Other (please specify) (7) ____________________

6. Please indicate which of the following best describes the secondary focus of your business (tick as many as apply):

- ❑ Hotel (1)
- ❑ Motel (2)
- ❑ Backpackers / Hostel (3)
- ❑ Holiday Park / Campground (4)
- ❑ Home stays / B & B (5)
- ❑ Resort / Luxury Lodge (6)
- ❑ Rented dwelling (7)
- ❑ Self contained / cottage (s) (8)
- ❑ Charter boat - fishing (9)
- ❑ Charter boat - cruises (10)
- ❑ Guided tours-land based activities (11)
- ❑ Guided tours-water based activities (12)
- ❑ Cultural / heritage / art attraction (13)
- ❑ Horse / pony trekking (14)
- ❑ Restaurant / café/bar (15)
- ❑ Stores / supermarkets (e.g. food, drinks and domestic supplies) (16)
- ❑ Retail / general (e.g. souvenirs, clothes) (17)
- ❑ Retail / specialty (e.g. arts / crafts / specialty foodstuffs / antiques / collectibles (18)
- ❑ Garage / service station - petrol / repairs (19)
- ❑ Equipment rental (bikes / sporting gear etc) (20)
- ❑ Other (please specify) (21) ____________________

7. Where is your primary business located?

- ❍ Rarotonga (1)
- ❍ Aitutaki (2)
- ❍ Atiu (3)
- ❍ Mangaia (4)
- ❍ Mauke (5)
- ❍ Other (please specify) (6) ____________________

8. Does this business operate all year round?

- ❍ Yes (1)
- ❍ No (2)

Answer If 8. Does this business operate all year round? No Is Selected

Q10 8.1 What months do you operate (tick as many as apply)?

- ❑ January (1)
- ❑ February (2)
- ❑ March (3)
- ❑ April (4)
- ❑ May (5)
- ❑ June (6)
- ❑ July (7)
- ❑ August (8)
- ❑ September (9)
- ❑ October (10)
- ❑ November (11)
- ❑ December (12)

STAFFING

Q13 9. Please indicate below how many full and part time staff (including yourself) that your business employs in the high and low season.

	June to November	December to May
Full time (30+hours/week) (1)		
Part time (less than 30 hours/week) (2)		

10. Please indicate the percentage of your staff that are Cook Islands Maori

- ❍ 0 (1)
- ❍ 10% (2)
- ❍ 20% (3)
- ❍ 30% (4)
- ❍ 40% (5)
- ❍ 50% (6)
- ❍ 60% (7)
- ❍ 70% (8)
- ❍ 80% (9)
- ❍ 90% (10)
- ❍ 100% (11)

11. Do you have any problems finding suitable staff (please comment)?

- ❍ Yes (1) ____________________
- ❍ No (2) ____________________

12. What are you looking for when you hire new employees?

13. Do you have any training needs for your business?

- ❍ Yes (1)
- ❍ No (2)

If you would like to comment, please do so here:

Answer If 11. Do you have any training needs for your business? Yes Is Selected

What training you think would benefit your business?

14. Please list below any local business or industry organisations that you belong to:

THE BUSINESS CLIMATE

15. Please indicate your level of agreement with the following statement, where 1 = strongly disagree, and 5 = strongly agree.

	Strongly Disagree (1) (1)	Disagree (2) (2)	Neither Agree nor Disagree (3) (3)	Agree (4) (4)	Strongly Agree (5) (5)	Not Applicable (6) (6)
My business ran well in the last year (1)	❍	❍	❍	❍	❍	❍
I am confident my business will do well in the coming year (2)	❍	❍	❍	❍	❍	❍

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

17. What do you see as being the major opportunities for your business in the next five years?

18. Where do you see your business going in the next five years?

19. Please respond to the following statements. On a scale of 1 (strongly disagree) to 5 (strongly agree) would you say that:

	Strongly Disagree (1) (1)	Disagree (2) (2)	Neither Agree/Disagree (3) (3)	Agree (4) (4)	Strongly Agree (5) (5)	Not Applicable (6) (6)
Local businesses work well together (1)	❍	❍	❍	❍	❍	❍
Local business associations/networks are of benefit to my business (2)	❍	❍	❍	❍	❍	❍
Local businesses are supportive of the tourism industry (3)	❍	❍	❍	❍	❍	❍
The national economy depends heavily on the tourism industry (4)	❍	❍	❍	❍	❍	❍
A good working relationship with the Cook Islands Tourism Corporation is of benefit to my business (5)	❍	❍	❍	❍	❍	❍
The Cook Islands needs more visitors (6)	❍	❍	❍	❍	❍	❍
Current government policy encourages business growth (7)	❍	❍	❍	❍	❍	❍
Compliance costs are too high (8)	❍	❍	❍	❍	❍	❍

If you would like to comment, please do so here:

20. How important do you believe each of the following is for the Cook Islands, where 1 = very unimportant, and 5 = very important:

	Very Unimportant (1) (1)	Not very important (2) (2)	Neither Important nor Unimportant (3) (3)	Important (4) (4)	Very Important (5) (5)	Not Applicable (6) (6)
Increasing networking opportunities for local businesses (1)	❍	❍	❍	❍	❍	❍
Maximising visitor spend (2)	❍	❍	❍	❍	❍	❍
Maximising visitor numbers (3)	❍	❍	❍	❍	❍	❍
Increasing tourism awareness among local communities (4)	❍	❍	❍	❍	❍	❍
Increasing tourism awareness within government agencies (5)	❍	❍	❍	❍	❍	❍

If you would like to comment, please do so here:

REVENUE, COST AND LINKAGES

Information about how your businesses links to and impacts on the Cook Islands economy is vital to help us understand the true value that tourism brings to the nation.

21. What was the approximate annual turnover of your business in the last financial year (VAT inclusive)?

- ❍ Under $50,000 (1)
- ❍ $50,000 - $100,000 (2)
- ❍ $100,001 - $150,000 (3)
- ❍ $150,001 - $200,000 (4)
- ❍ $200,001 - $250,000 (5)
- ❍ $250,001 - $500,000 (6)
- ❍ $500,001 - $1m (7)
- ❍ $1.1m - $1.5m (8)
- ❍ $1.6m - $2m (9)
- ❍ $2.1m - $3m (10)
- ❍ $3m+ (11)
- ❍ Prefer not to answer (12)

22. Approximately what percentage of the annual turnover would you estimate comes directly from tourism?

- ❍ 0% (1)
- ❍ 1% - 10% (2)
- ❍ 11% - 20% (3)
- ❍ 21% - 30% (4)
- ❍ 31% - 40% (5)
- ❍ 41% - 50% (6)
- ❍ 51% - 60% (7)
- ❍ 61% - 70% (8)
- ❍ 71% - 80% (9)
- ❍ 81% - 90% (10)
- ❍ 91% - 100% (11)

23. Approximately what percentage of this turnover is generated in the high season and during the rest of the year? (Please ensure that these two percentages add up to 100)

______ June to November (1)
______ December to May (2)

24. Please provide an approximate breakdown of your annual business expenses below. (Please ensure that these two percentages add up to 100)

______ Labour (wages and salaries) (1)
______ Cost of goods sold (3)
______ Other expenses (e.g. rent, power, phone, consumables) (2)

25. Approximately what percentage of your non-labour expenses do you spend annually on products and services supplied by businesses in the Cook Islands?

- ❍ 0 (1)
- ❍ 10% (2)
- ❍ 20% (3)
- ❍ 30% (4)
- ❍ 40% (5)
- ❍ 50% (6)
- ❍ 60% (7)
- ❍ 70% (8)
- ❍ 80% (9)
- ❍ 90% (10)
- ❍ 100% (11)

If you would like to share any other comments, please do so below.