Cook Islands Business Survey and Confidence Index

Report 2: 2018

Prepared for Cook Islands Tourism Corporation

New Zealand Tourism Research Institute
Auckland University of Technology

www.nztri.org

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Executive Summary

The report presents results from an online business survey conducted from October to December 2018. Over this three-month period, 314 businesses were contacted with 113 completed surveys received - a conversion rate of 36%. The data presented in this report includes: business profile, staffing, the business climate, revenue, costs and linkages. This survey is the sixth to have been produced since 2016 with a low and high season survey being conducted every year at approximately six month intervals. 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 (79%) of survey respondents are Cook Islands residents, and nearly all respondents are owners, operators or managers. Over two thirds (68%) of respondents have been in their current role under ten years. Over half (57%) of businesses have been operating for more than 10 years. Just under one third (32%) of businesses surveyed noted 'accommodation provider' as their primary focus, and another 12% focused on 'visitor activities/tours'. Businesses surveyed are mainly located in Rarotonga (91%), with a smaller number of businesses located in Aitutaki (6%), and Atiu (3%). The majority (98%) of businesses operate all year round.

Fifteen percent of businesses employ over 16 Cook Islands Maori staff, with a further 15% of businesses indicating none of their staff are Cook Islands Maori. Over half (52%) of businesses hire one to three women. Nearly two thirds (64%) of businesses indicated they have problems finding suitable staff. A further 64% of respondents stated that they have training needs in their business.

The majority of respondents feel that their business ran well in the last year (2017) (46%/31% agree/strongly agree), and will do well in the coming year (39%/40% agree/strongly agree). Tourism businesses show a higher level of confidence than tourism businesses about the last year and also the upcoming year. In terms of anticipated challenges to their business, over one quarter (29%) of respondents mentioned limited human resources being a significant issue. Fourteen percent of businesses identified that tourism growth represents the major opportunity for business growth in the coming five years a further 10% of businesses mentioned that visitor yield rather than simply just growing numbers. Nearly half (46%) 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" (4.8 out of 5). "Maximising visitor spend" is ranked as a very important factor to focus on at a national scale (4.4 out of 5).

Nearly one third (31%) of local businesses report an annual turnover of less than $150,000 in the last financial year. Over one third (38%) 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 designed to 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 economic sectors to be heard.

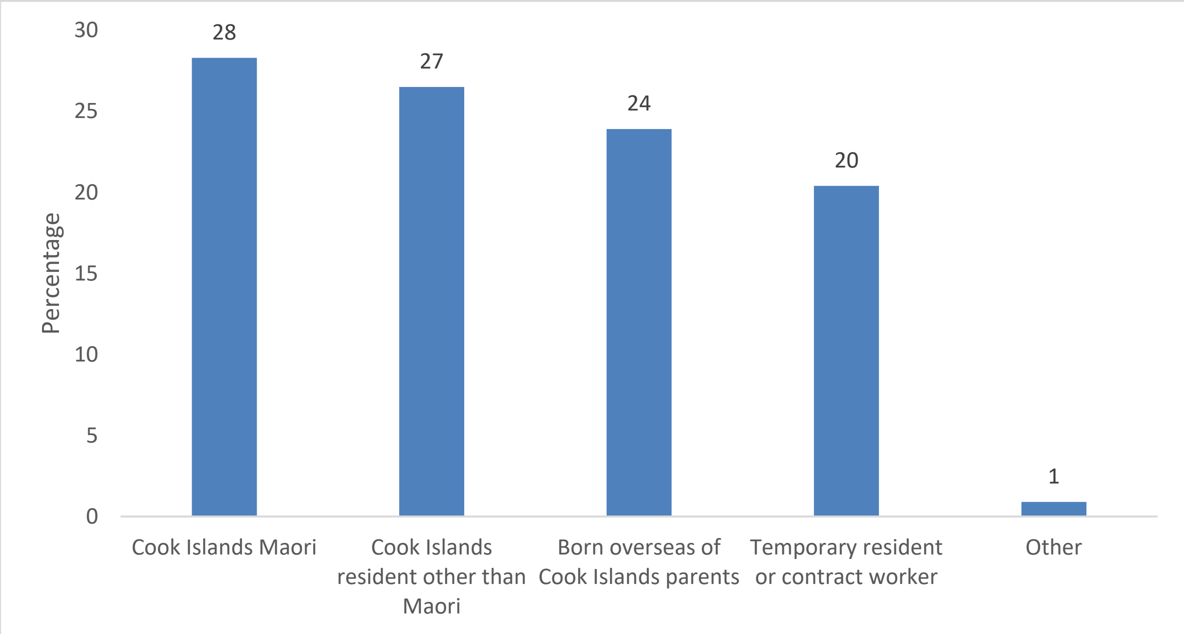
The report presents results from the Cook Islands Business Confidence Index Survey conducted from October to December 2018. Over this three-month period, 314 businesses were contacted, 113 completed surveys were received - a conversion rate of 36%. Over half (52%) of the respondents had participated the last Cook Islands Business Confidence Index Survey. This survey is the sixth 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 high 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

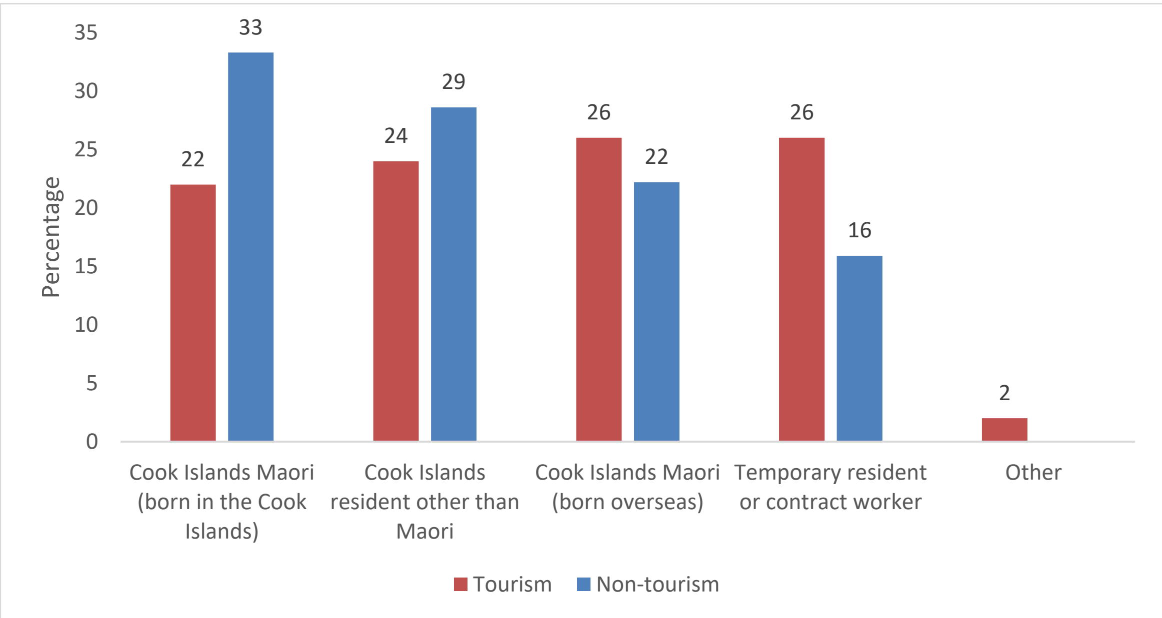
The majority (79%) of respondents are permanent Cook Islands residents - either Cook Islands Maori (28%), or non-Maori (27%), or born overseas to Cook Islands parents (24%) (Figure 1).

Figure 1: Which of the following best describes you



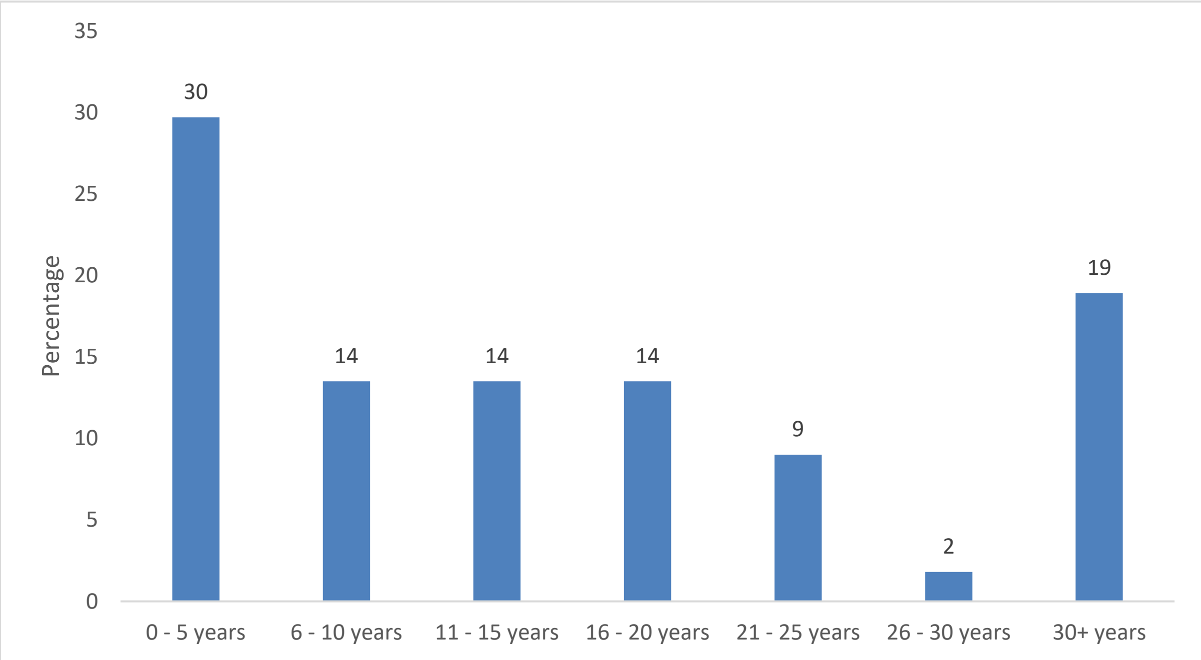
Tourism businesses attracted more overseas Maori and temporary residents or contract workers than non-tourism businesses. On the contrary, more Cook Islands resident (both Maori and non-Maori) worked in Non-tourism businesses (Figure 2).

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



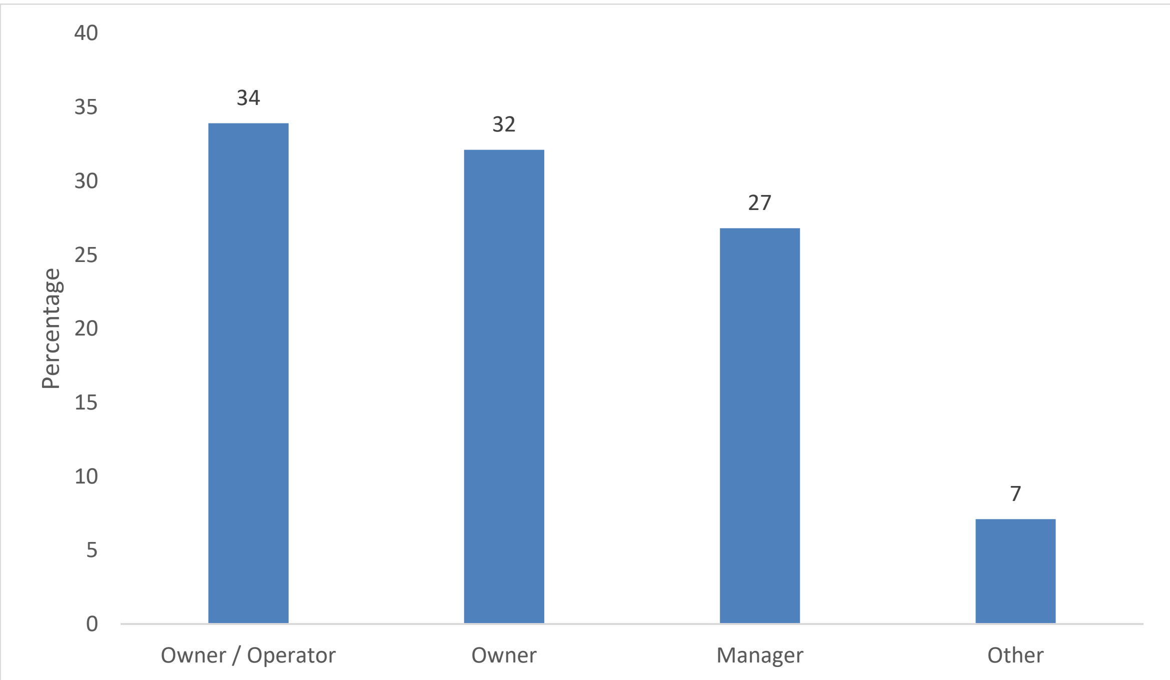
Over half of responding businesses (57%) have been in operation for more than 10 years (Figure 3). A significant number of businesses (19%) have been operating for more than 30 years.

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



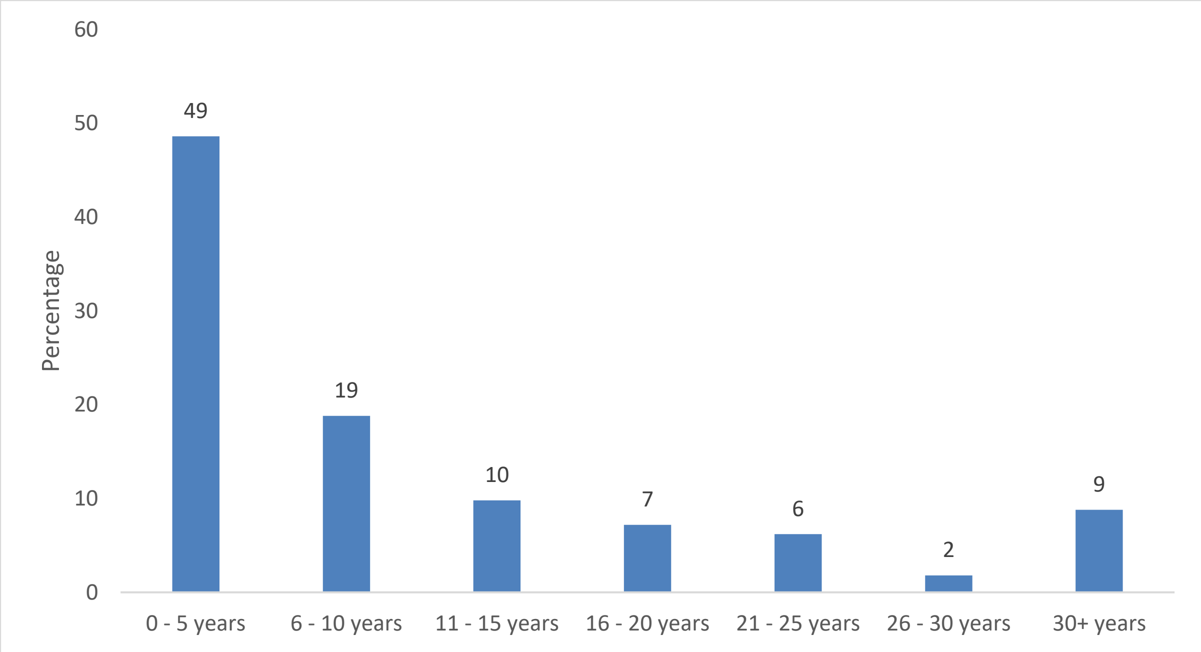
The majority of business respondents are owner/operators (34%), simply owners (32%), or managers (27%). (Figure 4). Nearly half (48%) of business respondents are women.

Figure 4: What is your role in this business



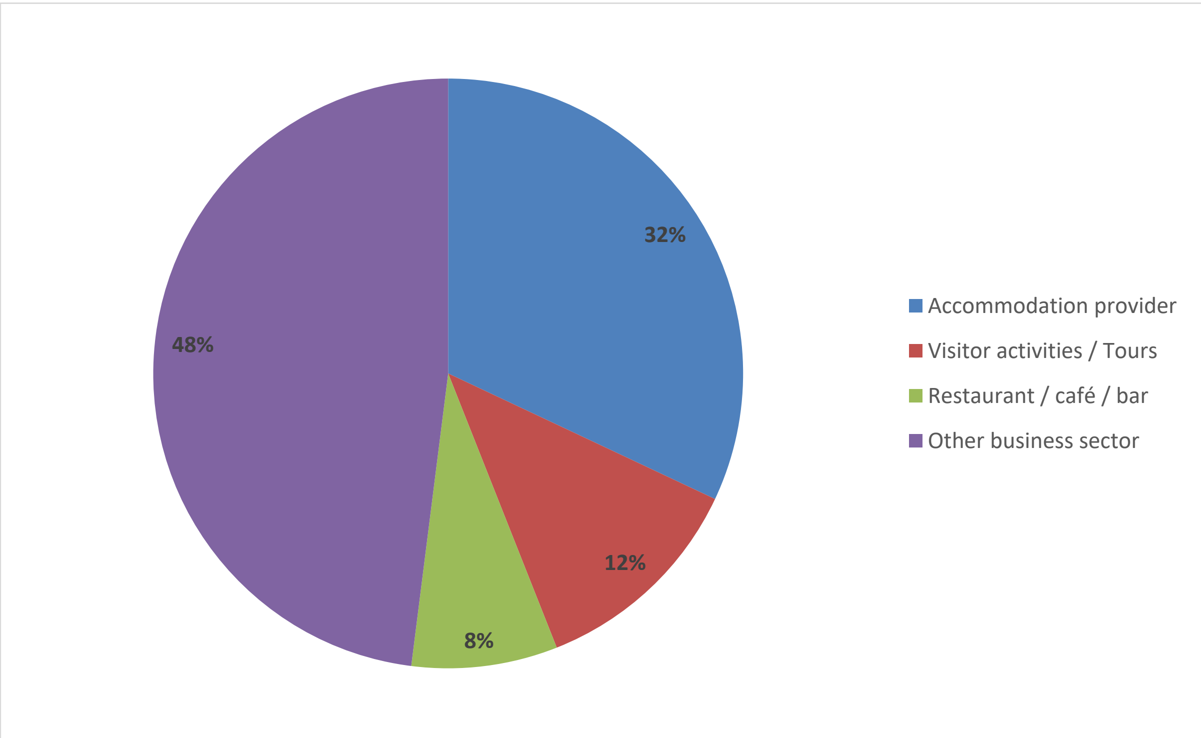
Over two thirds (68%) of respondents have been in their current role for under 10 years (Figure 4). Only 17% of those surveyed have been in their role for over 20 years.

Figure 5: How long have you been in this role



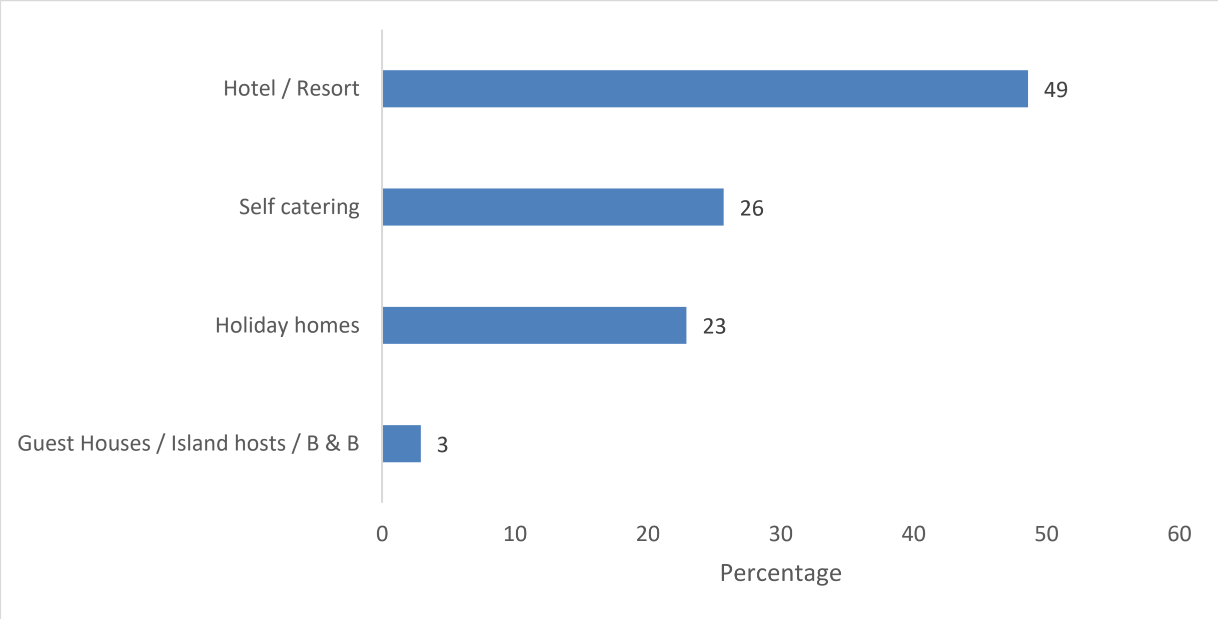
One third (32%) of businesses surveyed noted 'accommodation provider' as their primary focus, and another 12% focused on 'visitor activities/tours' (Figure 6). Over half (56%) of businesses surveyed are non-tourism businesses (including restaurants / café / bar).

Figure 6: What is the primary focus on your business



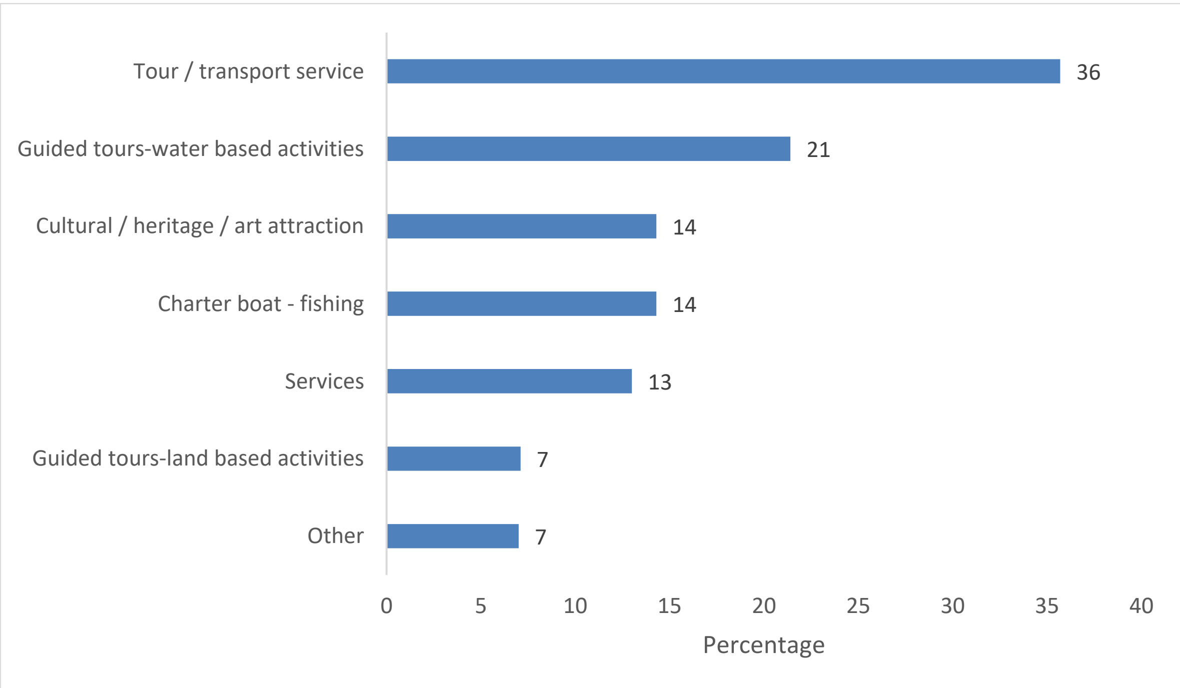
Nearly half (49%) of those who note accommodation as their primary focus classify the business as being hotels/resorts, a further 26% are 'self-catering', with holiday homes making up a further 23% (Figure 7).

Figure 7: Accommodation provider: main focus of business



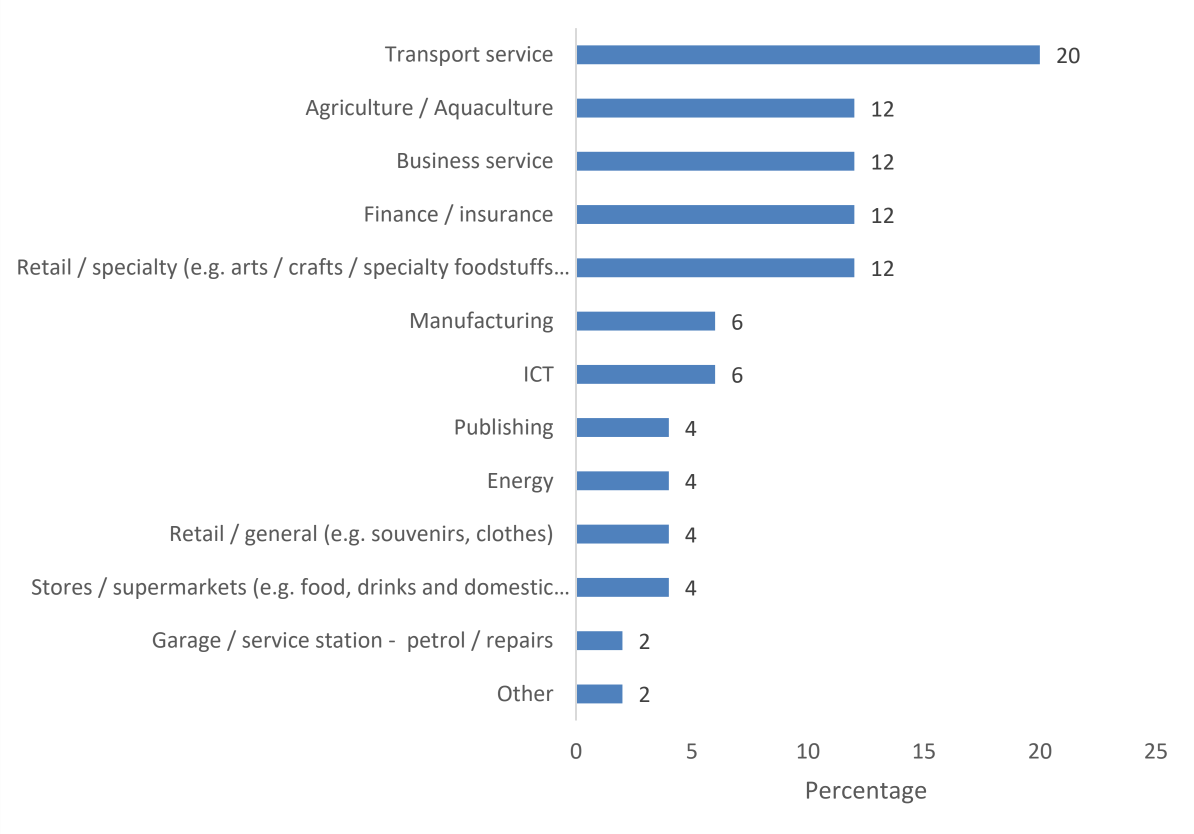
For those who have visitor activities as their primary focus, over one third (36%) are tour operators or transport service companies. Nearly one quarter (21%) are classified as 'guided tours – water based activities' (Figure 8).

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



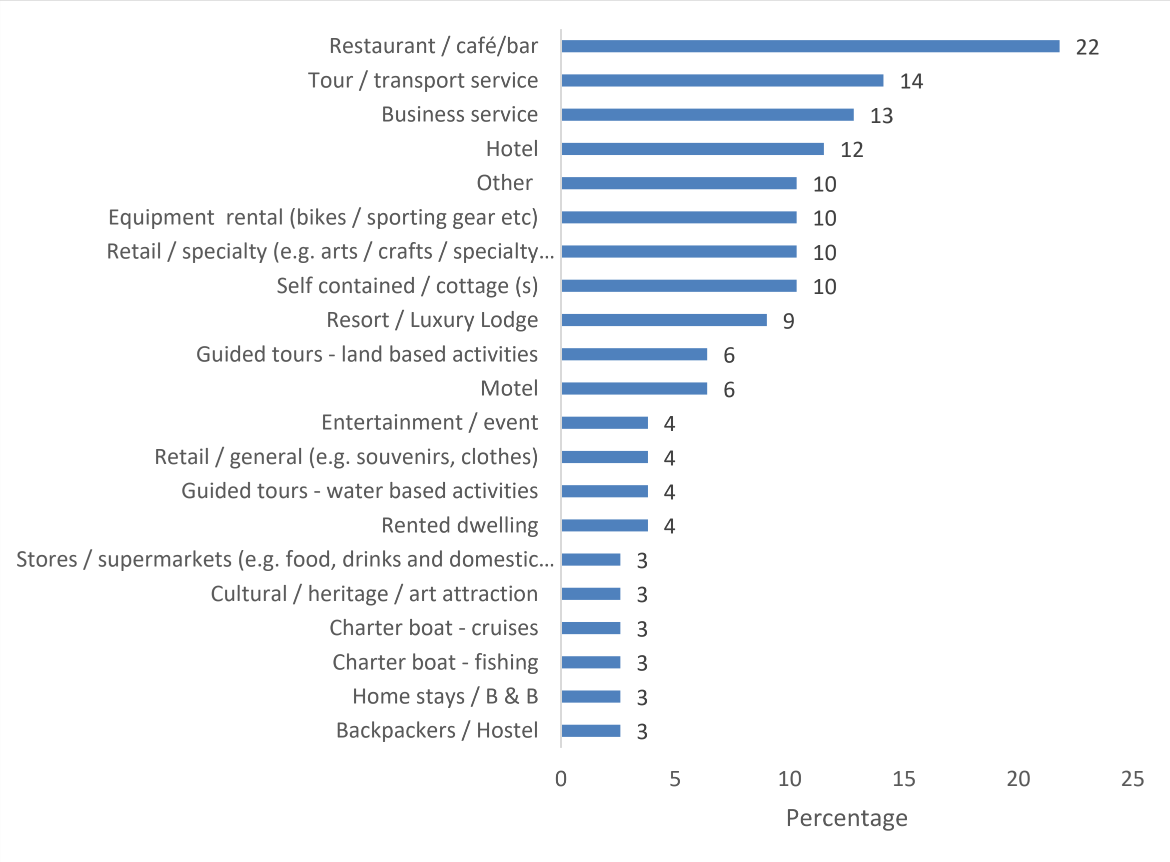
‘Other business sectors’ include transport service (12%), agriculture (12%), business service (12%), finance or insurance (12%), and special retail (12%) (Figure 9).

Figure 9: Other business sectors: main focus of business



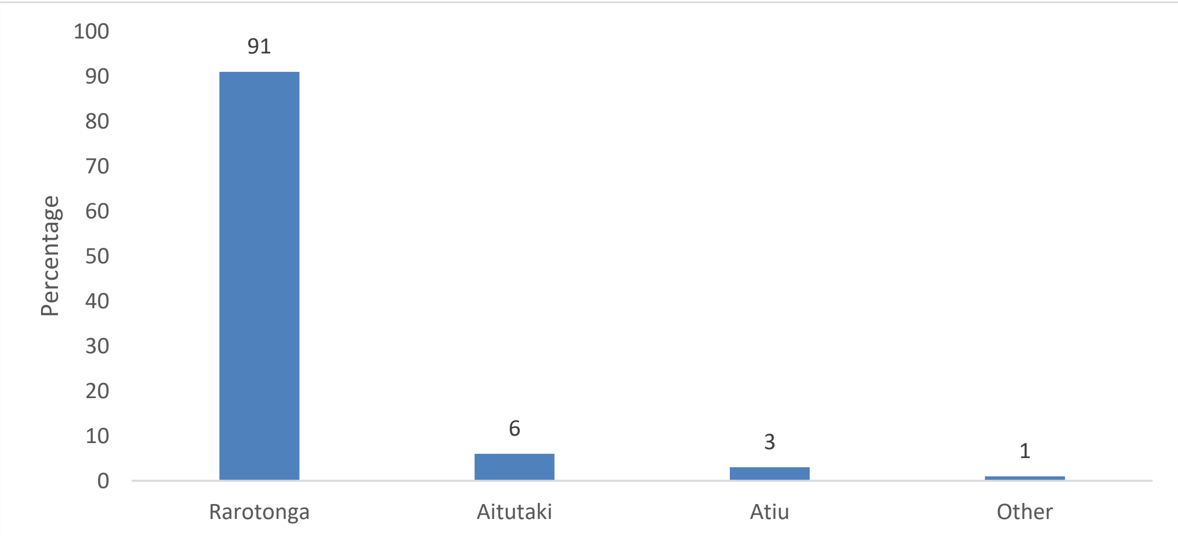
Respondents were also asked to indicate whether they operate secondary business activities in addition to their primary focus. Over one quarter (27%) of respondents do not have a secondary business focus. For those who have a secondary business activity, these are mainly focused on restaurant / café/bar (22%), tour or transport service (14%), business service (13%), and hotel (12%) (Figure 10). If all accommodation options are combined we see represents 46% of the total.

Figure 10: Secondary focus of business



The majority of primary businesses covered in the survey are located in Rarotonga (91%), with a smaller percentage located in Aitutaki (6%) and Atiu (3%) (Figure 11).

Figure 11: Where is your primary business located?

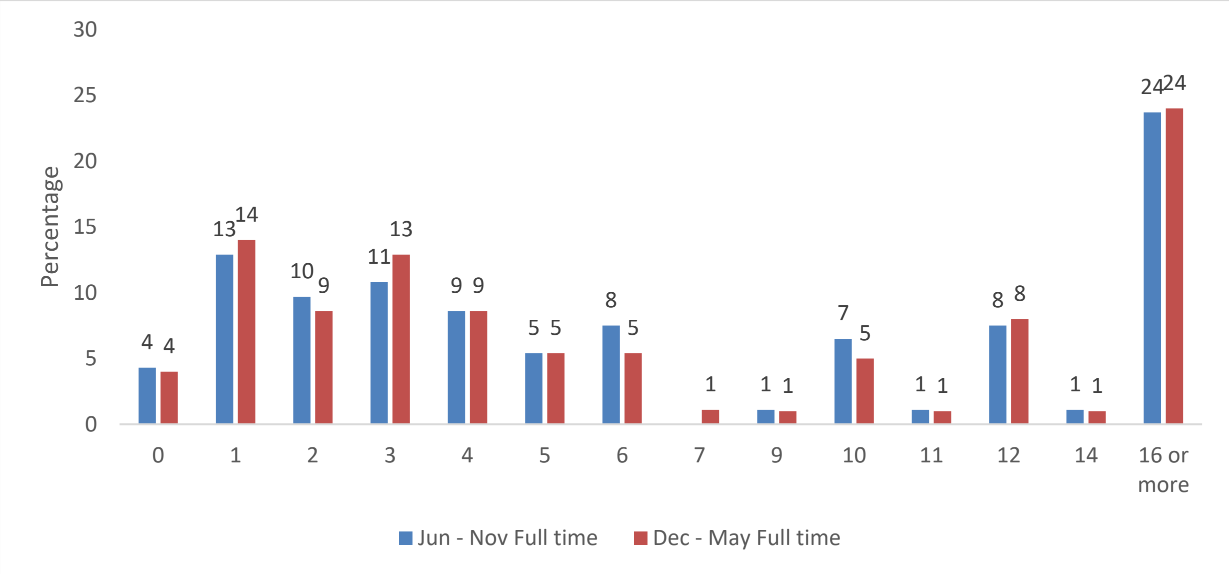


The majority of businesses (98%) captured in the survey (both tourism and non-tourism) operate all year round.

Staffing

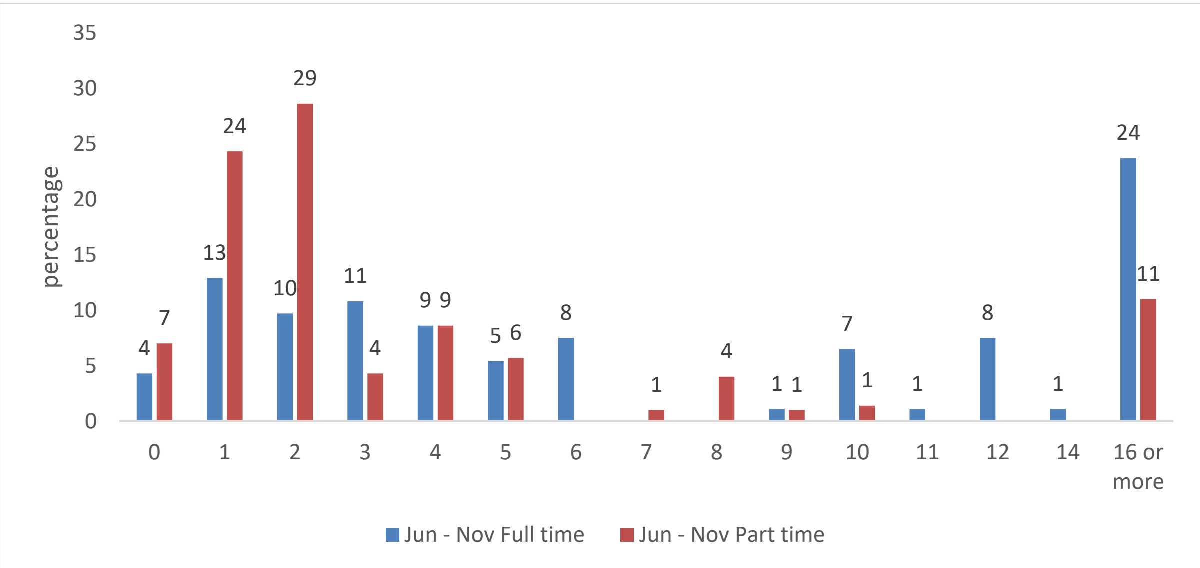
For both high season (June to November) and low season (December to May), we can clearly see the bifurcated nature of employment within the businesses responding – most have either 1-6 staff or 16 and over (Figure 12). Nearly all (96%) of the businesses that participated in the survey hire at least one full time staff member.

Figure 12: Average number of full-time staff



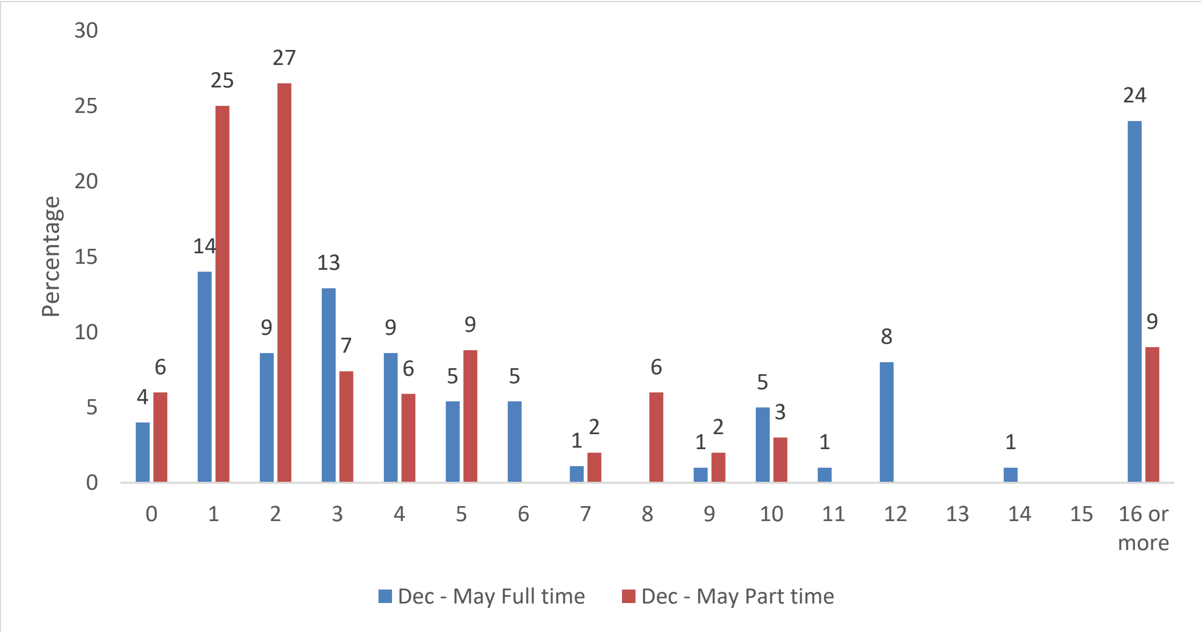
During the high season (June to November), the average number of full-time and part-time staff employed per business is 8 and 5 respectively. Nearly half (46%) of the businesses employ four or fewer full-time staff. One quarter (24%) of businesses have more than 15 full-time staff (Figure 13). The majority (73%) of businesses employ fewer than 4 part-time staff.

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



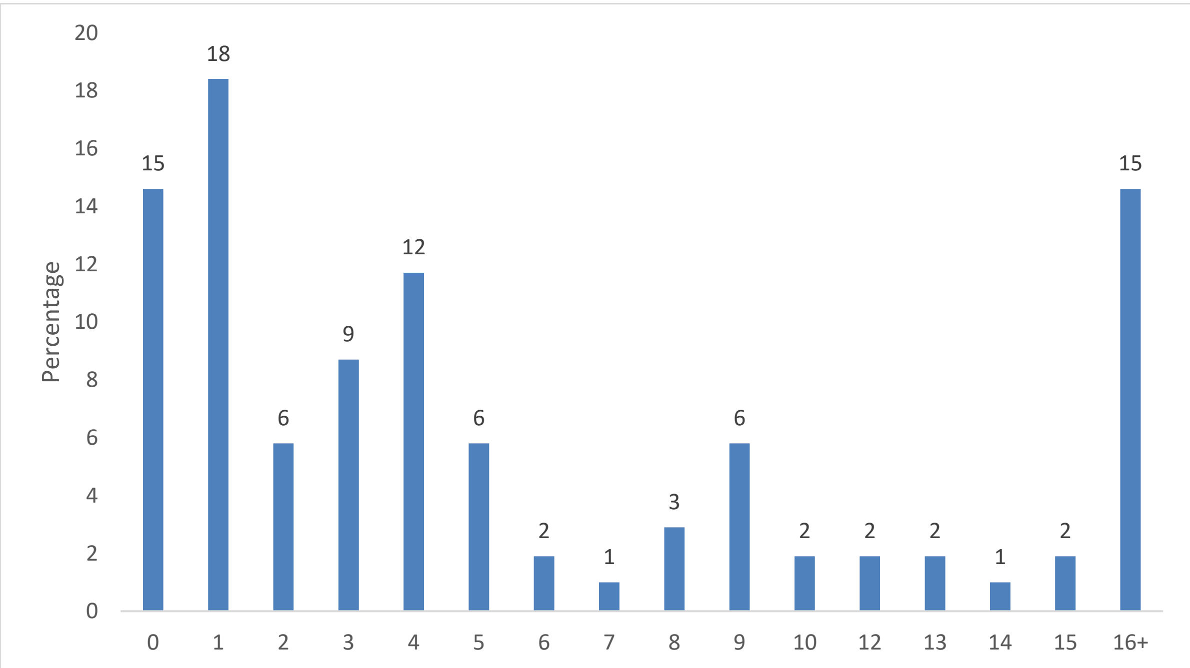
During the low season (December to May), the average number of full-time and part-time staff per business are 8 and 5 respectively. Nearly half (48%) of the businesses employ four or fewer full-time staff. Over one quarter (24%) of businesses have more than 15 full-time staff (Figure 14). The majority (71%) 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



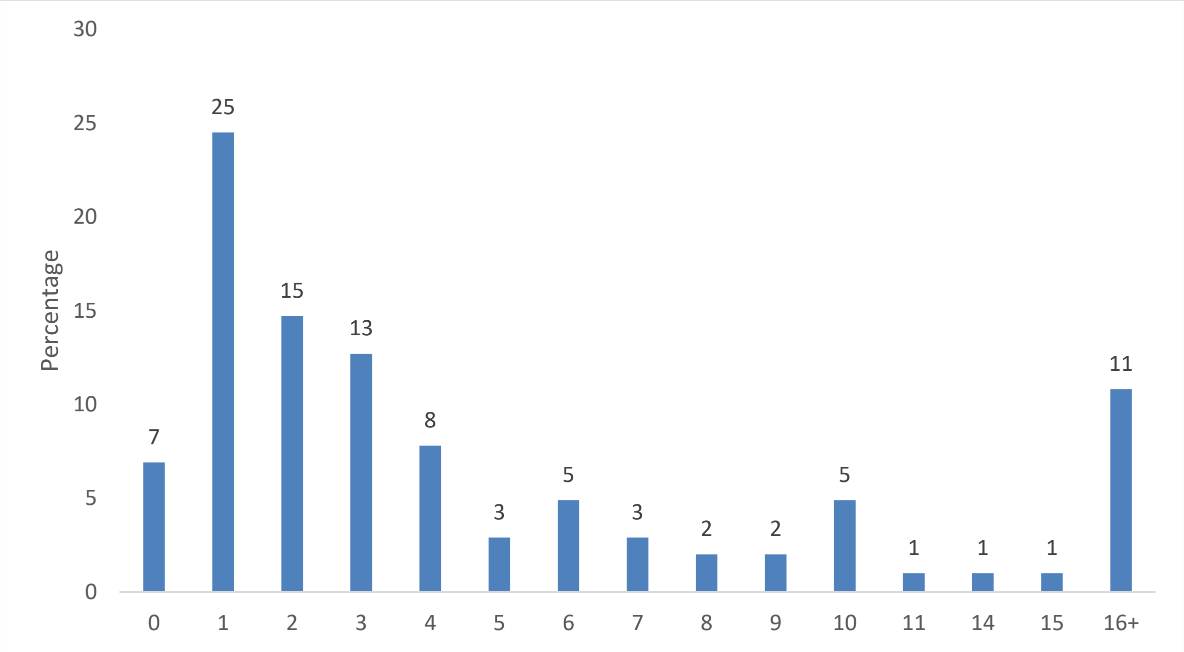
Fifteen percent of businesses employ 16 or more Cook Islands Maori staff, with 15% not employing any Cook Islands Maori staff (Figure 15).

Figure 15: Number of staff that are Cook Islands Maori



Over half (53%) of businesses hire one to three women. Over one in ten (11%) businesses hire over 16 female employees (Figure 16).

Figure 16: Number of staff that are women



Nearly two thirds (64%) of businesses covered in the survey indicated they have problems finding suitable staff. Of those respondents who stated they had difficulty, one third (33%) noted that they find it hard to recruit staff who have relevant skills (Table 1). A further 21% mentioned it was difficult to find reliable and honest staff. Another 21% stated that local people are not willing to work or have little interest in working.

Table 1: Problems finding suitable staff?

Theme	Share of respondents
Suitable skills	33%
Reliability and honesty	21%
Unwilling to work	19%
Limited local human resources	10%
Hard to find qualified staff	10%
Have to hire foreign workers	7%
Flexible hours	5%
Lack of experience	5%
Other	5%

* 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:

> *"Literacy, Mathematics skills lacking in our younger generation."*

"Technical staff are in short supply."

"The difficulty is finding experienced & qualified staff in the trade, eg, mechanics, customer service staff."

"Staff that have common sense and take initiative are difficult to find."

"No local Cook Islanders apply to our advertised positions."

"Especially during weekends & holidays, most of the time they won't show up because of hangovers or too lazy to work."

"Have had to employ foreign worker as locals can be unreliable."

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

When hiring new employees, nearly half (47%) of businesses are focusing on reliability and honesty (Table 2), nearly one third (40%) focusing on good work ethic, such as commitment and punctuality. A further 39% mentioned specific skills and relevant education as being essential attributes. One fifth (21%) of businesses mentioned personality, such as friendliness, easy-going, and welcoming.

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

Theme	Share of respondents
Reliability and honesty	47%
Good work ethics and attitude	40%
Skill and education	39%
Personality	21%
Experience	12%
Ability and willingness to learn	8%
Willing to work	8%
Culture, Kia Orana value	4%
Local staff	3%
Other	3%
Team player	2%
Knowledge of the Cook Islands	1%

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

Comments on what businesses are looking when hiring new staff included:

"Honest, Efficient, Quick & Thorough, on time report things that require attention to the rooms."

"Reliability, adaptability, eager to learn new skills, friendly, outgoing."

"… able to work sometimes unattended. Common sense."

"Professionalism, enthusiasm, integrity, sober habits, initiative and reliability."

"… can speak both English and Maori language, hardworking, willing to work as a team."

"In the kitchen it is skills and innovation. Front of house, people skills, restaurant dining service experience, barista and bar skills. Across the business initiative, willingness to do tasks that are not in their job description, and ability to work as a team."

"Pride in their work, a high level of attention to detail, excellent time keeping, an approachable, friendly customer service demeanour, flexibility and a commitment to continuous improvement.."

"Some experience in the industry with great personality, fantastic customer service and Kia Orana values."

Nearly two thirds (64%) of businesses noted that they have training needs (Table 3). Of these, nearly one third (31%) focused on the need to train their staff in basic customer service and care. Other main training needs include: general hospitality and tourism (19%), trade or technical skills (15%), management skills (13%), sales and marketing skills (13%), ICT (10%), accounting skills (8%), product development (6%), Agriculture (3%), housekeeping (3%), first aid (2%), retail skills (2%), public relation (2%). Of note is the fact that eleven percent of businesses mentioned Kia Orana Values or Kia Orana service courses would be of value.

Table 3: Business training needs

Theme	Share of respondents
Customer service	31%
Hospitality and tourism	19%
Trade or technical skills	15%
Management	13%
Sales & marketing	13%
Kia Orana value and cultural understanding	11%
ICT skill	10%
Accounting or finance	8%
Product development	6%
Housekeeping	5%
Agriculture	3%
First Aid	2%
Water-based skills	2%
Public relation	2%
Other	2%
Retail skills	2%

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

Comments on training needs included:

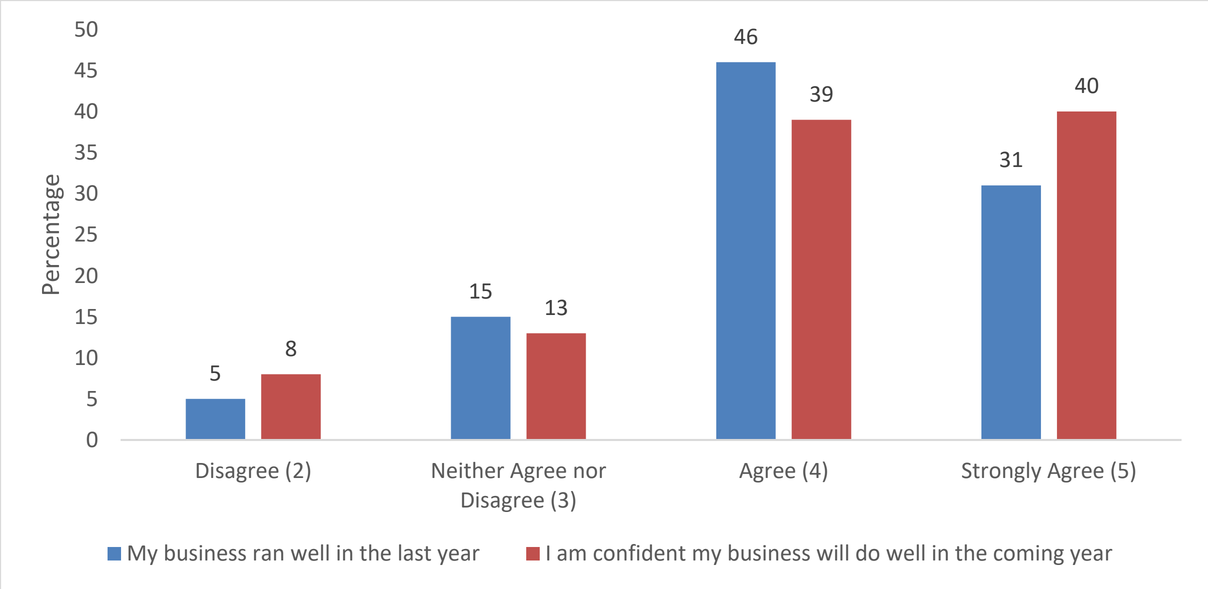
> *“In house Kia Orana Care customer service, in house team building relevant to getting jobs done.”*
>
> *“Customer Services, Spirit of Hospitality Training and Sequence of Services. First Aid and Fire Training.”*
>
> *“Skill development training & Guest relation training.”*
>
> *“Customer service, Hospitality courses, Reservation course.”*
>
> *“Car Grooming, working with public and understanding other cultural needs.”*
>
> *“Continuous and consistent automotive courses throughout the year.”*
>
> *“Project/Product management, Strategic Analysis, Business Model Development, Online Sales and Marketing pipelines.”*
>
> *“As an accounting service provider, training in software solutions for clients would be beneficial.”*
>
> *“Organic agriculture classes at secondary schools.”*

When asked to list any local business/organisations they belong to - over two thirds (69%) of respondents answered. The majority of those that responded are members of the Chamber of Commerce (44%), and/or the Cook Islands Tourism Industry Council (36%).

The business climate

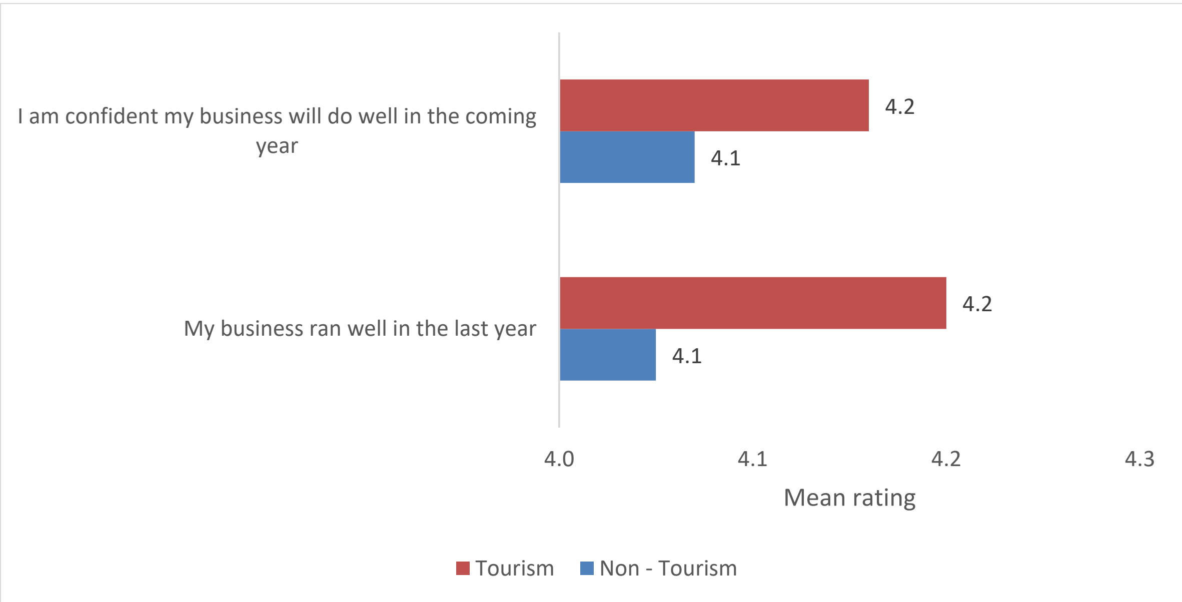
Respondents were asked to rank statements related to their level of confidence in the business climate. The majority of respondents feel that their business ran well in the previous 12 months (77%), and feel confident that their business will do well in the coming year (79%) (an average of 4.1 out of 5 respectively) (Figure 17).

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



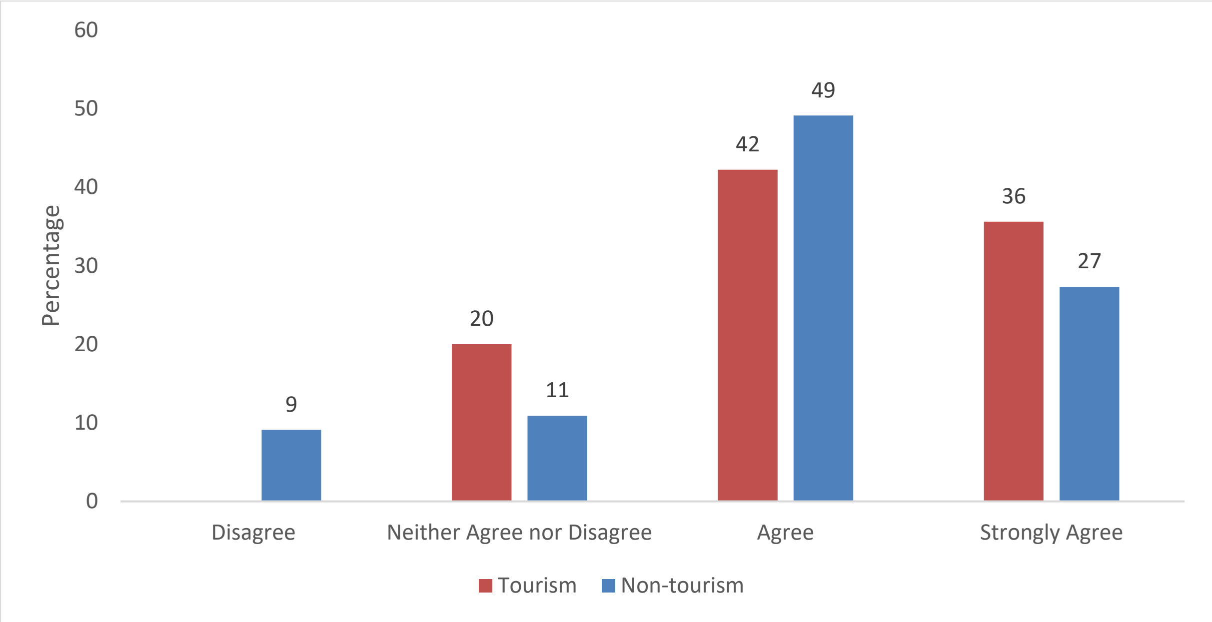
Tourism businesses have a higher level of confidence than non-tourism businesses about the past and coming year (Figure 18).

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



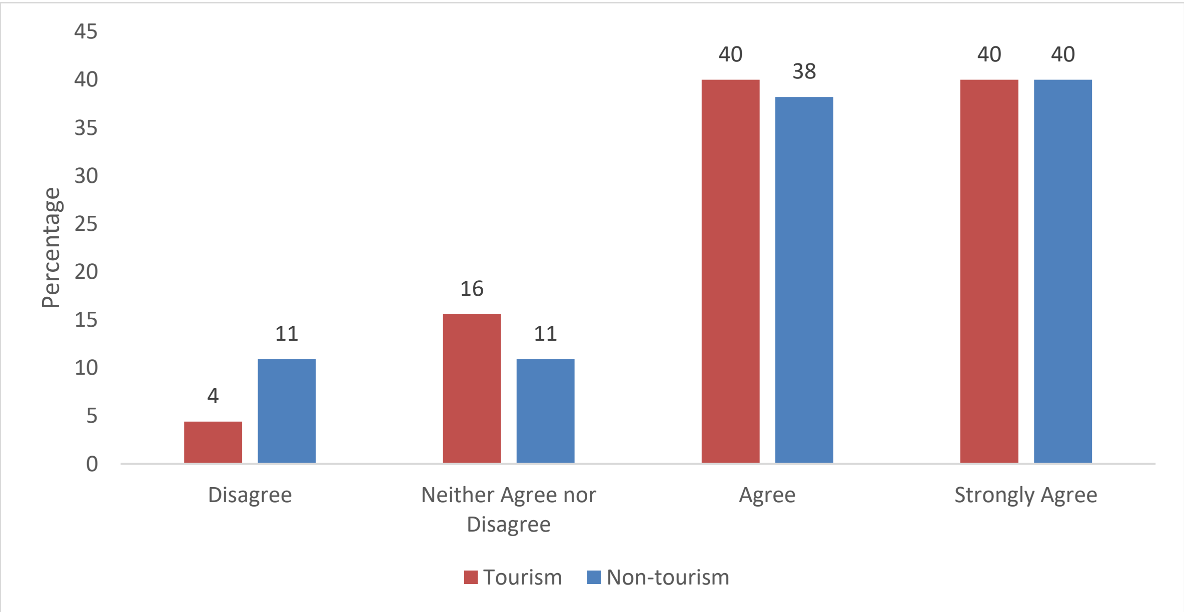
Tourism businesses were slightly more confident with the statement "My business ran well in the last year (78%), than non-tourism businesses (76%) (Figure 19). It is worth noting that more considerably more tourism businesses (36% vs 27%) strongly agree with this statement.

Figure 19: My business ran well in the last year



Tourism businesses have a slightly higher level of agreement than non-tourism businesses with the statement "I am confident my business will do well in the coming year" (80% vs 78%) (Figure 20). In terms of levels of "strongly agree" with the statement, tourism businesses (40%) were the same as their non-tourism counterparts (40%).

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



Respondents were asked: “What do you see as being the major challenge that will face your business in the next five years?” Over one quarter (29%) of respondents mentioned human resource development (Table 4), followed by climate change/environmental degradation (17%), political issues and regulations (17%), competition from other businesses (16%), factors that limit the growth of their businesses (13%), infrastructure (12%), and operating cost (12%). A small group (10%) expressed concern over a possible decline in tourist numbers.

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	29%
Climate change or environmental degradation	17%
Political issues and regulations	17%
Competition from other businesses	16%
Business development	13%
Infrastructure	12%
Operating costs	12%
Tourists and tourism slowdown	10%
Number of quality customers	9%
Supply shortage	3%
World economics	2%
Flight connections	1%
Destination 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:

> *“Destination challenges; foreign workers conditions; cost of business increase; the level of minimum wage.”*
>
> *“The business will continue to grow and so we will need specialised & qualified staff.”*
>
> *“Northern islands - de population, dramatic reduction in Cargo volumes, fuel increase, government favouritism.”*
>
> *“Lack of investment in infrastructure. Attracting visitors in the low season. Unfair competition - the huge increase of cheap accommodations (like Air BnB) which are unregulated, no check, unlikely to pay taxes, VAT etc will have an impact. We are already seeing visitors to the island who have booked somewhere cheap & then think that it is OK to wander into our property to use our facilities!”*

"Lack of control of how new businesses are allowed to open and operate; Lack of management of 'local' food sales at open markets."

"Weather patterns because its agriculture and fish product that supplies the local motel for tourists."

"Cyclone, Environmental impacts and Government being too slow to react."

"Foreign companies competing offshore and not paying VAT taking our company market share."

"Excessive competition, a new eatery opening almost every week, unlicensed food sellers with no overheads or tax payments, and expansion of the night markets."

"The state of the lagoon, too many other accommodations/holiday homes opening up in the Cook Islands."

"Sourcing of Staff. Maintaining current occupancy levels."

"Lack of fish due to purse-in fishing."

"Food & Beverage supplies Shortage, especially fish and vegetables."

"Space, as the business is growing, we have limited space for our increasing fleet."

"Cost of specific food items that keeps fluctuating (usually increasing) namely dairy and honey products."

"The continuance of local business and government departments not buying locally and supporting local business."

"The quality of the tourist coming here, we are being marketed to get as many people here as possible rather than bringing in tourist who have money to spend on other things than burgers and beer."

"Sustainability on infrastructure as tourist numbers increase."

Those surveyed were asked: "What do you see as being the major opportunities for your business in the next five years?" Respondents often mentioned general business growth (29%) and also focused specifically on the growth of tourism (14%) and increasing numbers and the quality of the tourists (10%). Other areas of opportunity identified included: marketing (10%), product development (8%), more government support (6%), and targeting specific market segments (6%) (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	29%
Tourism growth	14%
Marketing	10%
More tourists or high yield tourists	10%
Product development	8%
Investment	7%
Government support	6%
Target market segments	6%
Technology or ICT	5%
Local human resources	3%
Greater collaboration	2%
Improved Environment	2%
Staffing	2%
Improved flights	1%
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:

> *"There are more homes being built each year, this provides a great opportunity for us to turn stock over much quicker."*
>
> *"Improving and developing the property to be more attractive and effective to increase sales."*
>
> *"Opportunity to supply quality gears from sports clubs, schools and other business."*
>
> *"Marketing, continued tourism growth, finding a niche. Maybe Sunday opening including liquor licence after 11am or noon."*
>
> *"Increase in tourist numbers generally - especially those wanting a genuine & authentic experience - offer opportunities for our business."*
>
> *"Increase in Marketing Campaigns and Awareness of the Cook Islands."*
>
> *"Social media, online opportunities."*
>
> *"Diversifying to have an accommodation as the agriculture products is being dictated by the changing weather patterns."*
>
> *"Provide services that improve the building industry components (i.e. builders, trades and sub trades working with local suppliers)."*

"Expand in size to cater to the increasing number of visitors."

"Northern islands shipping companies require Government intervention with the help of a Shipping subsidy."

"Targeting the right group of visitors to Aitutaki which will be UP MARKET/ HIGH INCOME visitors and defiantly NOT "budget" travellers. Aitutaki is too precious and should not be taken advantage of like "Bali"."

"Move towards online booking and marketing."

When respondents were asked: "Where do you see your business going in the next five years", nearly half of the comments focused on having a continued growth trajectory (46%) (Table 6). A further 15% of businesses expect no changes in the next five years, six percent of businesses will focus on product enhancement, management improvement (6%), and making new marketing strategies (6%). A number (5%) of businesses stated that they will try to upgrade their businesses.

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

Theme	Share of respondents
Continued growth	46%
No change	15%
Product enhancement	6%
Management improvement	6%
New marketing strategies	6%
New markets	6%
Upgrades	5%
Service improvement	4%
Technology	4%
Depends on broader circumstance	2%
Higher occupancy	1%
Environment focus/improvement	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:

"There has been quite a lot of growth over the last 4 years and we hope to see this carry on in the years to come."

"To develop efficiently considering bringing in a new partnership with like-minded partners."

"If Government cannot or will not have a continuity of work on road construction and maintenance there will be no development."

"We want to keep is small as it is... no need for expansion... we do have already enough tourists."

"Need to diversify - have secondary focus to compliment what we doing now."

"Gradually fading out our budget travellers and aiming for the affluent sector of the tourism industry."

"Maintaining and Growing our current Markets. Massaging the Emerging Markets."

"More high end experiential sales."

"Towards modernization of agriculture system, if MoA helps."

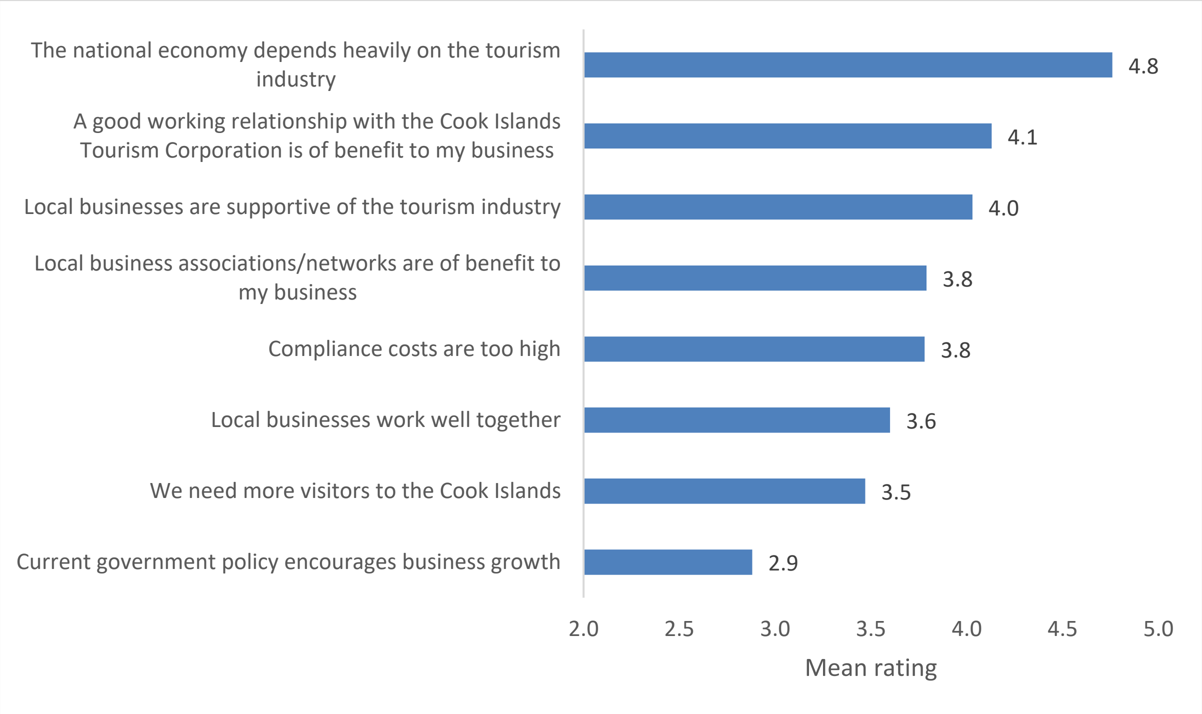
"Develop accommodation options, develop into a PADI 5 Instructor Development centre."*

"Depends on decisions made by Government and entities like BTIB."

"Growing to accommodate more visitors, becoming mostly solar powered, more sustainable practices."

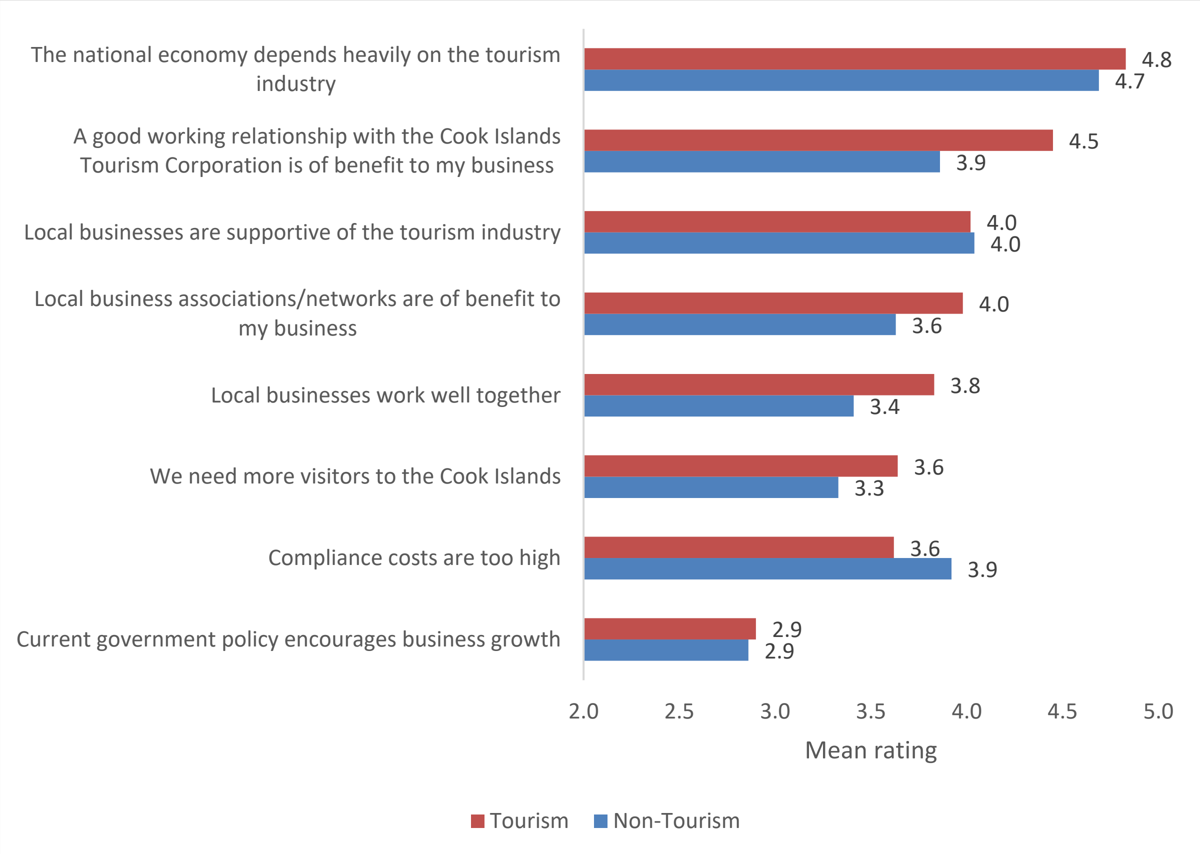
Respondents were asked to rate their agreement with a range of statements about tourism, the Cook Islands and government policy (Figure 21). The statement "the national economy depends heavily on the tourism industry" received the highest level of agreement (4.8 out of 5). "Current government policy encourages business growth", by contrast, received the lowest rating (2.9 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 the statements "the national economy depends heavily on the tourism industry", "a good working relationship with the Cook Islands Tourism Corporation is of benefit to my business", "local business associations/networks are of benefit to my business", "local business work well together", and "we need more visitors to the Cook Islands" (Figure 22). Tourism businesses are less likely than non-tourism businesses to agree with the statement that "compliance costs are too high".

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



Some respondents provided further comments, including:

> *"I don't mind having more tourists on the island however I hope this won't influence government to increase the cost of living for locals."*

> *"Compliance costs are currently okay, but i have a concern about the introduction of OSH and water rates."*

> *"Our entire economy is completely reliant on tourism and as such is exposed in many ways to numerous other factors which we will never be able to control, we need an alternative string to our bow!"*

"We need to encourage our people to plant vegetables to supply the motels especially in the outer islands of the Cook Islands so that we don't depend on imported food from New Zealand. It maybe good for the tourism industry to also help fight NCD health problems by encouraging people to eat healthy local food."

"If the government uses our tax correctly like building a nice road, upgrading our hospitals, hire locals to clean and look after our environment and make it beautiful so we can have more tourist spot in the Island would be better. The more tourist will come in the Island the better our economy will be and we can increase our employees' wages!"

"Accreditation is very costly and not evenly applied, e.g. food vendors at markets home cooking environments don't have to meet same standards as restaurants (separate food storage of meat/dairy, number of toilets, fire safety, environmental packaging, waste management etc, but these same market vendors get just as much if not more promotion from Tourism. Accreditation in the accommodation area is more consistently applied and more worthwhile perhaps."

"Hon. Henry Puna said when he first got PM years ago that he would encourage organic agriculture. Instead he designed a Minister of Agriculture who publically said he wasn't interested in organic agriculture. From then nothing has change or advance in this fundamental point of view about sustainable agriculture. Funds were misplaced in Vanilla growers and other non-professional agriculture business."

"In my experience currently as a "budget", "cheap", "basic" accommodation business in Aitutaki I believe is receiving the publicity Aitutaki should not promote. Our islands are a very desirable and valuable destination to visit therefore it comes with a cost and we should encourage high standards for short term rental property operators to follow. Tourism as a whole should re-evaluate our target market to increase employment and revenue for the country. I can honestly say "budget" accommodation has little gain for the business owners plus a reputation of "cheap holidays" we are betraying in the industry is an image we should not portray or encourage. Keep the Cook Islands to a high standard and high income earner will visit our paradise islands."

"While it would be great to have more visitors, the infrastructure does not support this. Cook Islanders also appear to be sick of tourism and we are sadly losing our Kia Orana."

"Prices of goods go up to get the tourist $$. That affects we locals. When family land is used for tourist ventures & these go on the market the landowners cannot afford to get their land back. Tourism needs to put $$ into Infrastructure i.e. roads, water, & lagoon cleanliness."

"Focus and capacity needs to be spread over the year, more Tourists in off peak, Cap Peak until Infrastructure is improved. Compliance costs are not necessarily high but need to be spread fairly over all accommodation types (Holiday Homes) and also get

value for what you pay for. A lot of Licences are a token gesture as there is no follow up consequence for non-compliance."

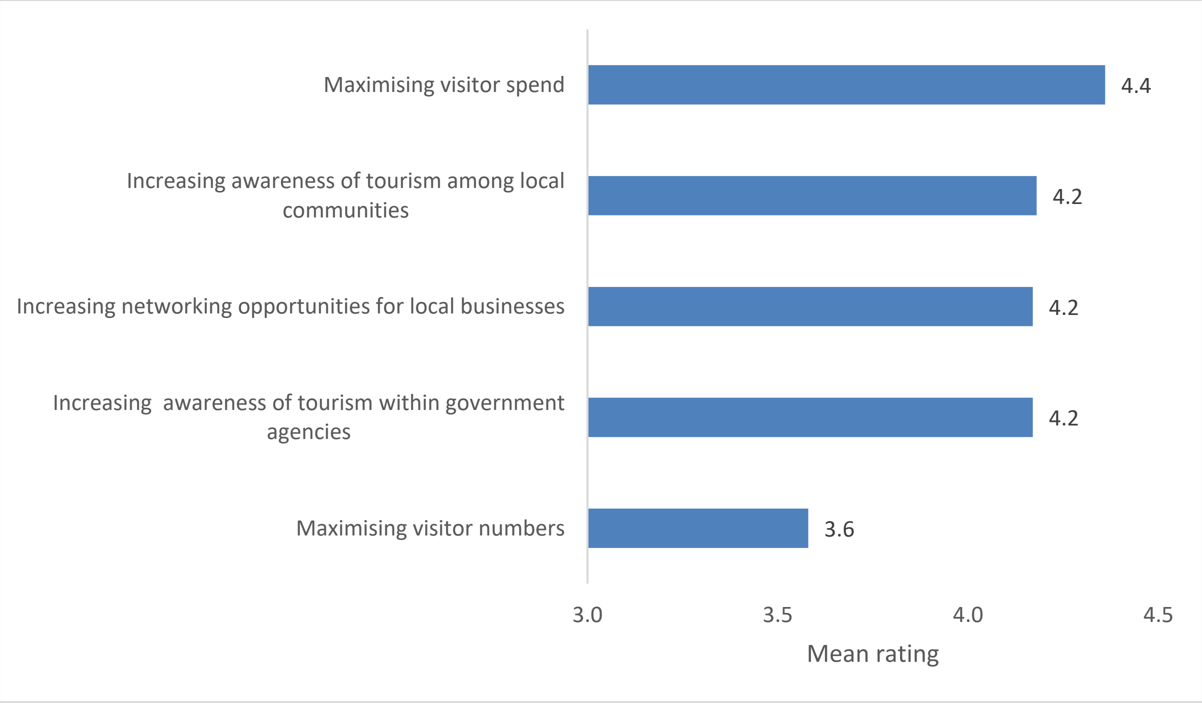
"I would like to see or local and foreign business in the cook island taking action on climate change now."

"Tax incentives should be encourage for tourism businesses."

"Serious consultation by government with private sector still needed before major infrastructure and policy changes are carried out instead of just lip service."

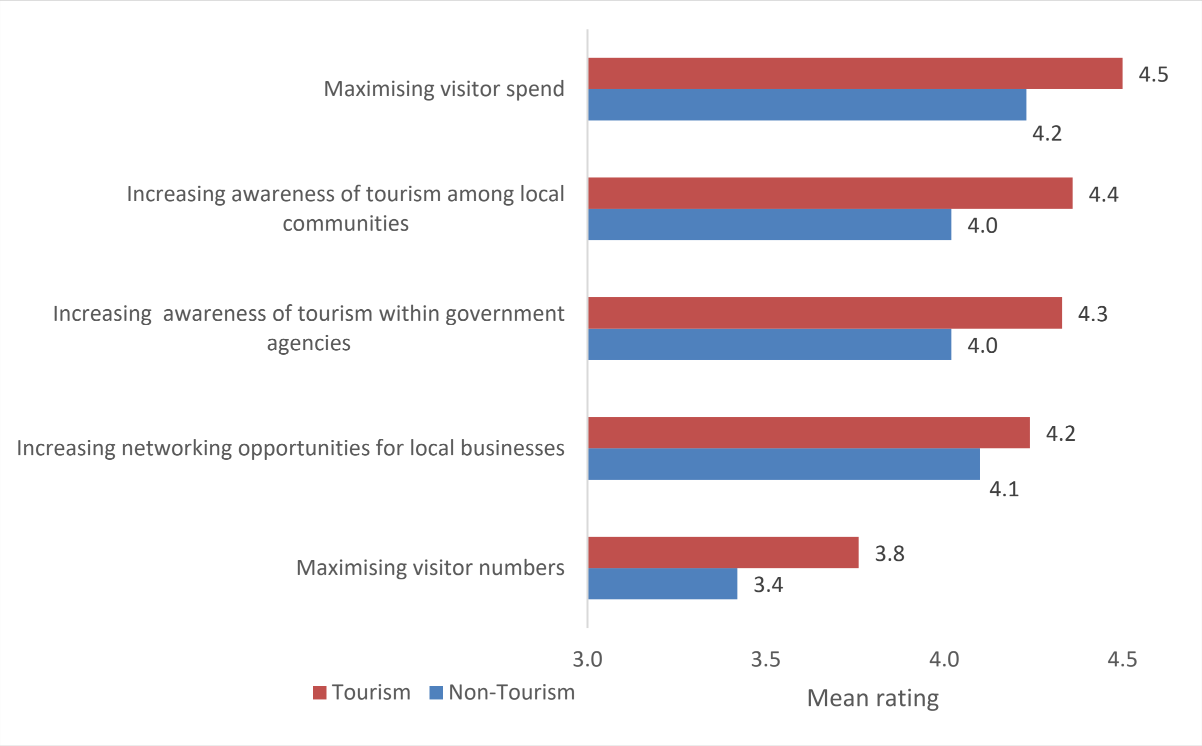
When respondents were asked to rate a range of statements in terms of their importance to the Cook Islands, "maximising visitor spend" (4.4 out of 5), "increasing tourism awareness among local communities" (4.2), "increasing networking of tourism within government agencies" (4.2), "increasing tourism awareness within government agencies" (4.2) were given the highest scores (Figure 23). "Maximising visitor numbers" received the lowest rated response (3.6).

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



Tourism businesses assigned a higher degree of importance to all of the statements provided 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:

> *"Sometimes i have seen the local people pricing their products really high to tourists and this is not the right thing to do...this is called ripping people off."*

> *"Have had visitors complain about how difficult it is to get rental cars in busy season and in same breath complain about how busy the roads are and noise pollution from other guests traffic etc. So it seems our services are lacking to cope with additional visitors, but at the same time the current numbers during high season are impacting on their experience. I think it is important to maximise visitor numbers during the slow season from December to May. But of course then the hot humid weather and cyclone risk could impact negatively their experience, but it is very difficult to survive the slow months and keep staff paid a living wage. At the same time during the busy months there aren't enough workers to meet needs."*

> *"I would go for Increasing awareness of Environment agency within Parliament, Government, business, visitors and Finances."*

> *"Increasing tourism investing in environmental change. Environmental national agency needs more power, more budget and more respect."*

"While maximising visitor numbers is important, it is more important to ensure the infrastructure is in place to allow for maximisation."

"Rarotonga, where most tourism activities takes place is more like a small town in NZ. In fact if the Outer Islanders are not here in great numbers you will hear less Maori spoken here than in some town in NZ. e.g. Gisborne."

"Tourism needs to stop marketing Cook Islands as a cheap place to holiday. High end tourists are more beneficial to the economy."

"We should be maximising visitor value."

"More visitors need to be pushed out to outer islands even if this means subsidizing airfares. Try as a pilot project to see if it is successful?"

"Maximising must be carefully controlled and managed so as not destroy the Island way. Some things done are targeting the Tourist when the issue is with locals as well i.e. blocking parking."

"I think the quality of the visitor is very important and who our target market is with the Cook Islands being small we don't just need visitors we need visitors that are able to spend."

"As said not a matter of maximising visitor arrivals but more Asians/European/American visitors."

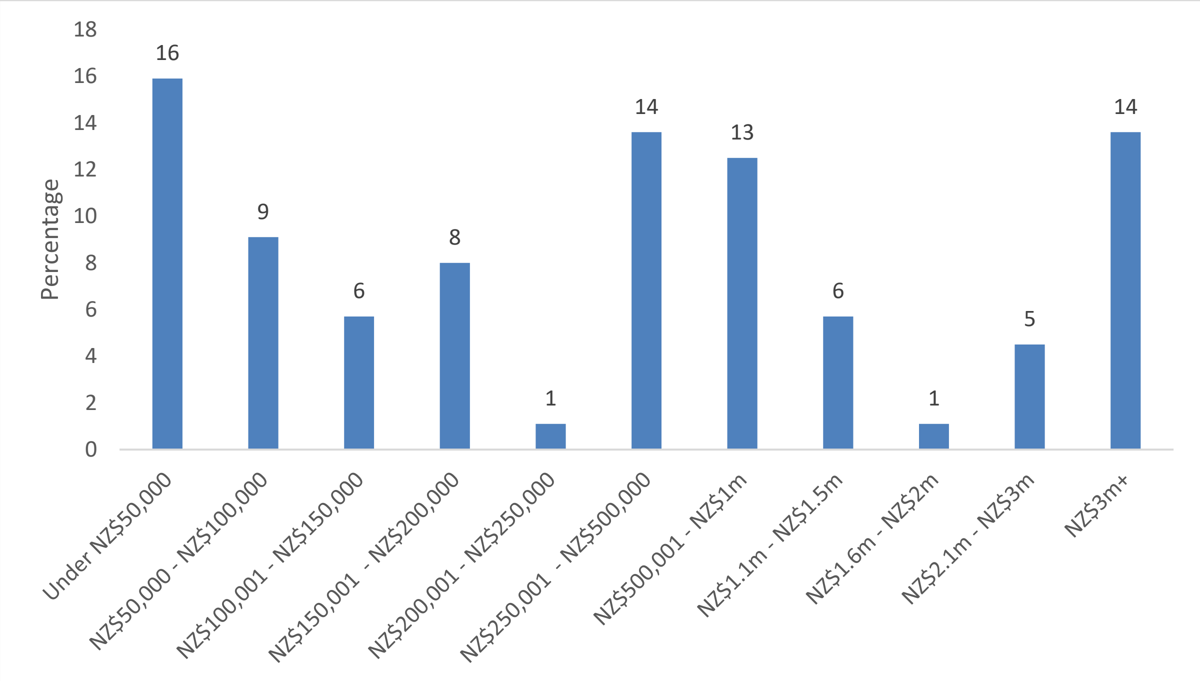
"160k visitors is plenty, if you convert 90% to a conscientious traveller, who is more appreciative of what the Cook Islands offers, then they are worth 10 of the fly-in-sit-by-the-pool-drongo-who-thinks-they-own-the-island that we currently get from New Zealand off of Jetstar."

"Infrastructure needs to catch up with the times and more investment into it need to be forthcoming from Govt/Donors!"

Revenue, cost and linkages

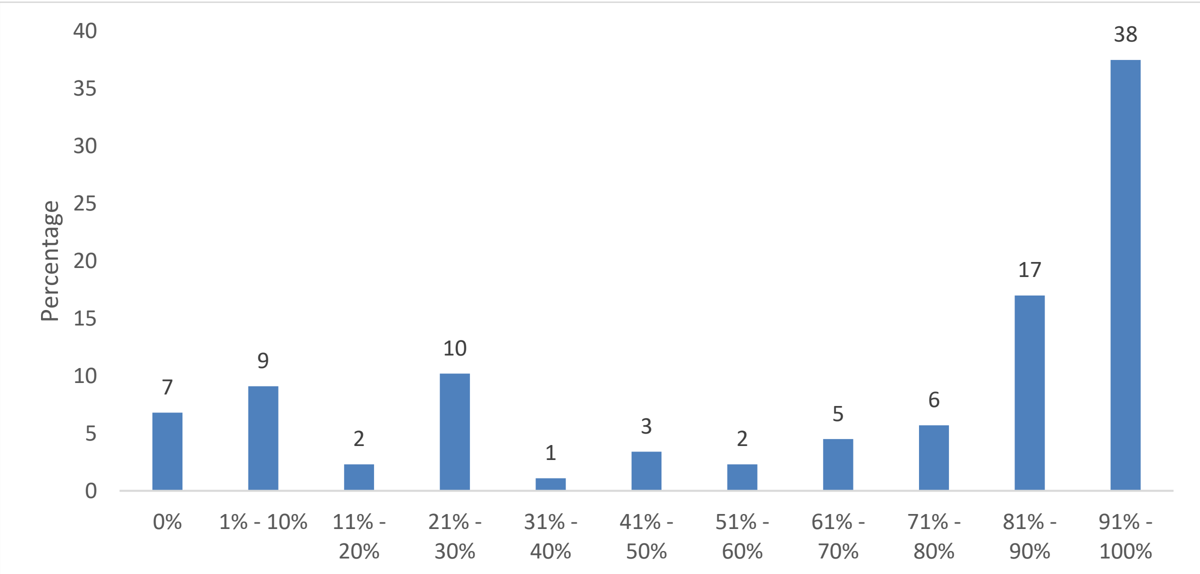
Nearly one third (31%) of businesses surveyed reported an annual turnover of less than $150,000 in the last financial year (Figure 25). A further 26% of businesses generated more than $1million in revenue.

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



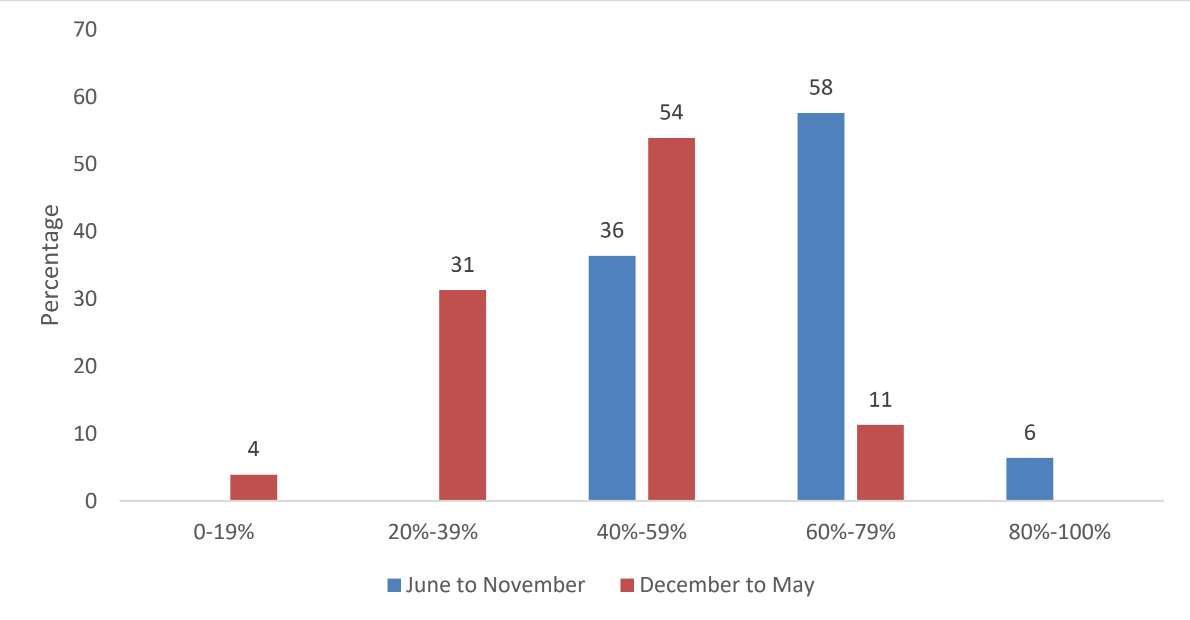
Over one third (38%) of the businesses surveyed attribute more than 90% of their annual turnover directly to tourism (Figure 26). Only 16% of businesses indicated that 10% or less of their revenue is generated directly from the tourism sector.

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



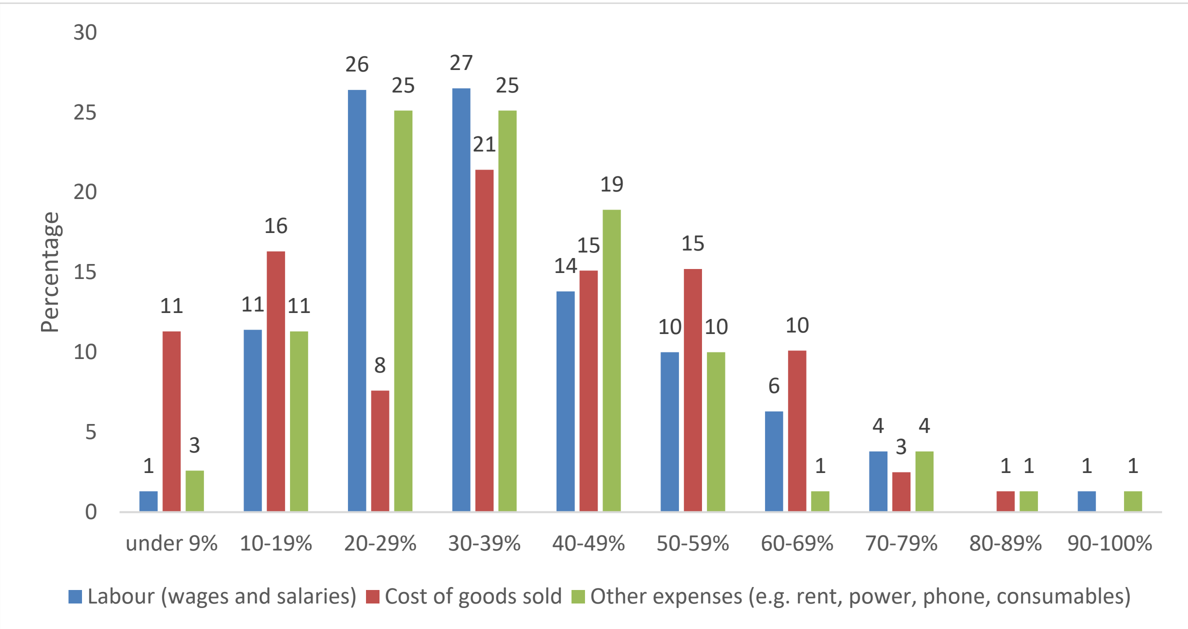
Respondents were asked to estimate what percentage of this turnover is generated in the high season (June to December) and low season (December to May) (Figure 27). On average, 60% of turnover was generated during high season (40% of turnover was generated during the low season). Nearly two thirds (64%) of businesses surveyed generate more than 60% of their revenue during the high season.

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



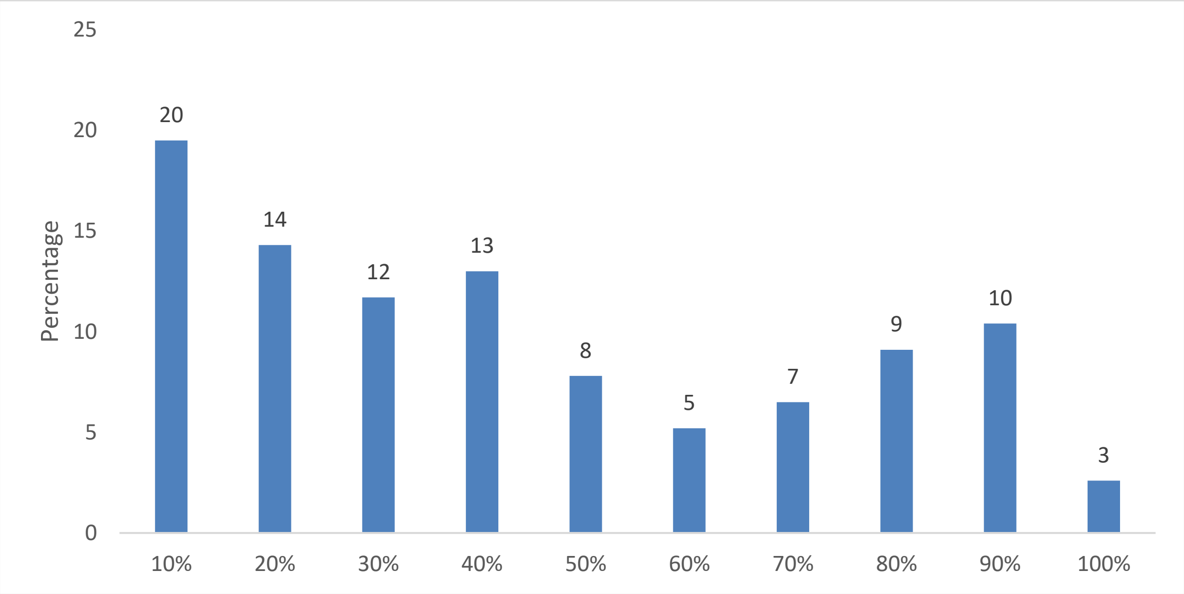
On average, 67% of business costs are allocated to labour (wages and salaries) and the cost of goods sold, 33% of annual business expenses are allocated to 'other expenses including rent, power, phone and consumables (Figure 28).

Figure 28: Approximate breakdown of the business annual expenses



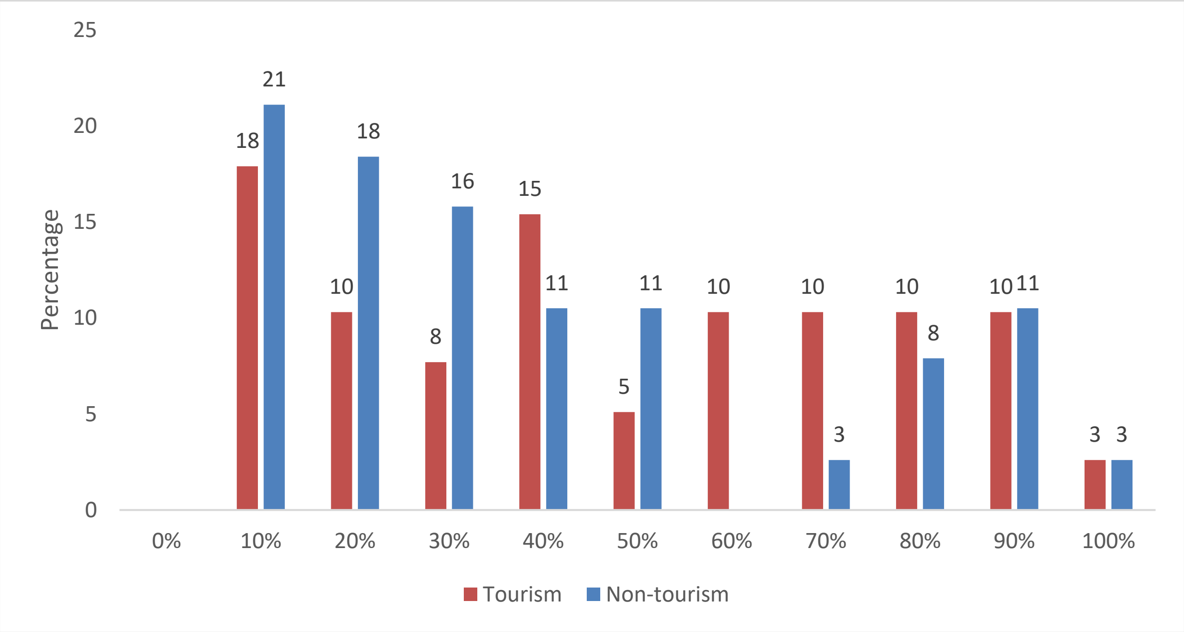
Fewer than one third (29%) of the businesses make more than 70% of their purchases of products and services locally (Figure 29). A further third (34%) spend 20% or less of their non-labour expenses locally.

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



One third (33%) of the tourism businesses make more than 70% of their non-labour purchases through businesses based in the Cook Islands, while 25% 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

This report presents results from an online business survey conducted from October to December 2018. This survey is the sixth 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), and will do well in the coming year. Tourism businesses show a higher level of confidence than tourism businesses about the last year and the upcoming year. Respondents anticipated limited human resource issue is the main challenge to their business. Tourism growth and tourist numbers, especially high yield tourists, represent the major opportunity for business growth in the coming five years. Over half of those surveyed feel confident that their business will experience continued growth over the next five years.

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.

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 fourth 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 (Dec 2015 to Feb 2016)
Phase 2 – High season 2016 (Sep to Oct 2016)
Phase 3 – Low season 2017 (Feb to Apr 2017)
Phase 4 – High season 2017 (Aug to Oct 2017)
Phase 5 – Low season 2018 (Feb to April 2018)
Phase 6 – High season 2018 (Oct to Dec 2018)

Table 7: Respondents across six phases

	Phase 1 (round 1 of 2016)	Phase 2 (round 2 of 2016)	Phase 3 (round 1 of 2017)	Phase 4 (round 2 of 2017)	Phase 5 (round 1 of 2018)	Phase 6 (round 2 of 2018)
Number of responses	**128**	**124**	**97**	**106**	**84**	**113**
Conversion rate	**41%**	**40%**	**31%**	**34%**	**27%**	**36%**
Had participated the survey previously		**37%**	**58%**	**57%**	**58%**	**52%**

Figure 31: What is the primary focus of your business?

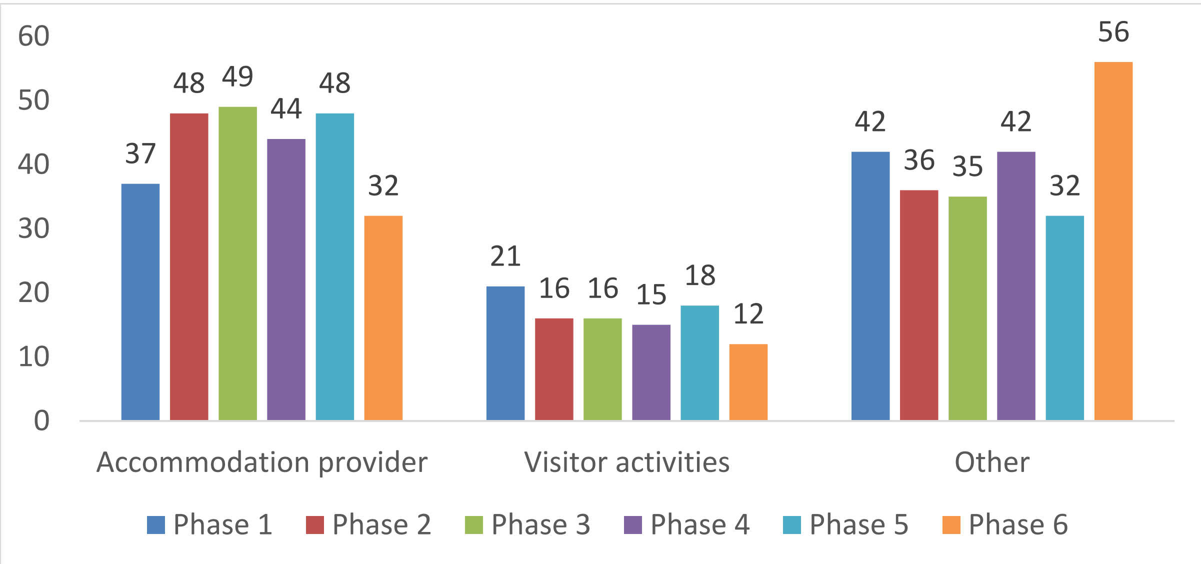


Figure 32: Accommodation provider: main focus of business

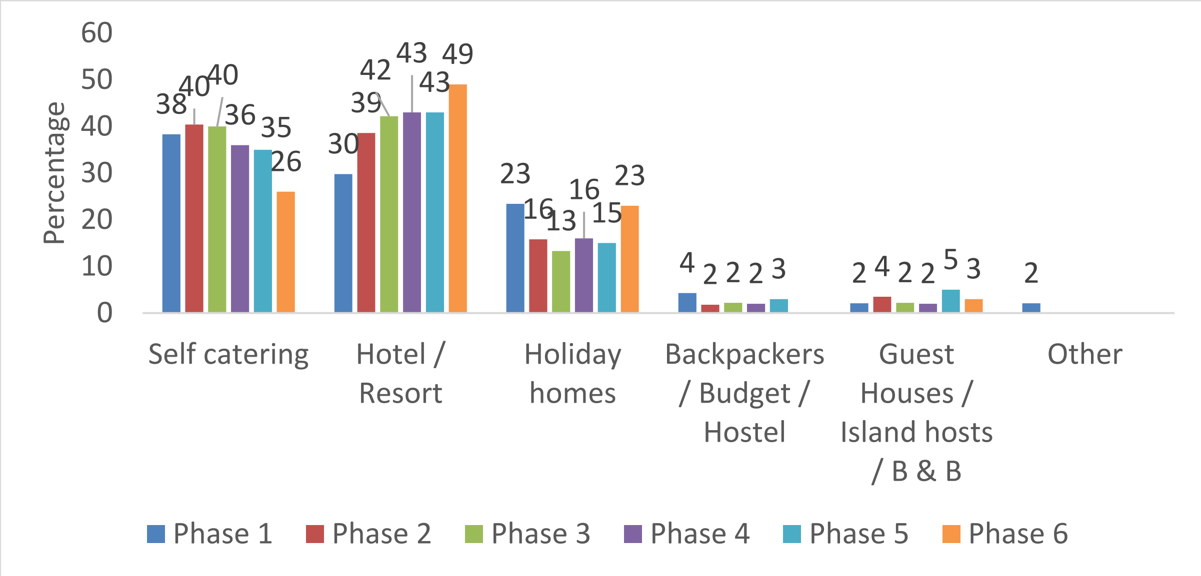


Figure 33: Visitor activities / tours: main focus of business

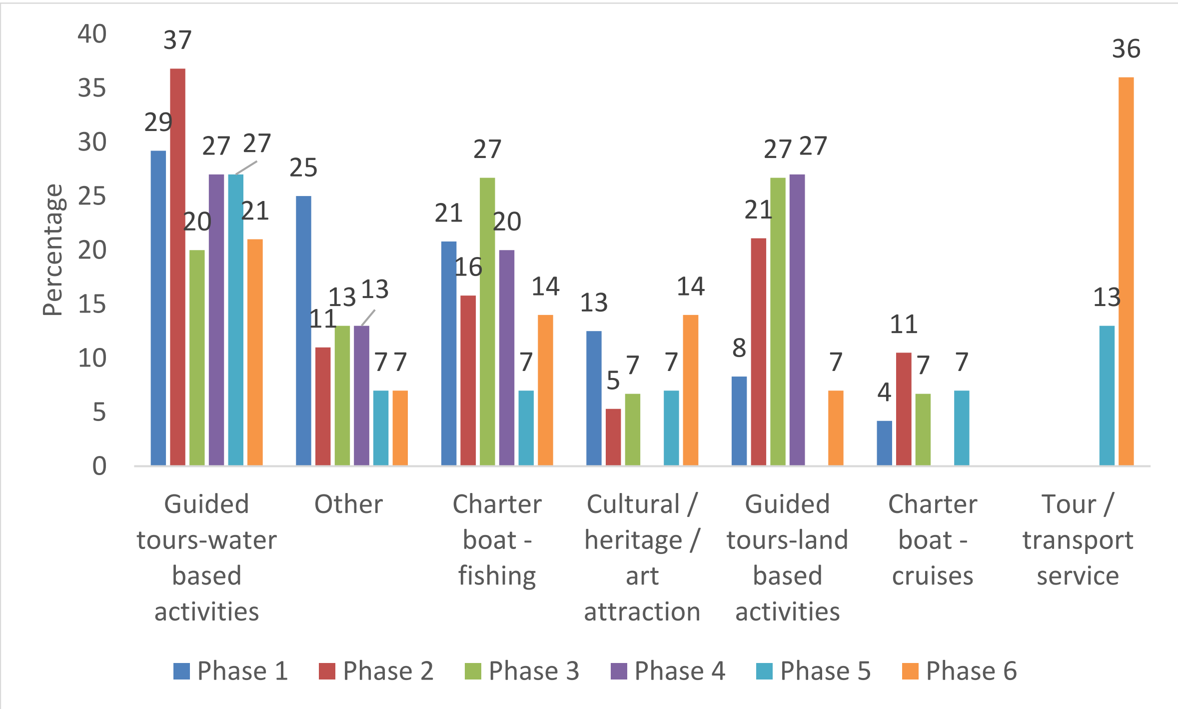


Figure 34: Where is your primary business located?

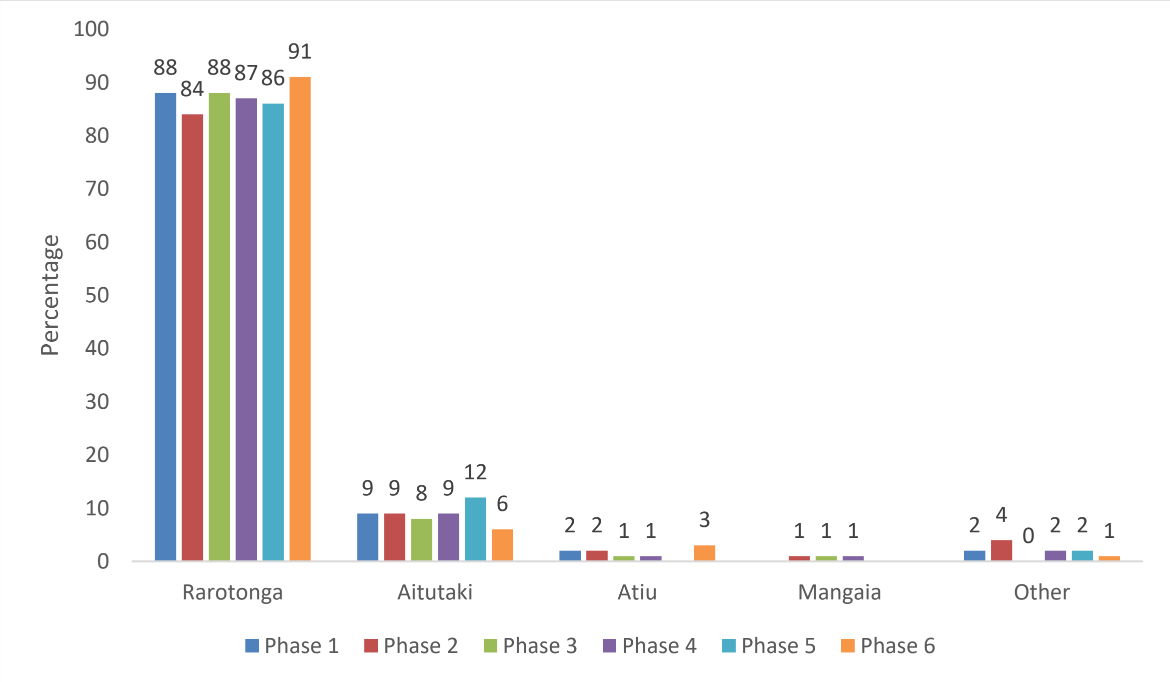


Figure 35: Your level of agreement with the following statement

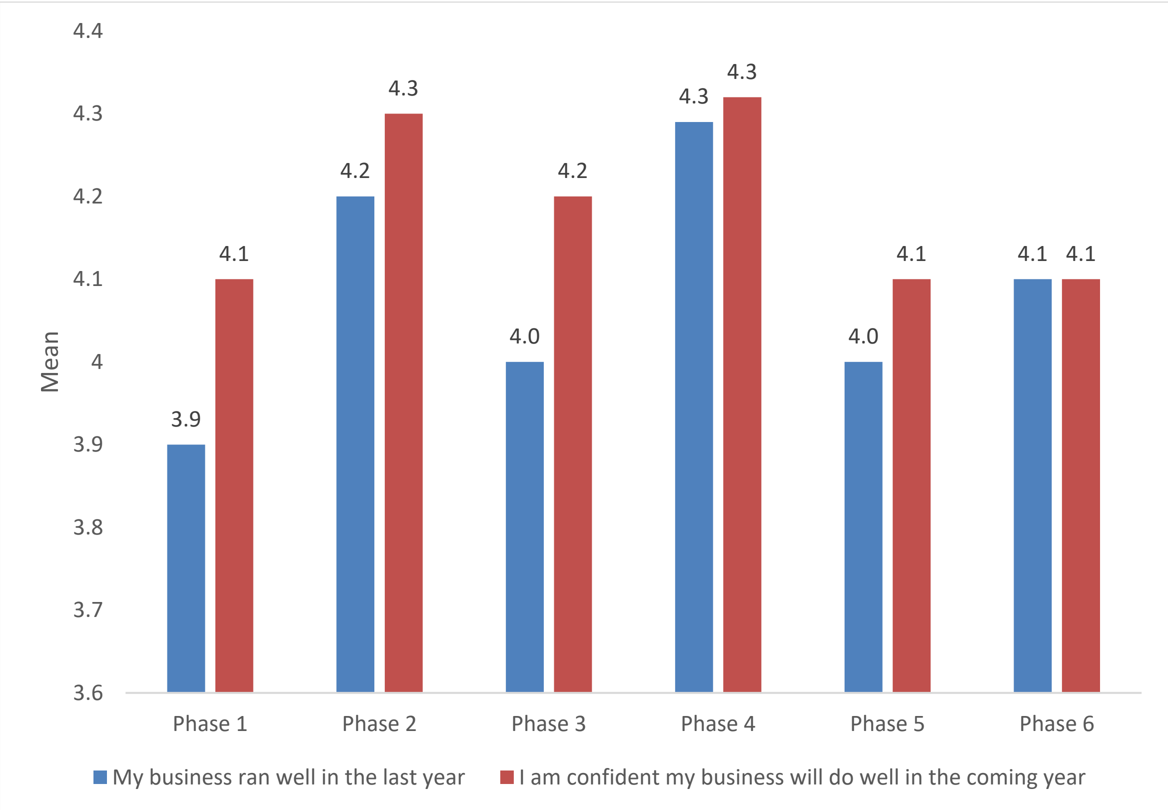


Figure 36: My business ran well in the last year

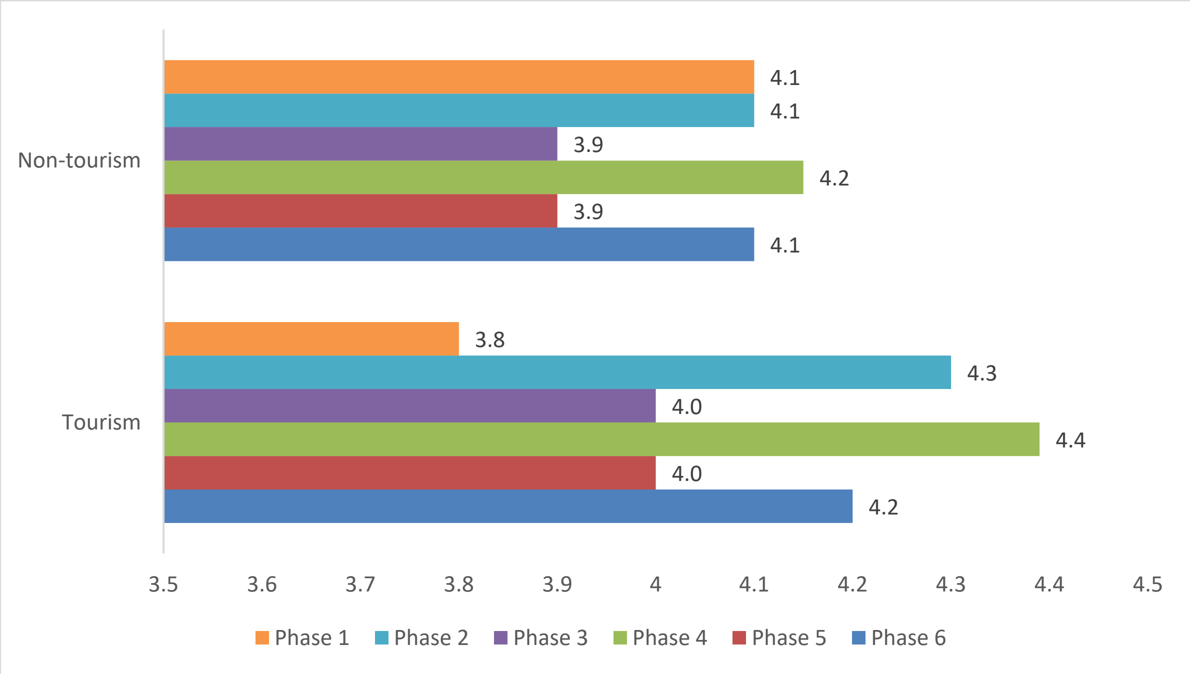


Figure 37: I am confident my business will do well in the coming year

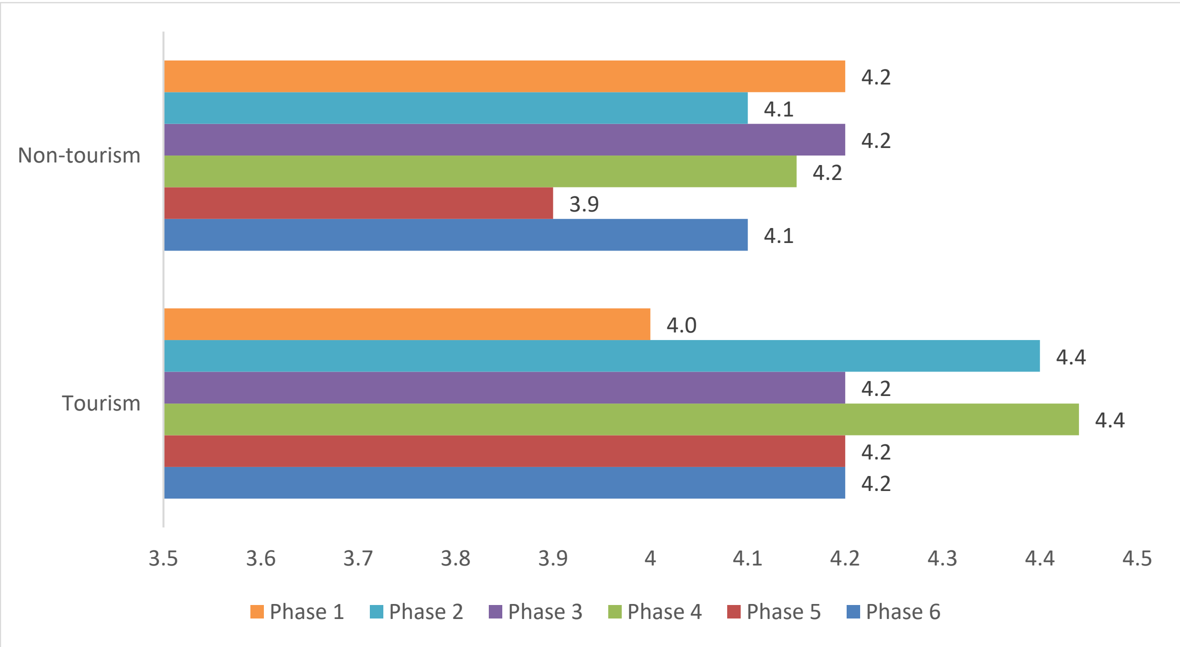


Figure 38: What do you see as being the major challenges that will face your business in next five years?

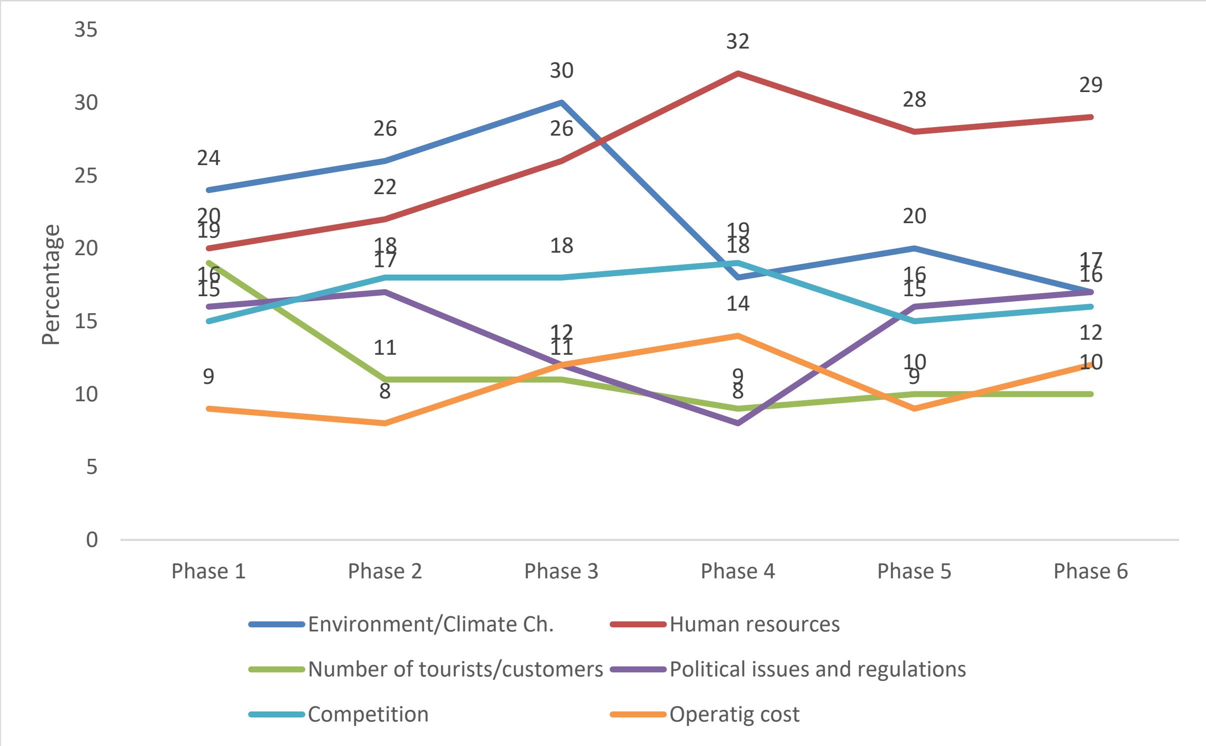


Figure 39: What do you see as being the major opportunities for your business in the next five years?

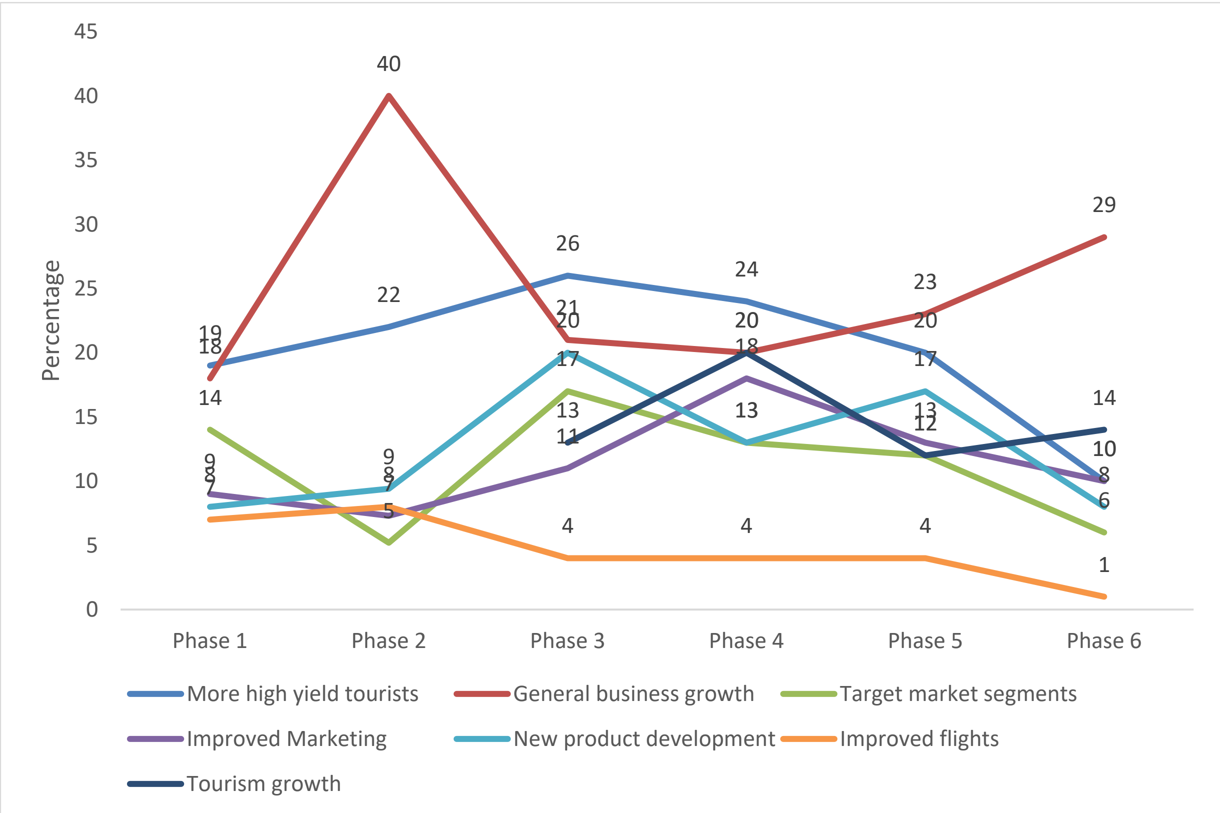


Figure 40: How do you see your business in next five years?

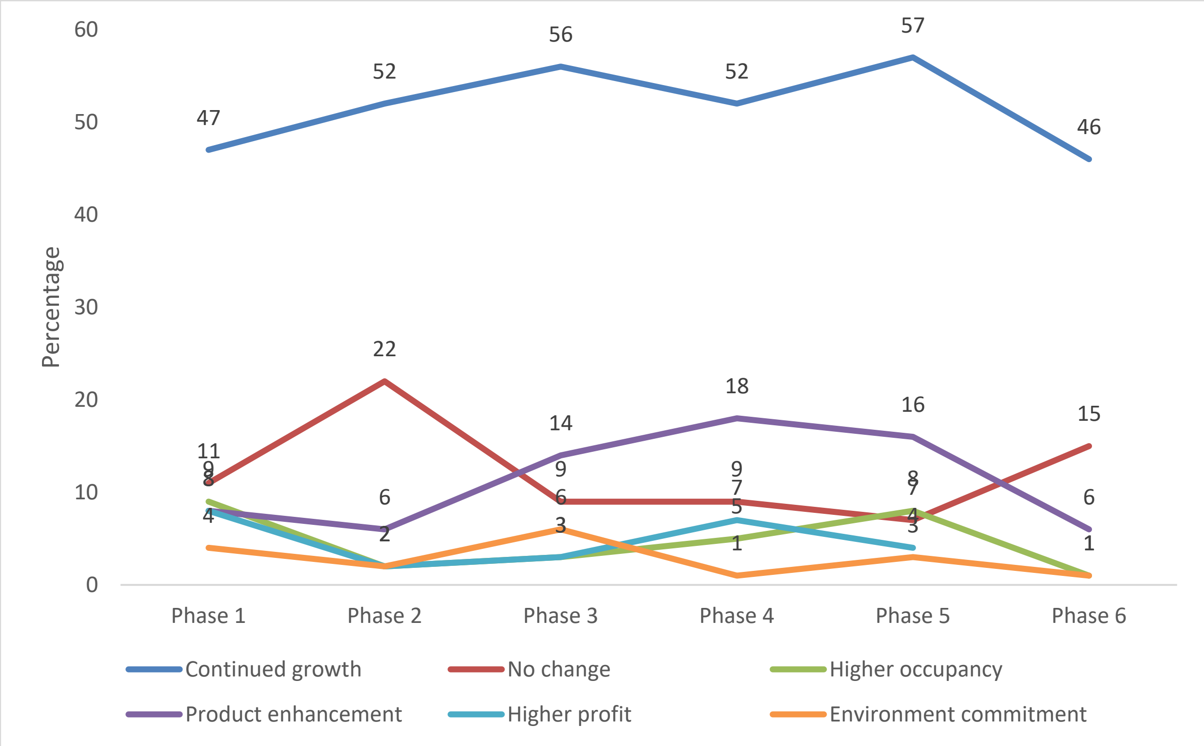


Figure 41: The importance of statements relating to the Cook Islands

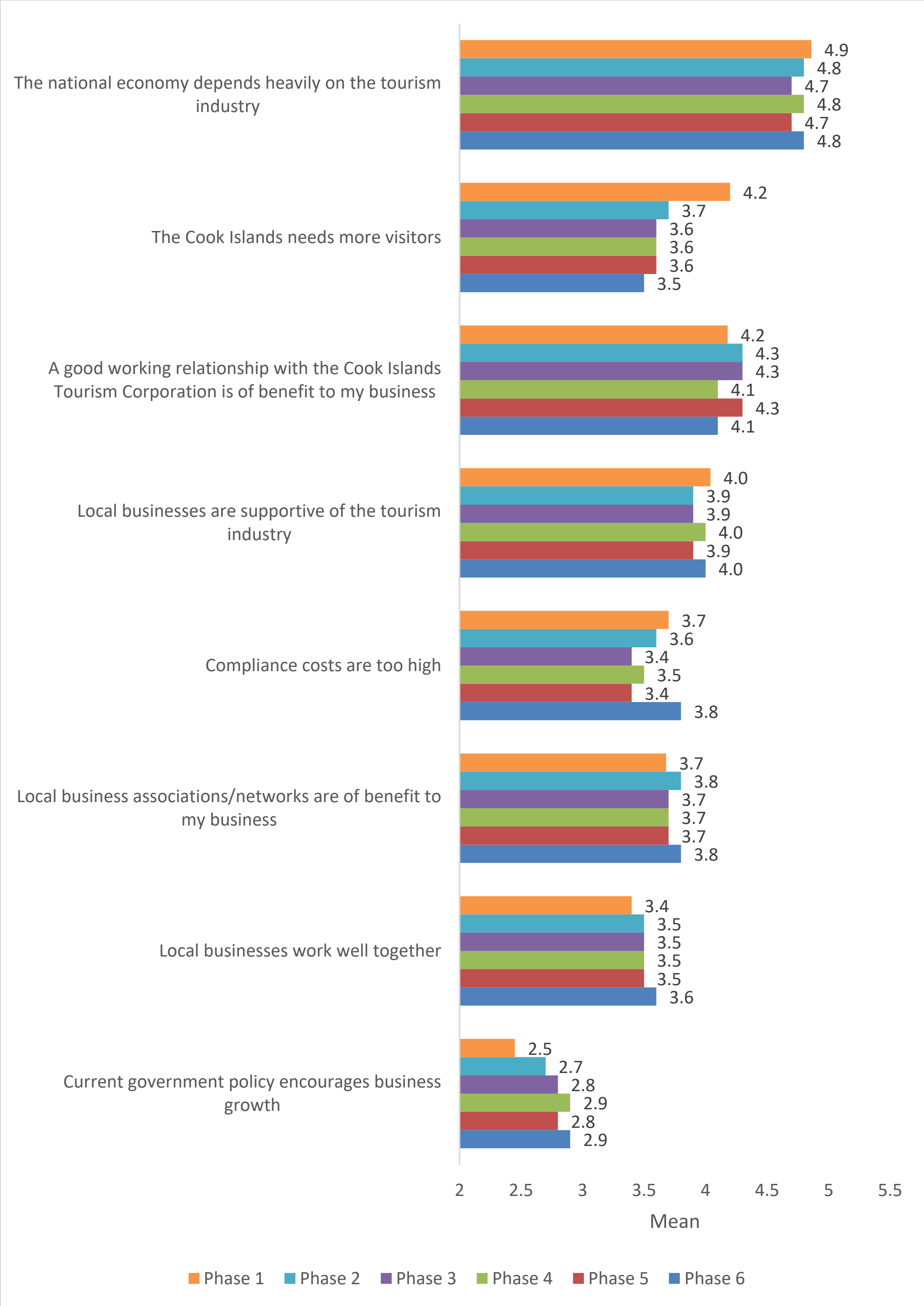


Figure 42: The importance of statements relating to the Cook Islands – tourism and non-tourism

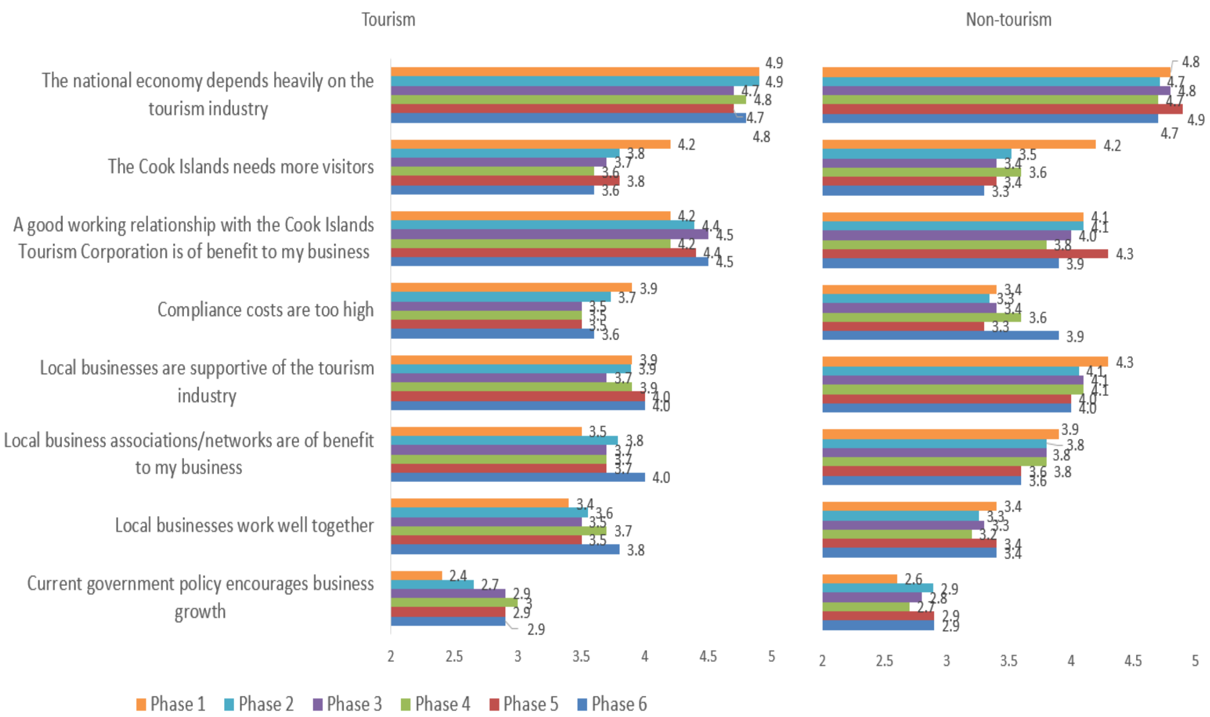


Figure 43: How important are the following to the Cook Islands?

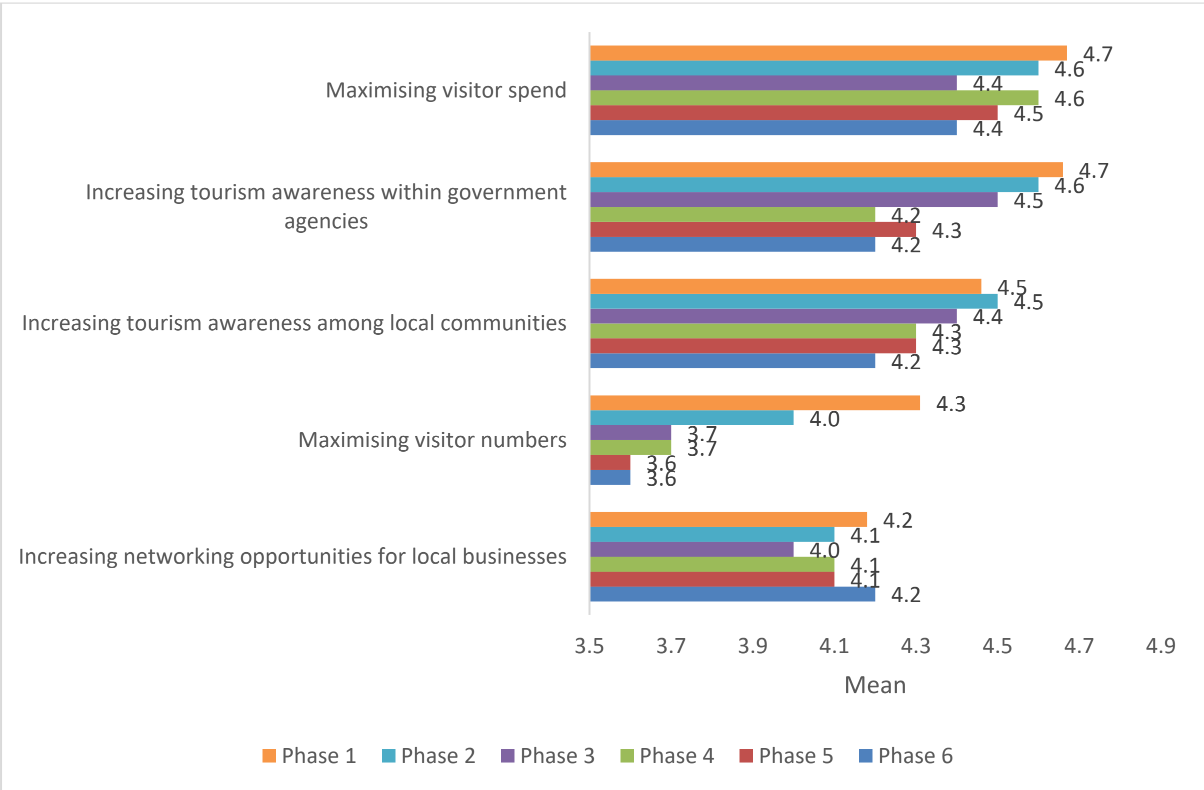


Figure 44: How important are the following to the Cook Islands? – tourism and non-tourism