Cook Islands Business Survey and Confidence Index

Report 1: 2019

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 March to June 2019. Over this three-month period, 314 businesses were contacted with 68 completed surveys received - a conversion rate of 22%. The data presented in this report includes: business profiles, staffing, the business climate, business confidence, revenue, costs and linkages. This survey is the seventh to have been produced since 2016. The survey is conducted at approximately six-month intervals (to generally reflect low and high seasons). 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 (75%) of survey respondents are Cook Islands residents, and nearly all respondents are owners, operators or managers. Over three quarters (77%) of respondents have been in their current role under ten years. Nearly half (48%) of businesses have been operating for more than 10 years. Over two fifths (43%) of businesses surveyed noted 'accommodation provider' as their primary focus, and another 10% focused on 'Restaurant/café/bar'. Businesses surveyed are mainly located in Rarotonga (93%), with a smaller number of businesses located in Aitutaki (4%), and Atiu (2%). The majority (99%) of businesses operate all year round.

Fifteen percent of businesses employ over 16 Cook Islands Maori staff, with a further 18% of businesses indicating none of their staff are Cook Islands Maori. Nearly half (47%) of businesses hire one to three women. Nearly three quarters (74%) 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) (50%/35% agree/strongly agree), and will do well in the coming year (44%/39% 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 third (29%) of respondents mentioned human resources being a significant issue, this is a significant increase from the previous period. Over half (54%) 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), compared to only 3.3 for growing visitor numbers.

Around one quarter (26%) of local businesses report an annual turnover of less than $150,000 in the last financial year. Nearly half (46%) of the businesses surveyed attribute more than 90% of their annual turnover directly to the tourism industry.

Table of Contents

Figures and Tables

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 provide a better platform for the ‘voice’ of the tourism industry and other economic sectors to be heard, and to also engage the private sector as active participants in research.

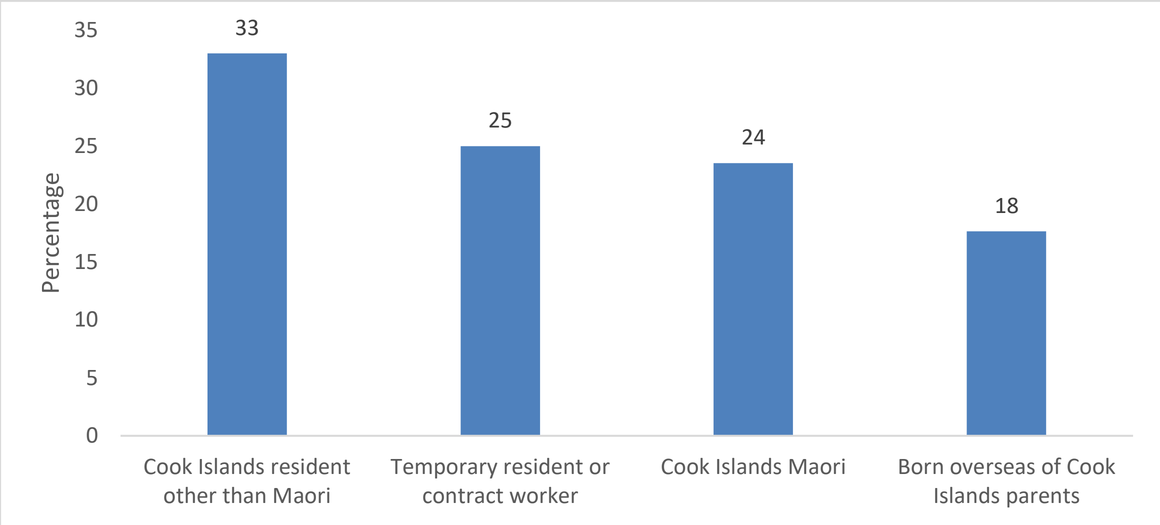
The report presents results from the Cook Islands Business Confidence Index Survey conducted from March to June 2019. Over this three-month period, 314 businesses were contacted, 68 completed surveys were received - a conversion rate of 22%. Over two thirds (68%) of the respondents had participated the last Cook Islands Business Confidence Index Survey. This survey is the seventh 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 fourth low season survey. In addition to the regular survey report below there is also a supplementary set of slides presented in the Appendix that highlight key time series trends.

The data presented in this report includes: general business profile, staffing levels, the business climate, and information on revenues, costs and economic linkages. Because the national economy is so dependent on tourism, there are few businesses that do not rely to a considerable degree on the direct or indirect economic impacts that tourism generates. For the purposes of this survey, we split much of the analysis between ‘tourism’ (accommodation and tour operator) and ‘non-tourism’ businesses – the latter includes businesses that may depend heavily on tourism (e.g. restaurants) and others that have a focus on a more local clientele.

Business Profile

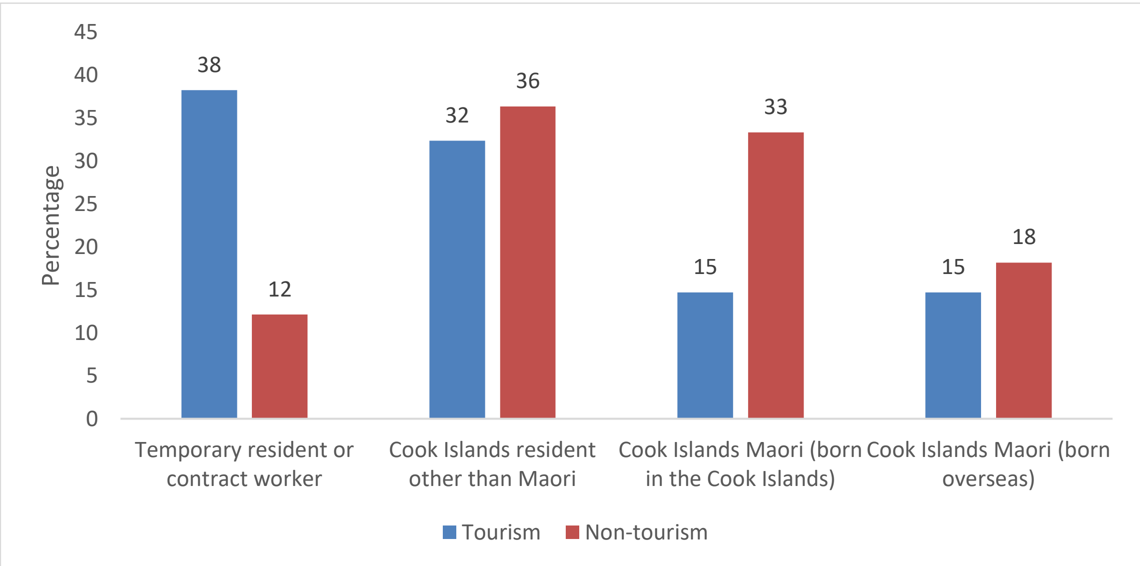
The majority (75%) of respondents are permanent Cook Islands residents - either Cook Islands non-Maori (33%), or Maori (24%), or born overseas to Cook Islands parents (18%) (Figure 1).

Figure 1: Which of the following best describes you



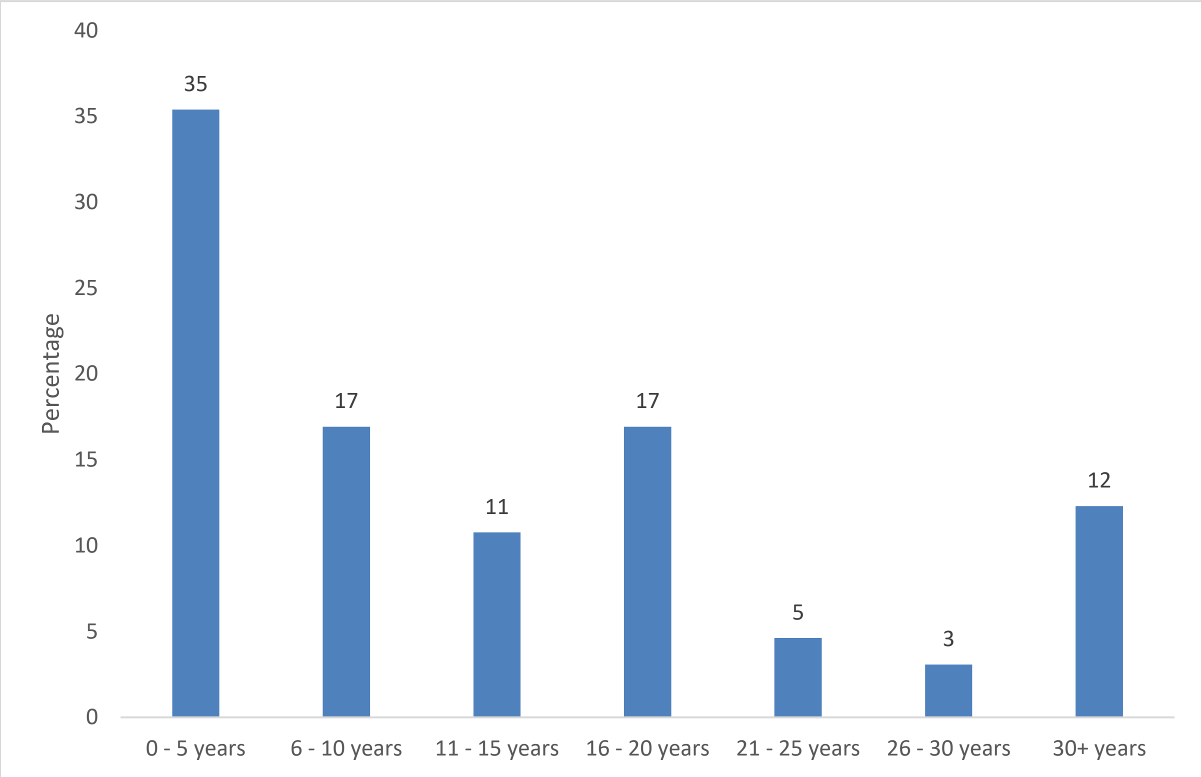
Tourism businesses attracted more temporary residents or contract workers than non-tourism businesses. On the contrary, more Cook Islands resident (both Maori and non-Maori) and overseas Maori work in non-tourism businesses (Figure 2).

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



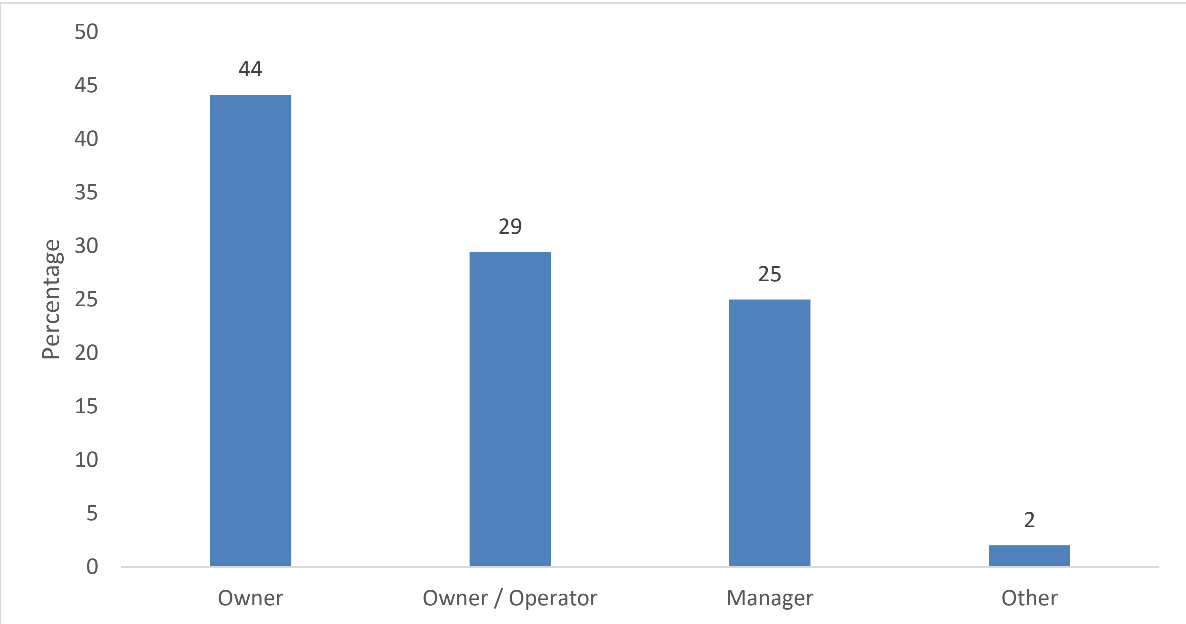
Nearly half of responding businesses (48%) have been in operation for more than 10 years (Figure 3). A significant number of businesses (12%) have been operating for more than 30 years.

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



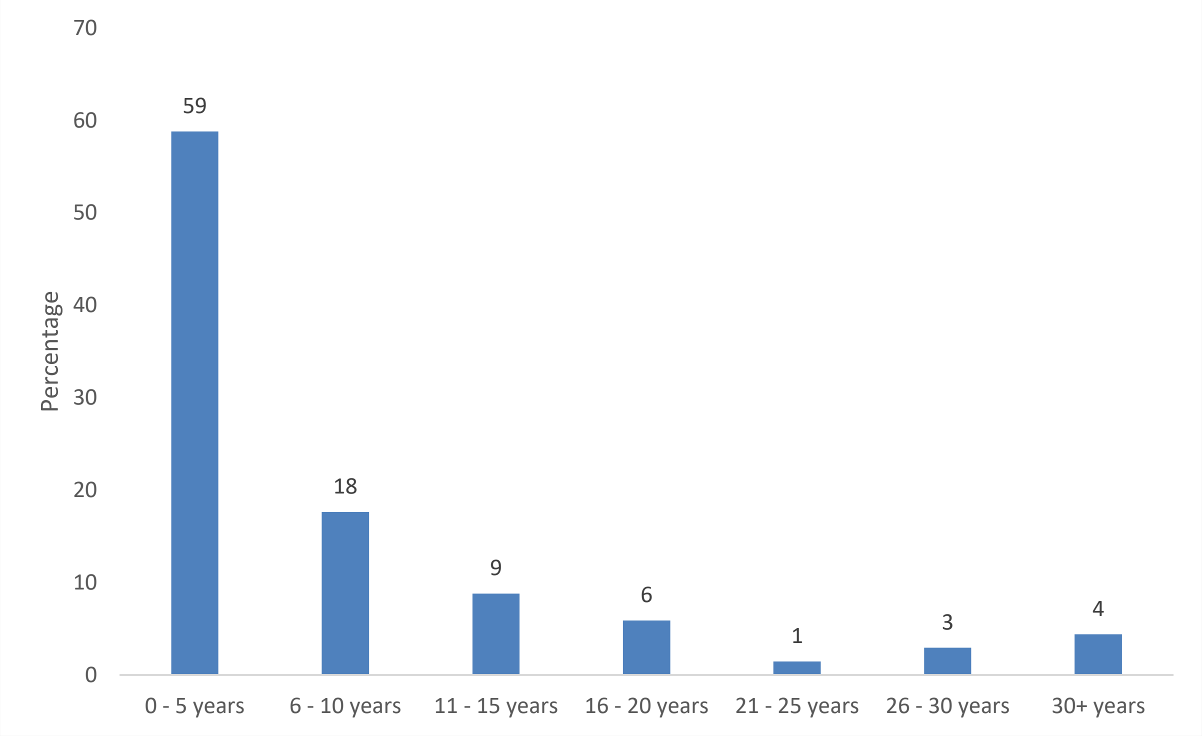
The majority of business respondents are owners (44%), owner/operators (29%), or managers (25%) (Figure 4). Over half (58%) of business respondents are women.

Figure 4: What is your role in this business



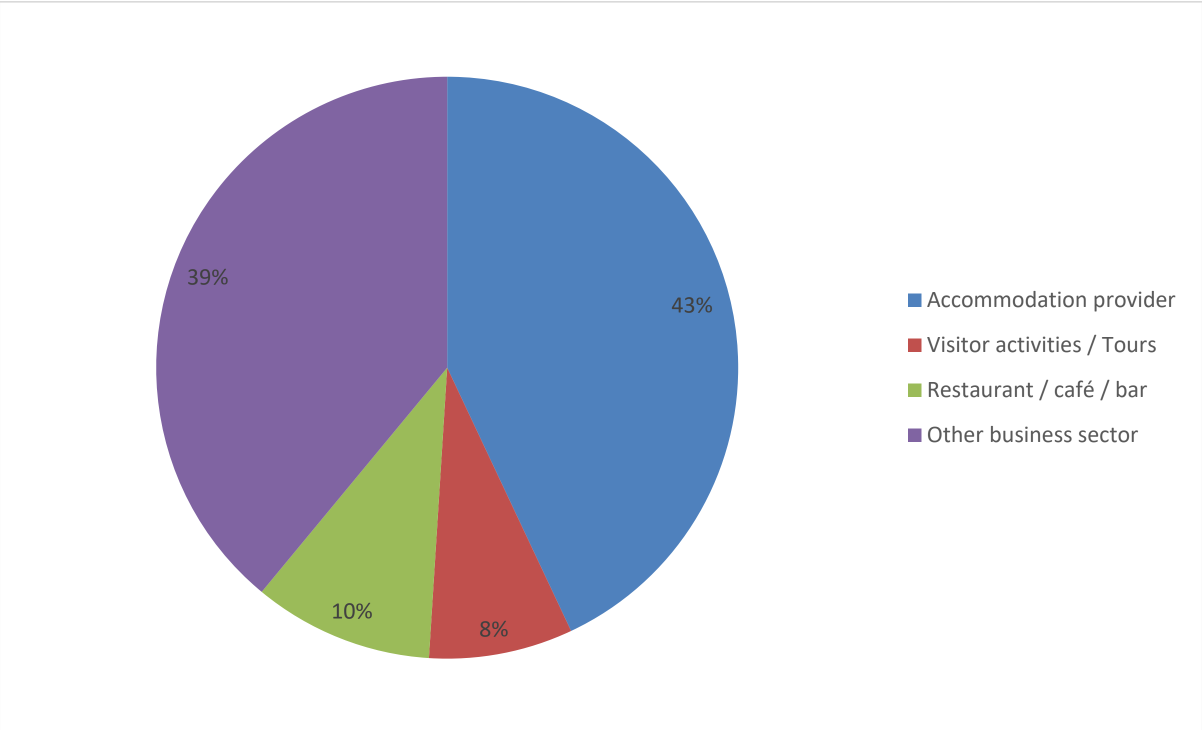
Over three quarters (77%) of respondents have been in their current role for under 10 years (Figure 4). Only 8% of those surveyed have been in their role for over 20 years.

Figure 5: How long have you been in this role



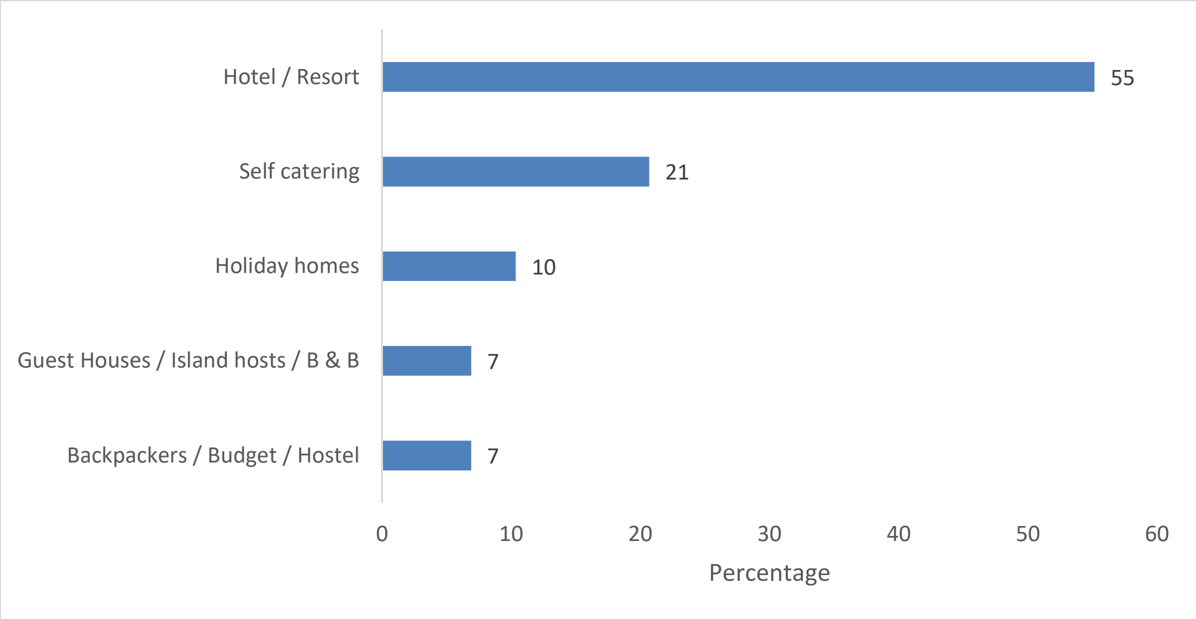
Over two-fifths (43%) of businesses surveyed noted 'accommodation provider' as their primary focus, and another 8% focused on 'visitor activities/tours' (Figure 6). Nearly half (49%) of businesses surveyed are non-tourism businesses (including restaurants / café / bar).

Figure 6: What is the primary focus on your business



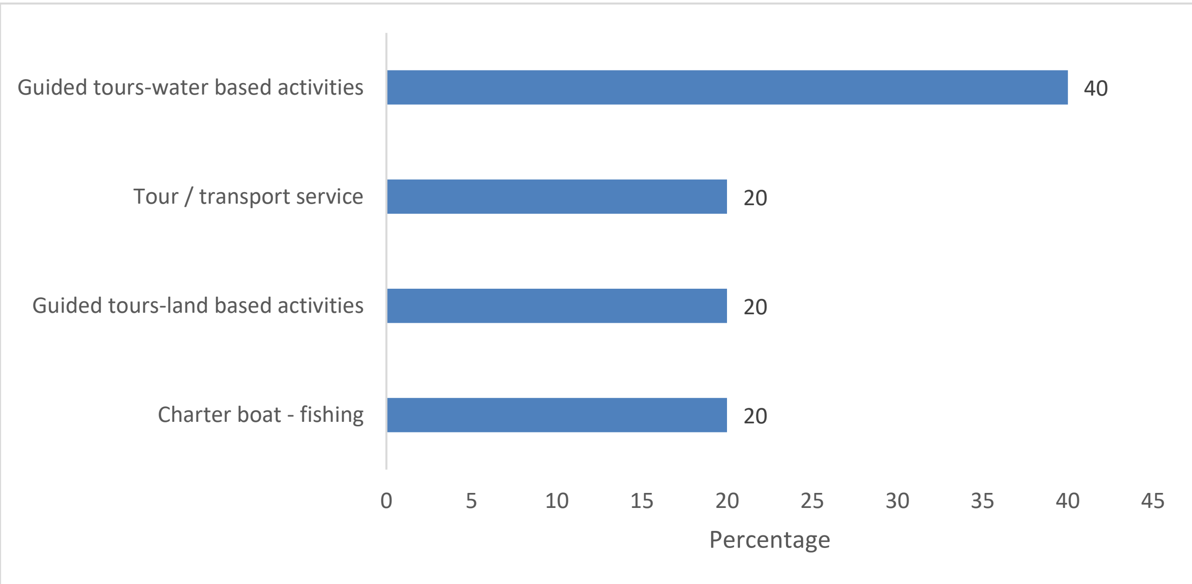
Over half (55%) of those who note accommodation as their primary focus classify the business as being hotel/resort, a further 21% are 'self-catering', with holiday homes making up a further 10% (Figure 7).

Figure 7: Accommodation provider: main focus of business



For those who indicate visitor activities as their primary focus, two-fifths (40%) are guided tours – water based activities. One in five (20%) are classified as "tour/transport service", "guided tours-land based activities", and "charter boat-fishing". (Figure 8).

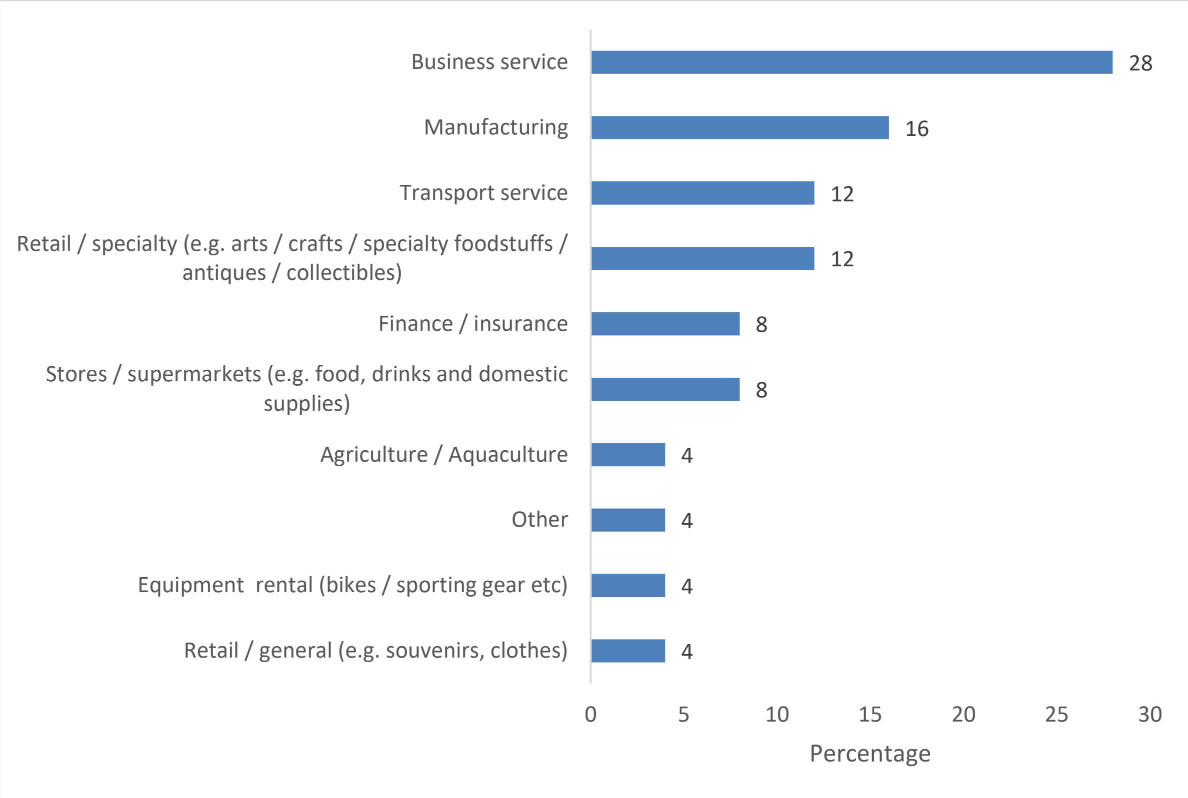
Figure 8: Visitor activities/tours: main focus of business*



*: n<10.

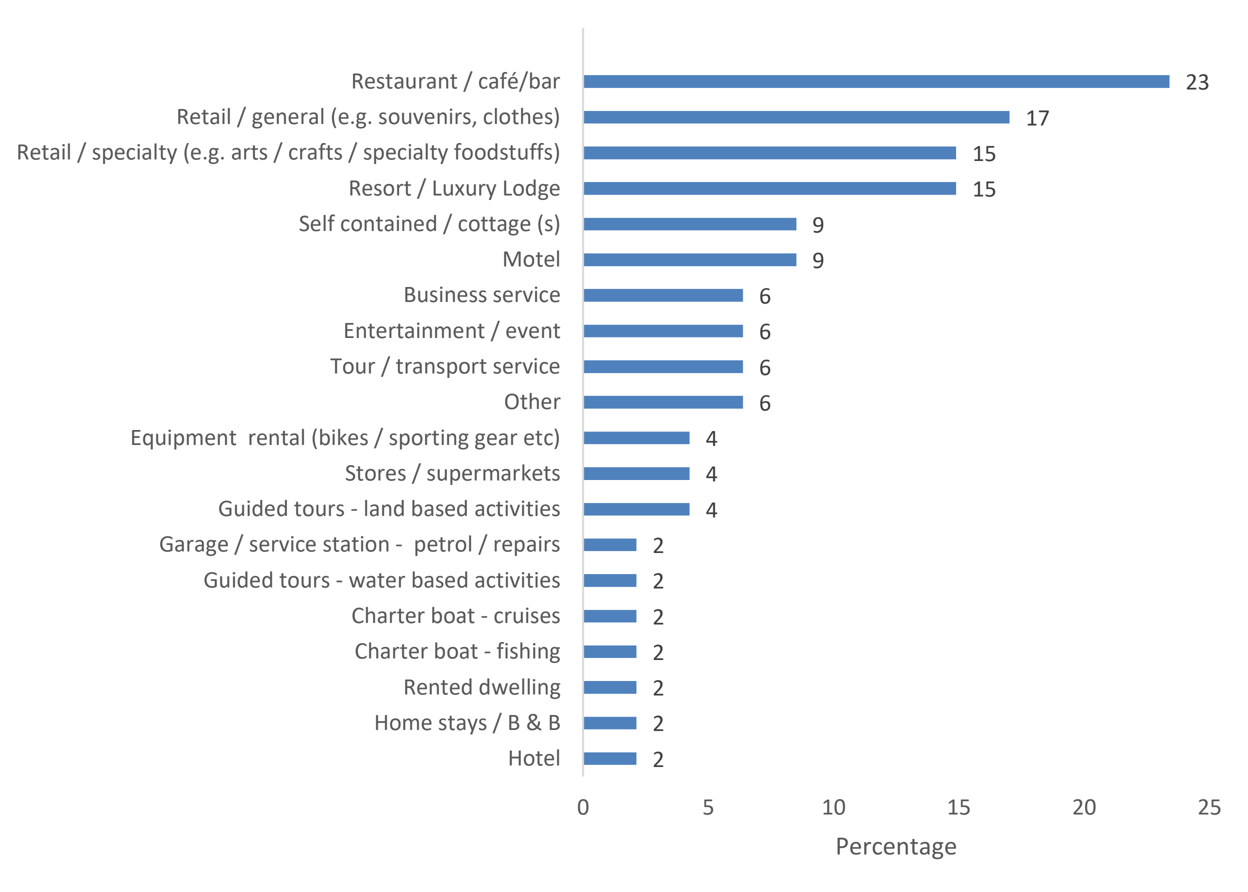
‘Other business sectors’ include business service (28%), manufacturing (16%), transport serves (12%), special retail (12%), finance or insurance (8%), and stores/supermarkets (8%) (Figure 9).

Figure 9: Other business sectors: main focus of business



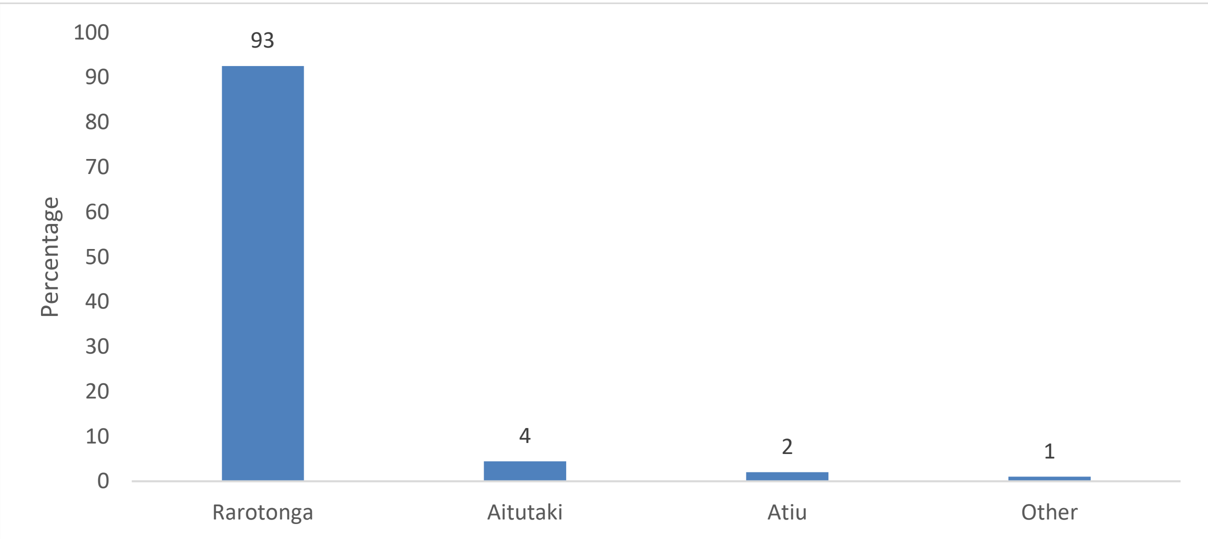
Respondents were also asked to indicate whether they operate secondary business activities in addition to their primary focus. Over one quarter (29%) of respondents do not have a secondary business focus. For those who have a secondary business activity, these are mainly focused on restaurant/café/bar (23%), general retail (17%), special retail (15%), and resort/luxury lodge (15%) (Figure 10). If all accommodation options are combined, we see this represents 39% of the total.

Figure 10: Secondary focus of business



The majority of primary businesses covered in the survey are located in Rarotonga (93%), with a smaller percentage located in Aitutaki (4%) and Atiu (2%) (Figure 11).

Figure 11: Where is your primary business located?

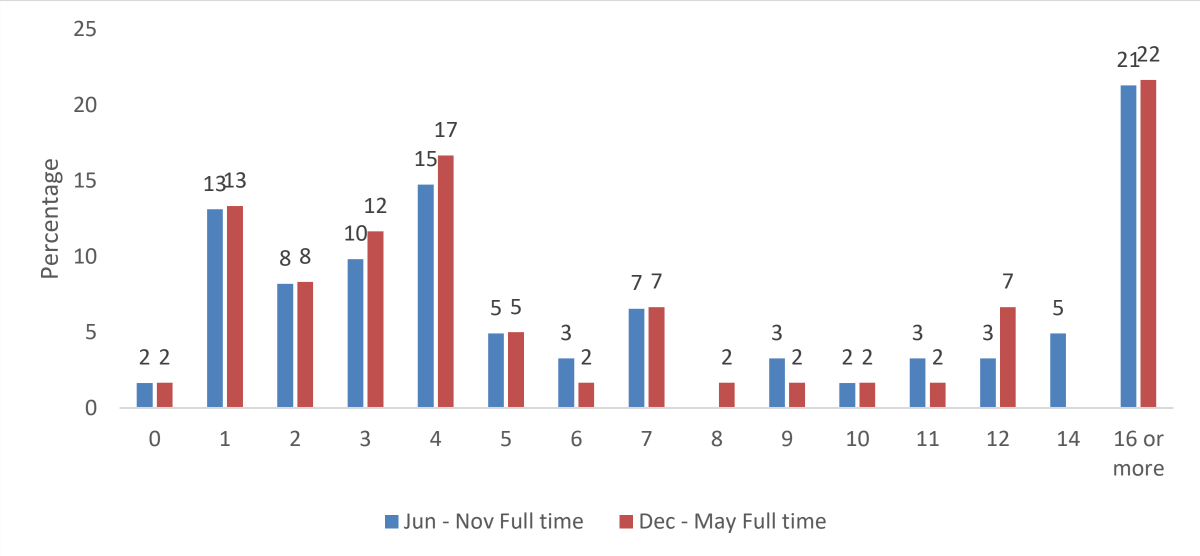


The majority of businesses (99%) captured in the survey (both tourism and non-tourism) operate all year round.

Staffing

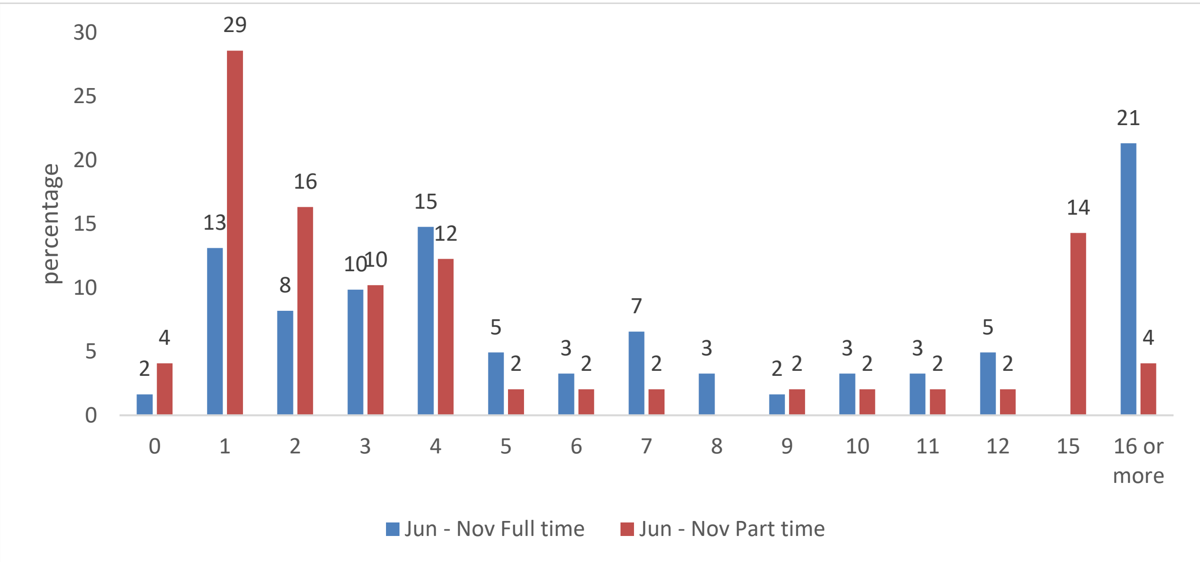
For both high season (June to November) and low season (December to May), we can clearly see the bifurcated nature of employment within the businesses responding – most have either 1-7 staff or 16 and over (Figure 12). Nearly all (98%) of the businesses that participated in the survey hire at least one full time staff member.

Figure 12: Average number of full-time staff



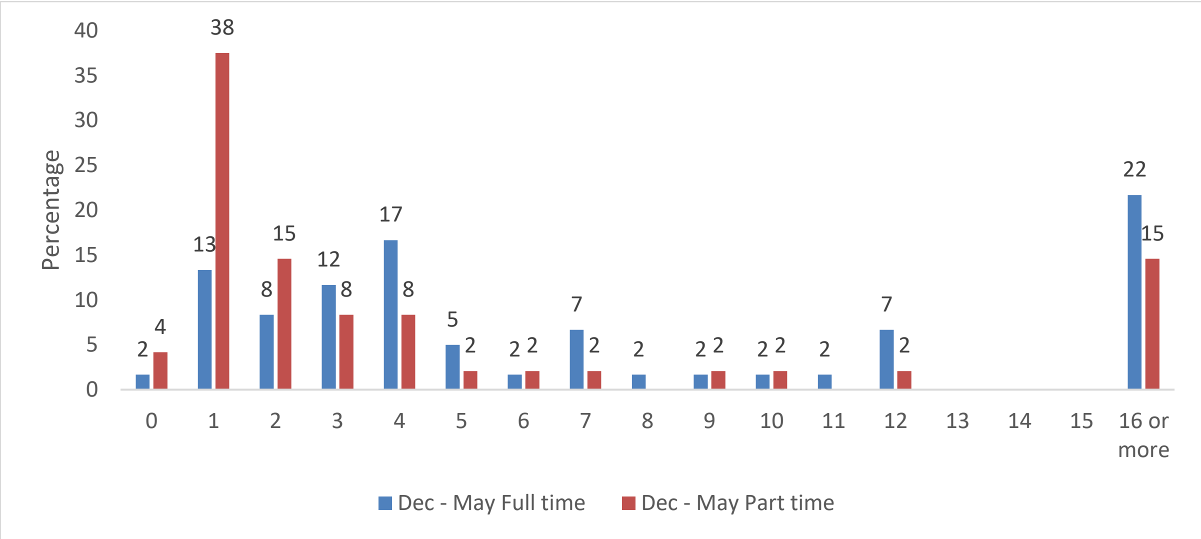
During the high season (June to November), the average number of full-time and part-time staff employed per business is 7 and 6 respectively. Nearly half (48%) of the businesses employ four or fewer full-time staff. Over one in five (21%) of businesses have more than 15 full-time staff (Figure 13). The majority (71%) of businesses employ fewer than 4 part-time staff.

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



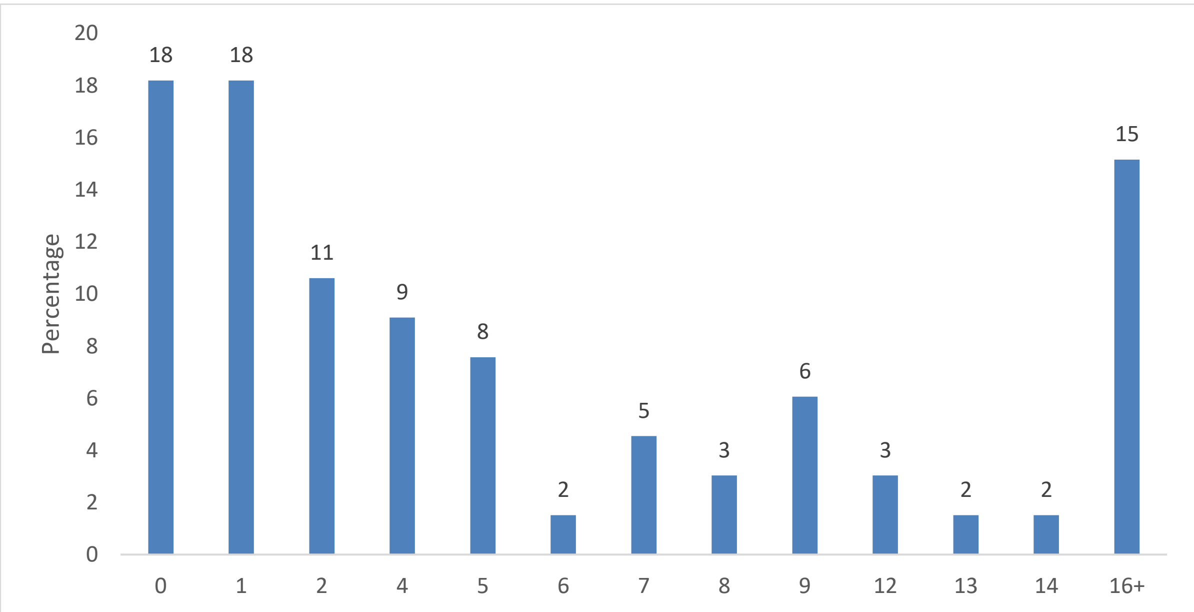
During the low season (December to May), the average number of full-time and part-time staff per business are 7 and 5 respectively. Over half (52%) of the businesses employ four or fewer full-time staff. Over one in five (22%) of businesses have more than 15 full-time staff (Figure 14). The majority (73%) of businesses employ 4 or fewer part-time staff.

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



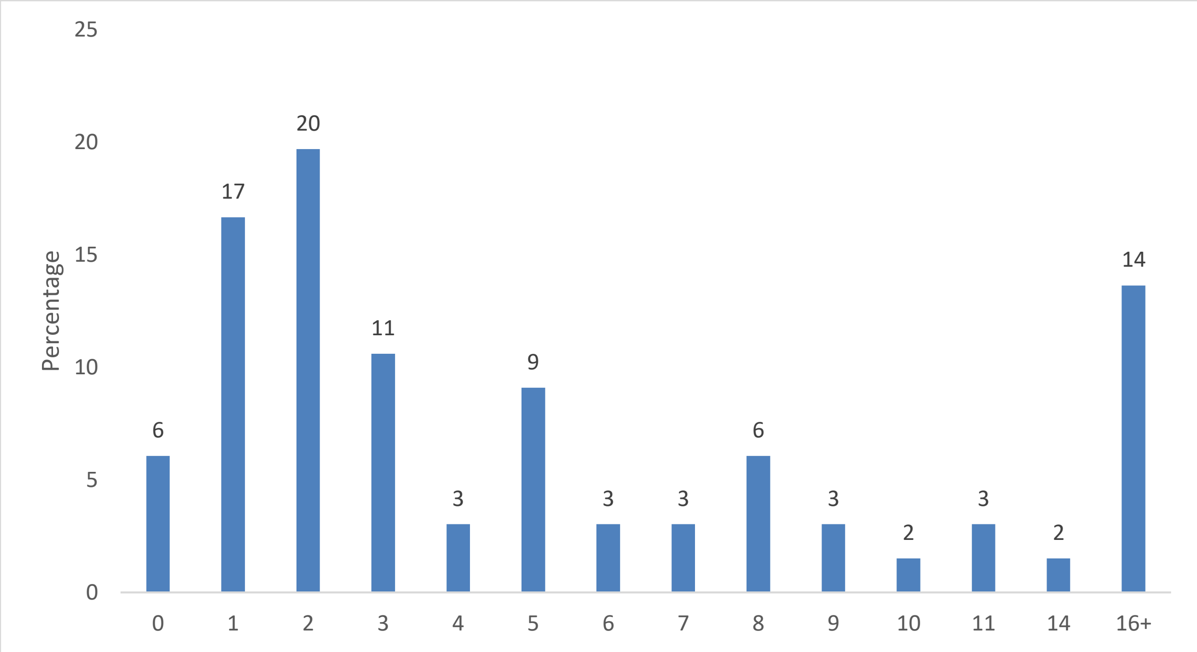
Fifteen percent of businesses employ 16 or more Cook Islands Maori staff, with 18% not employing any Cook Islands Maori staff (Figure 15).

Figure 15: Number of staff that are Cook Islands Maori



Nearly half (48%) of businesses hire one to three women. Fourteen percent of businesses hire over 16 female employees (Figure 16).

Figure 16: Number of staff that are women



Nearly three quarters (74%) of businesses covered in the survey indicated they have problems finding suitable staff. Of those respondents who stated they had difficulty, nearly one third (29%) noted that local people are not willing to work or have little interest in working (Table 1). A further 24% mentioned it was difficult to find those staff with suitable skills. Another 21% stated that they find it hard to recruit qualified staff.

Table 1: Problems finding suitable staff?

Theme	Share of respondents
Unwilling to work or little interest	29%
Suitable skills	24%
Hard to find qualified staff	21%
Reliability and honesty	18%
Limited local human resources	18%
Self-initiative	9%
High staff turnover	6%
Low pay scale	6%
Hiring foreigners	3%

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

Comments included:

> *"There are few locals who want to be good gardeners or cleaners."*

> *"Finding qualified and enthusiastic local staff."*

"Not much interest in the Tourism sector."

"Entry level, accounting, evening work, sales staff, warehousing, maintenance all hard to find."

"Especially in skilled positions/management."

"Shortage of qualified staff for senior positions."

"Not enough qualified people in my sector."

"Reliable, HONEST, wanting to work."

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, over half (56%) of businesses are focusing on reliability and honesty (Table 2), around one third (31%) are focusing on a good work ethic, including commitment and punctuality. A further 24% mentioned specific skills and relevant education as being essential attributes. Nearly one quarter (24%) of businesses mentioned the willingness to work. Additionally, over one in five (21%) emphasized the importance of personality traits such as friendliness and a welcoming nature.

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

Theme	Share of respondents
Reliability and honesty	56%
Good work ethic and attitude	31%
Skills and education	24%
Willing to work	24%
Personality	21%
Ability and willingness to learn	19%
Experience	18%
Knowledge of Cook Islands	8%
Local staff	6%
Time management	6%
Other	3%
Team player	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 what businesses are looking when hiring new staff included:

"Reliability, honesty, ability to take directions, consistency."

"Mature, reliable, sober habits, excellent customer service skills, good communication skills."

“Honesty, on time, thorough and clean work and able to answer guests question on the Cook Islands.”

“Can do attitude.”

“Great attitude, desire to work, honesty.”

“Skills in accountancy, maintenance, gardening and advertising.”

“Initiative, good written skills, IT skilled, good English.”

“Formal qualifications from tertiary/university.”

“Anyone who is willing to work, we can do the training, just need the commitment and attitude.”

“Experience and personality.”

Nearly two thirds (64%) of businesses noted that they have training needs (Table 3). Of these, over one third (35%) focused on the need to train their staff in basic customer service and care. Of note is the fact that sixteen percent of businesses mentioned Kia Orana Values or Kia Orana service courses would be of value. Other main training needs include: management skills (16%), ICT (14%), other trainings related to the environmental awareness, manufacturing, social media, team building, and early childhood education (14%), sales and marketing skills (14%), first aid (11%), general hospitality and tourism (11%), housekeeping (11%), trade or technical skills (11%), lifeguard or water-based skills (5%), retail skills (5%), and product development (3%).

Table 3: Business training needs

Theme	Share of respondents
Customer service	35%
Kia Orana values and cultural understanding	16%
Management	16%
ICT skills	14%
Other	14%
Sales and marketing	14%
First aid	11%
Hospitality and tourism	11%
Housekeeping	11%
Trade or technical skills	11%
Lifeguard or water based skills	5%
Retail skills	5%
Product development	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:

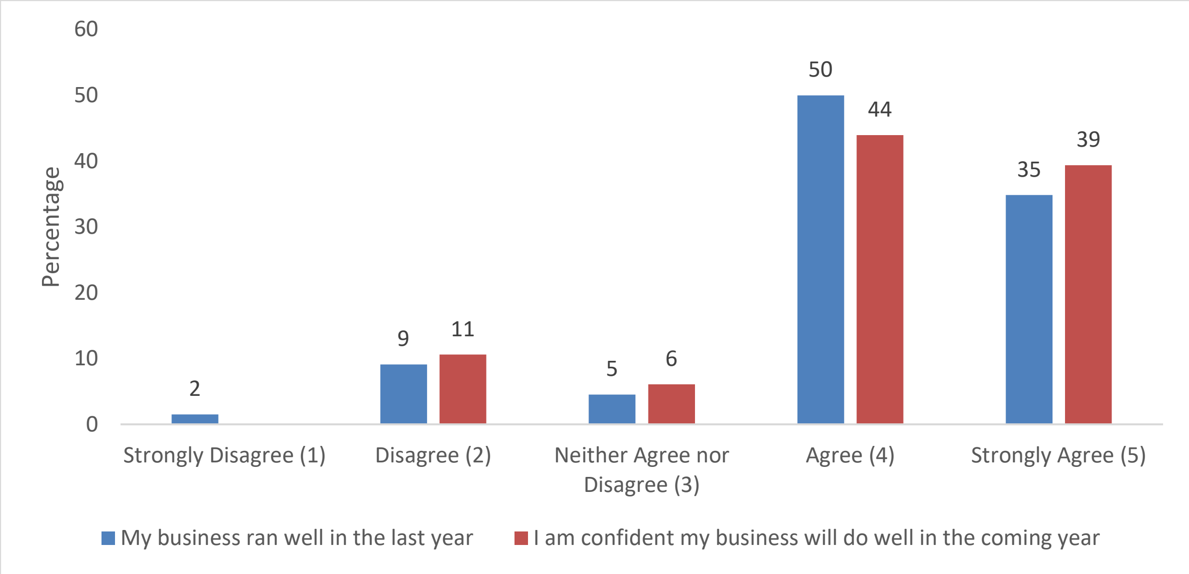
> *"Team building, computer skills, customer service."*
>
> *"Hospitality training - the importance of good customer service - they know how...they just don't ....sometimes."*
>
> *"Customer Services, Spirit of Hospitality Training and Sequence of Services. First Aid and Fire Training."*
>
> *"Customer service, management, numeracy, communications."*
>
> *"Kia Orana Values, middle management."*
>
> *"First Aid, Kia Orana Course."*
>
> *"Performance management."*
>
> *"IT in improving traffic to increase bookings."*
>
> *"Social media training, especially Instagram."*

When asked to list any local business/organisations they belong to - over four in five (81%) of respondents answered. The majority of those that responded are members of the Chamber of Commerce (55%), and/or the Cook Islands Tourism Industry Council (44%).

The business climate

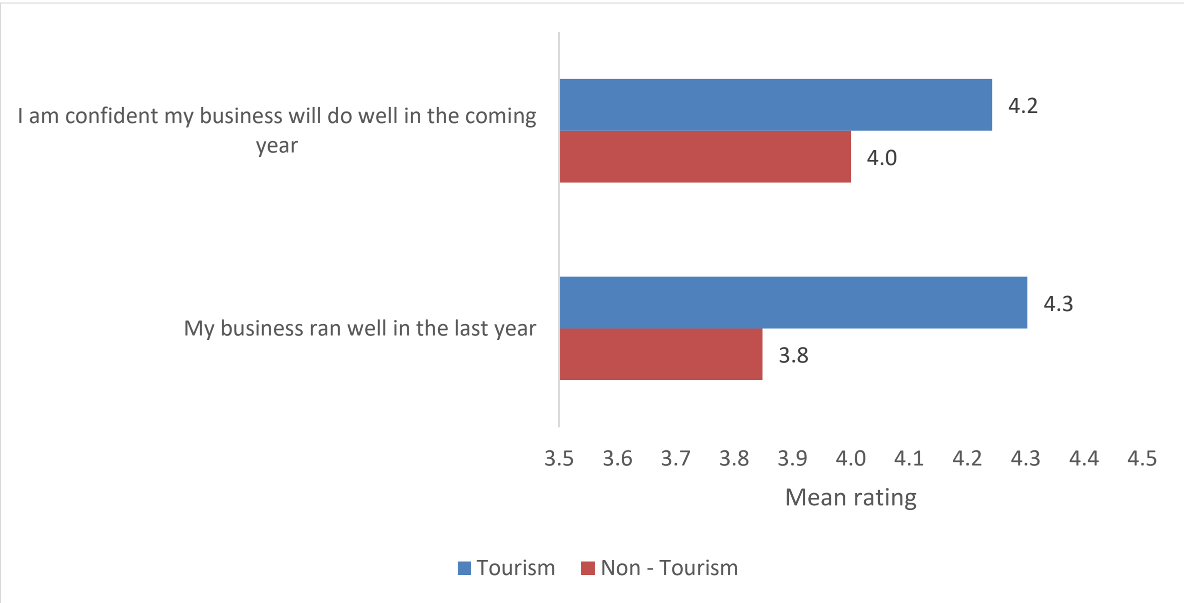
Respondents were asked to rank statements related to their level of confidence in the business climate. The majority of respondents feel that their business ran well in the previous 12 months (85%), and feel confident that their business will do well in the coming year (83%) (an average of 4.1 out of 5 for both) (Figure 17).

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



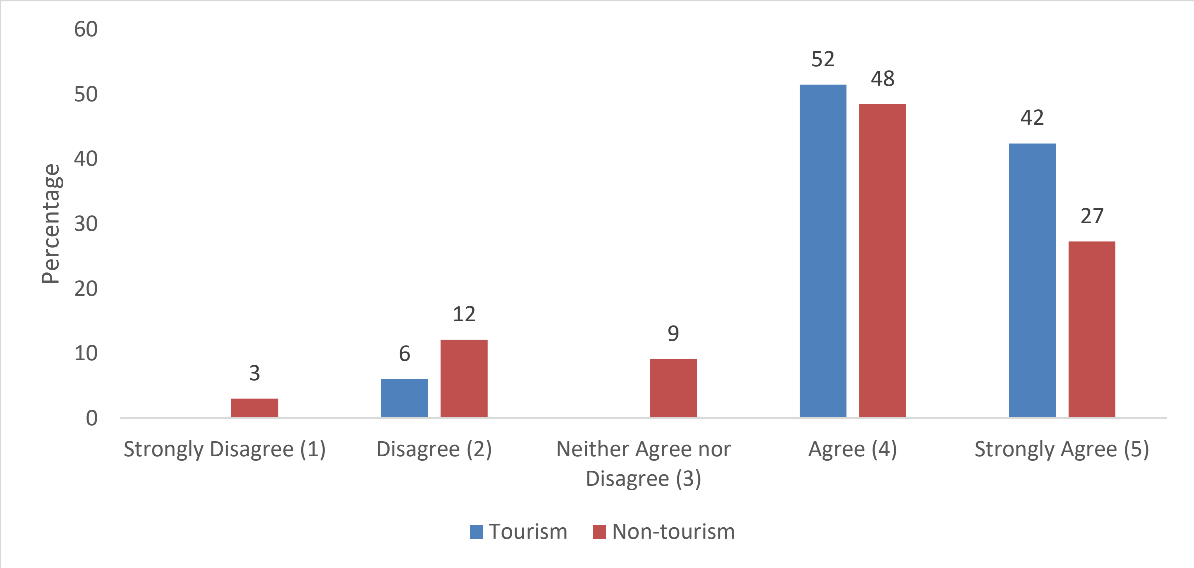
Tourism businesses have a higher level of confidence than non-tourism businesses about both the past and coming year (Figure 18).

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



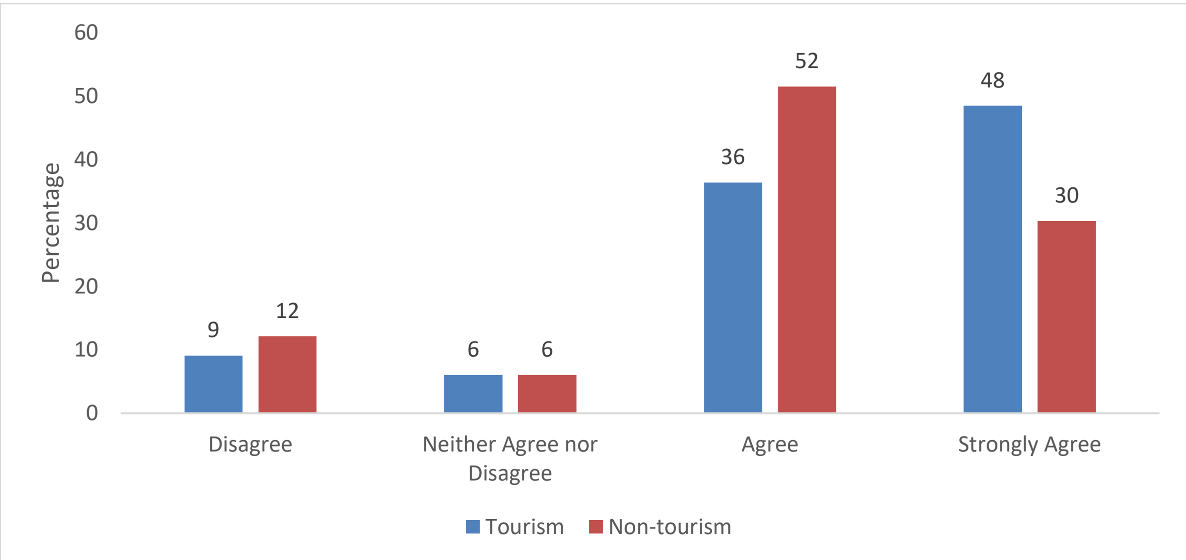
Tourism businesses were clearly more confident with the statement “My business ran well in the last year (94%), than non-tourism businesses (75%) (Figure 19). It is worth noting that tourism businesses are more strongly likely (42% vs 27%) to agree with this statement.

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” (84% vs 82%) (Figure 20). In terms of levels of “strongly agree” with the statement, tourism businesses (48%) were significantly higher than their non-tourism counterparts (30%).

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?” Nearly one third (29%) of respondents mentioned human resources (Table 4), followed by competition from other businesses (27%), political issues and regulations (19%), operating cost (15%), tourists and tourism like seasonality (15%), climate change/environmental degradation (12%), and infrastructure (12%). Ten percent of respondents mentioned that the Cook Islands as a tourism destination should be more competitive than other island nations.

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%
Competition from other businesses	27%
Political issues and regulation	19%
Operating costs	15%
Tourists and tourism	15%
Climate change or environmental degradation	12%
Infrastructure	12%
Destination development	10%
World economics	5%
Business development	3%
Investment or financial support	3%
Supply shortage	3%
Advertising and marketing	2%

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

Comments included:

> *"Increasing competition locally and off-shore companies."*
>
> *"Increased competition from more and more restaurants/night markets etc, economic downturns or not attracting tourists that dine out a lot."*
>
> *"Travelers trends and the increase on competition from other destinations."*
>
> *"Government being too slow to respond to environmental issues, downturn from any markets, competition from Asian destinations like Bali and Hawaii."*
>
> *"Competition (visitors going to Bali, Fiji etc on cheap airfares), dengue outbreaks or other."*
>
> *"Minimum wage increasing too much (most of our staff except dishwasher on much higher than minimum wage so won't affect us until after about $8.50."*
>
> *"High turnover of staff and loss of corporate knowledge."*
>
> *"New Immigration act (making things tougher for employers)..."*

“Huge prices for product, superannuation, pay, rising wages, taxes.”

“It is concerning that some of these are not operated as businesses, with being liable for company tax etc. Should be regulated...”

“Ongoing freight cost increases affecting food prices.”

“Cost of expansion.”

“Low tourist numbers in November - April.”

“Declining Fish Rate. Lack of staff. Low end Tourists.”

“Pressures on the environment due to slow response within government to upgrade infrastructure, landfill and lack of recycling by government.”

“Climate change and protection of the environment.”

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 (37%) and also focused specifically on the growth of tourism (22%), product development (23%), and increasing numbers and the quality of the tourists (15%). Other areas of opportunity identified included: improved marketing (13%), improved environment and climate (8%), staffing (8%), more government support (5%), and targeting specific market segments (5%) (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	37%
Product development	23%
Tourism growth	22%
More high yield tourists	15%
Marketing	13%
Improved environment and climate	8%
Staffing	8%
Government support	5%
Technology or ICT	5%
Target market segments	5%
Investment	2%
Building on reputation	2%
Greater collaboration	2%
Improved flights	2%

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

Comments included:

> *"As we serve an overseas ethnic cuisine, having more people seeking that variety during their stay (so longer stay guests), more marketing of the diversity of food available here, increased numbers during the slow season, possibly some sort of easy youth visa to be extended to commonwealth citizens to work here during the busy season. Also, more convenient local produce would be helpful. Perhaps alternative flours (breadfruit/cassava) produced here might be an option instead of corn and wheat - but it has to be same price or less than overseas."*

> *"Win a CI Tourism Award for environment or business practise, focus on good quality repeat business, continuing to upgrade property and being firmly established as one of the most popular choices for Rarotonga."*

> *"Growth in off season/low season."*

> *"Increased destination marketing leading to improved visitor growth."*

> *"Being able to attract traffic by adding a few smaller inexpensive things to the property like adding free WiFi."*

> *"Broadening services and product range."*

> *"To build occupancy through repeat and low season business."*

> *"Number of travellers seeking an authentic experience."*

> *"Develop value added outer island excursions and experiences."*

> *"Our eco-friendly offer."*

> *"The uniqueness of the Cook Islands."*

> *"Growth in tourism numbers from countries other than NZ, more publicity for the Cook Islands in the Northern hemisphere."*

> *"Uniqueness - paradise, promotion for the destination (peaceful, not too busy, island)."*

> *"Targeting lower season guests, and longer staying guests."*

When respondents were asked: "Where do you see your business going in the next five years", nearly half of the comments focused on a growth trajectory (54%) (Table 6). A further 17% of businesses expect the enhancement of product, and fourteen percent of businesses foresee no significant changes in the next five years. An increasing number (12%) of businesses stated that they will try to upgrade their businesses, and develop new marketing strategies (8%).

Table 6: How do you see your business evolving in the next five years?

Theme	Share of respondents
Continued growth	54%
Product enhancement	17%
No change	14%
Upgrades	12%
Marketing	8%
New markets	8%
Service improvement	8%
Higher occupancy	5%
Higher profit	5%
More network	5%
Environment commitment and concerns	3%
Technology	3%
Depends on broader circumstance	2%

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

Comments included:

"Steady growth, possibly employing at least 1 more full-time staff member."

"Hopefully increasing in numbers."

"Expansion into other industries."

"We would like to share our space with another (non-food business) as we are currently only operating at night. This might help offset rent (while allowing us to keep our off street parking which also serves our sister restaurant next door). But we think the food industry is at saturation point. As we are only renting the premise, we might not continue the business if it doesn't provide sufficient ROI."

"Will continue to improve and upgrade hotel and look to ways that we can expand."

"Growing the low/shoulder seasons to ensure we are 70 - 80% occupied over these months, grow repeat and referral business especially for them to come direct so we can get higher yield."

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

"The physical product is there - building the experiential product with consistency of service enabling some premium pricing in time."

"More about consolidating and maintaining (or increasing) current standards."

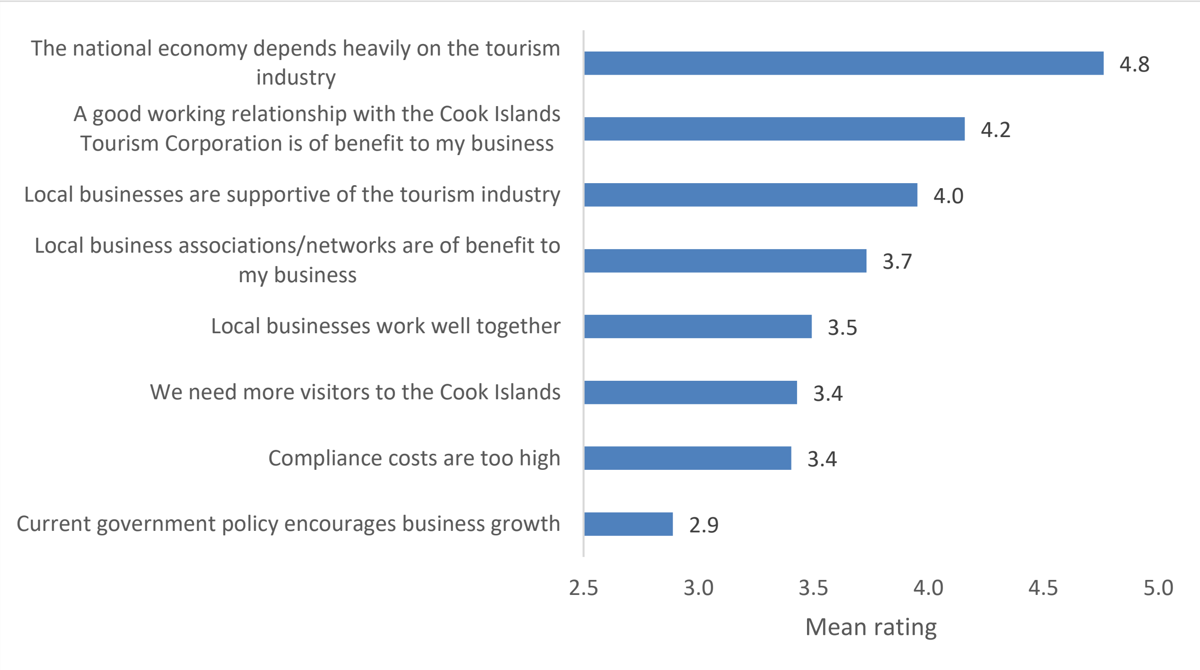
"Keep doing what we're doing."

"Keeping as it is: quality rather than quantity."

"Not expanding, but promise of better facilities, e.g. going to add a pool to Mama Tara's, so increase in Quality."

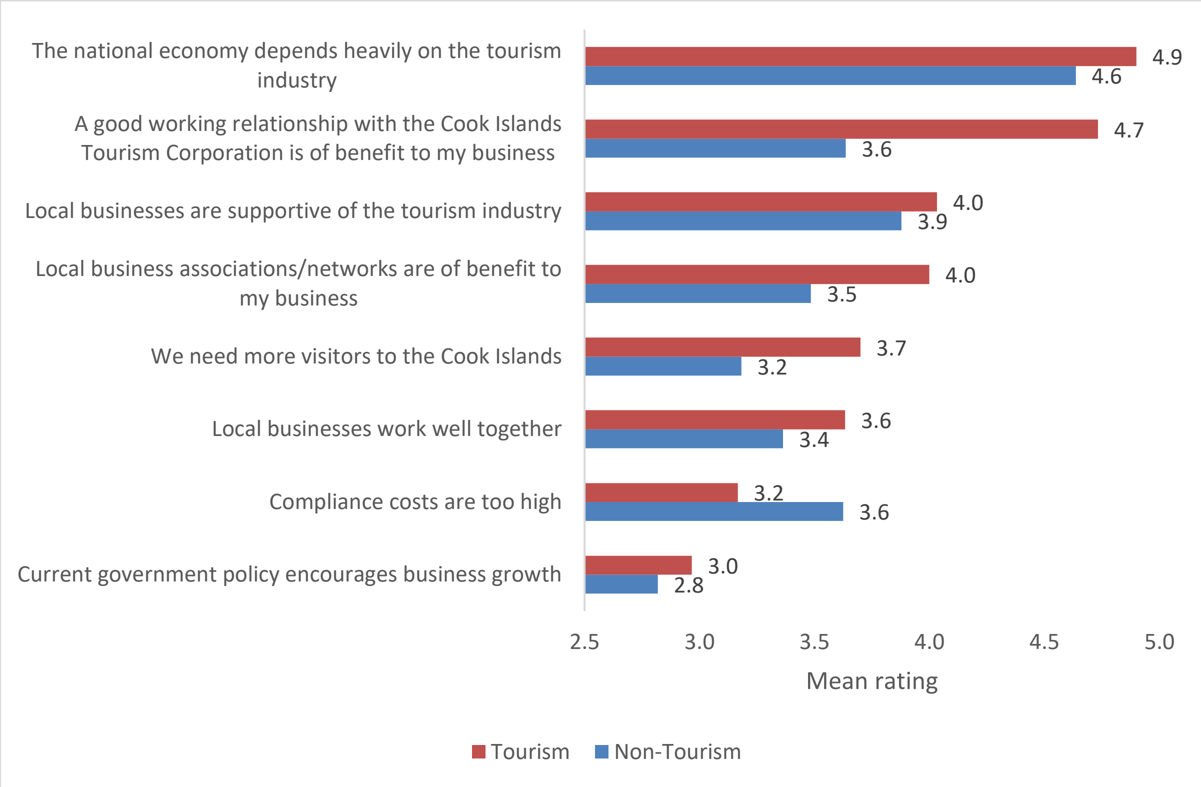
Respondents were asked to rate their agreement with a range of statements about tourism, the Cook Islands, and government policy (Figure 21). The statement "the national economy depends heavily on the tourism industry" received the highest level of agreement (4.8 out of 5). "Current government policy 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 businesses are supportive of the tourism industry", "local business associations/networks are of benefit to my business", "we need more visitors to the Cook Islands", "local business work well together", and "current government policy encourages business growth" (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:

> *"Fees such as immigration work permit fees do not relate to the actual cost of the Government's work in producing the permits. In other words, this is just another tax."*
>
> *"We don't need more visitors, we need same amount of visitors but target the bigger spenders rather than cheap traveller."*
>
> *"Compliance costs view may change based on the outcome of the OSH consultations."*
>
> *"Tourism is only interested in high end accommodation now hire companies."*
>
> *"Agree we need more visitors but it has to be in balance with the right infrastructure."*
>
> *"The cost of compliance is not the issue, it is the value for what we pay for."*
>
> *"We always seem to get 1% of the visitors to the Cook Islands. Our need is to increase that percentage not more visitors to Rarotonga."*
>
> *"Would like to see more effort to grow tourism in the off season."*
>
> *"It is important to look at the low tourist season to address the low numbers of tourists to Rarotonga. Also private food stalls etc create a lot of competition but they do not have to pay VAT or be registered."*

“Compliance is not followed up rigorously enough.”

“We need more visitors during the quiet months particularly mid Jan - end March. while July - Sept we need fewer visitors (guests complain there are no rental cars they can't get into the island night shows, the lagoon cruises, day tips to Aitutaki etc all full. Shoulder seasons could probably tolerate a few more visitors but not too many.”

“Rarotonga infrastructure has fallen behind.”

“We need more visitors in the low/shoulder season and to the outer islands.”

“Small amount of holiday rentals pay taxes, this creates a very unfair competition in my business.”

“The costs to bring in and recruit foreign workers is high and erratic, hard to recruit local workers to fulfil requirements of staffing for our business.”

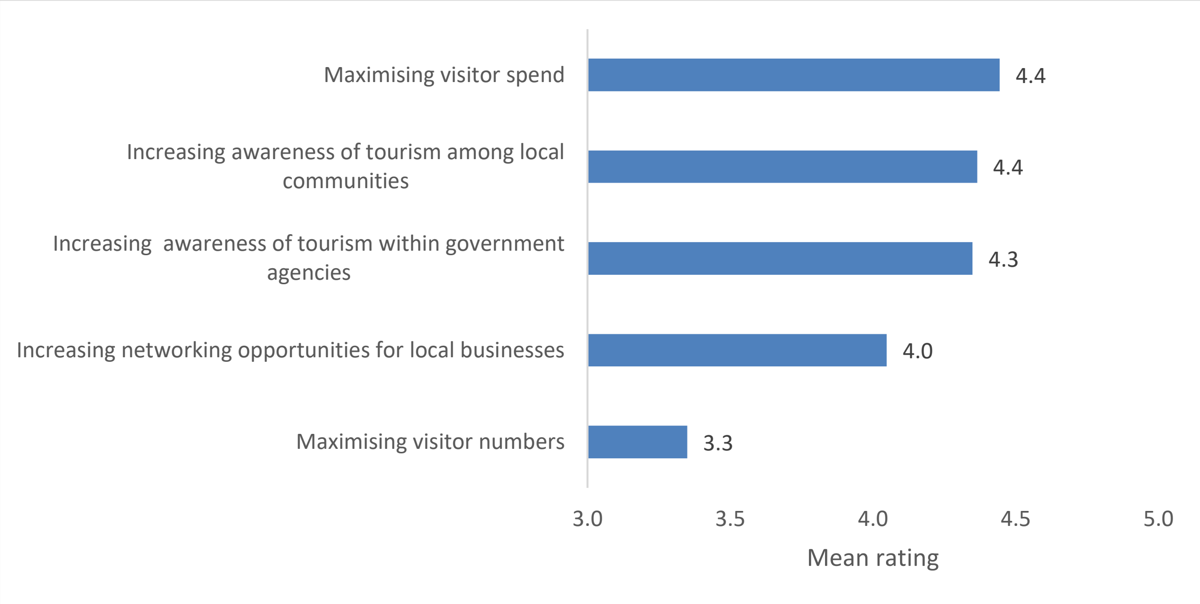
“Probably time to refocus our strategies to high value visitors rather than every visitors.”

“We need Tourist's that are higher Socio Economic bracket as we are a small Island so we need to be more selective in our Tourists. As we don't want high numbers as our infrastructure would not cope.”

“We need to spread Tourism benefits to other Islands. Maintain Cook Islands ownership.”

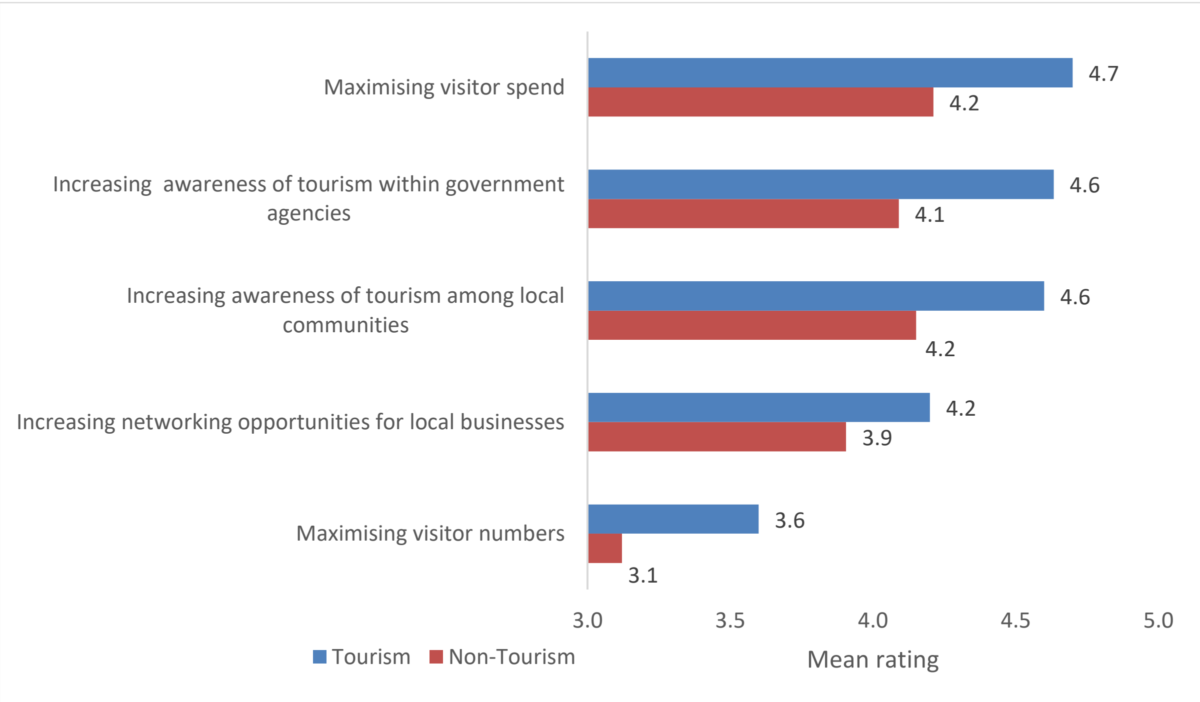
When respondents were asked to rate a range of statements in terms of their importance to the Cook Islands, “maximising visitor spend” (4.4 out of 5), “increasing tourism awareness among local communities” (4.4), “increasing tourism awareness within government agencies” (4.3), “increasing networking of tourism within government agencies” (4.0) were given the highest scores (Figure 23). “Maximising visitor numbers” received the lowest rated response (3.3).

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:

> *"But making sure our infrastructure can handle the increase in visitor numbers."*

> *"Far too many visitors already...Infrastructure cannot handle the pressure."*

“Maximizing numbers from Dec to April, there is nothing for rental car owners.”

“Again, this needs to be balanced with us have the appropriate infrastructure to cope with growth.”

“We share a small proportion of our turnover with each person not receiving income from tourism on Atiu. Attitudes are more positive.”

“I think we have to be careful before we increase visitor numbers, we need to make sure infrastructure can handle the demand.”

“Awareness in communities should be increased on the positive aspects of tourism, telling stories about the feel good experiences, and the difference a smile makes from a human perspective not just a tourist perspective.”

“Government agencies and Ministries working in silos. Not productive or efficient.”

“Maximising visitor numbers to grow low/shoulder seasons and outer island travel.”

“We don’t need more tourist, we need to focus on attracting the right type of tourist.”

“Government doesn't make to accomplish laws about littering, community litters, our island is dirty.”

“Our infrastructure can't handle this amount of tourist!!!!”

“The high end market with less guests spending more has less impact on our resources and natural environment and gives guests a better experience. Better to be an elite destination than a mass tourism destination.”

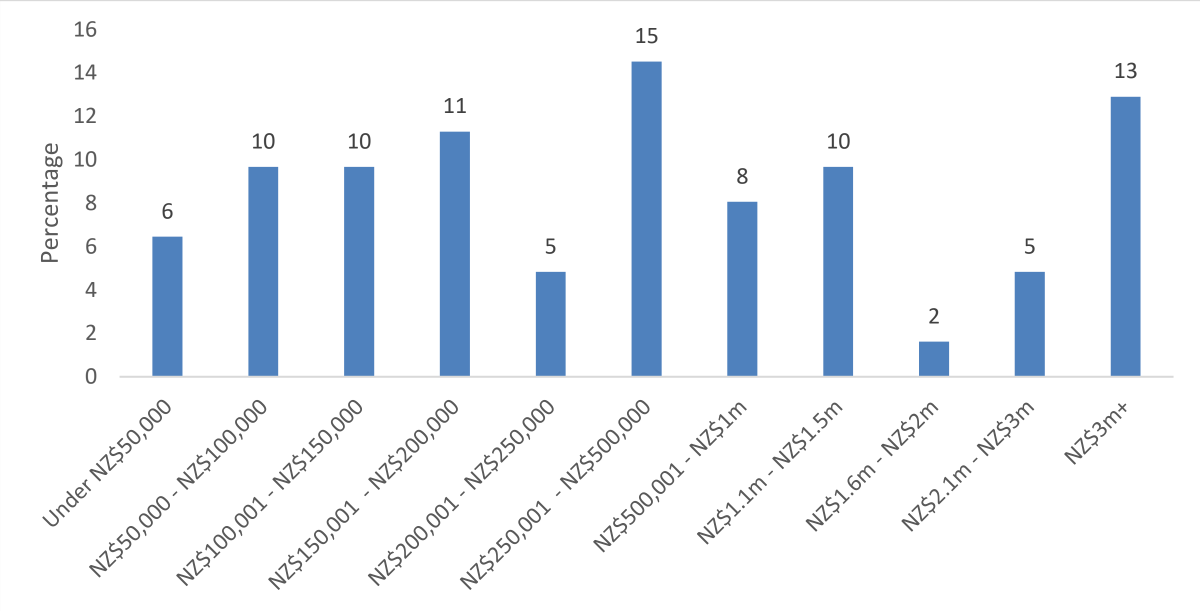
“Quality not quantity of visitors? We don't want to become over-run with tourists as it detracts from the beauty.”

“We should be maximising visitor value.”

Revenue, cost and linkages

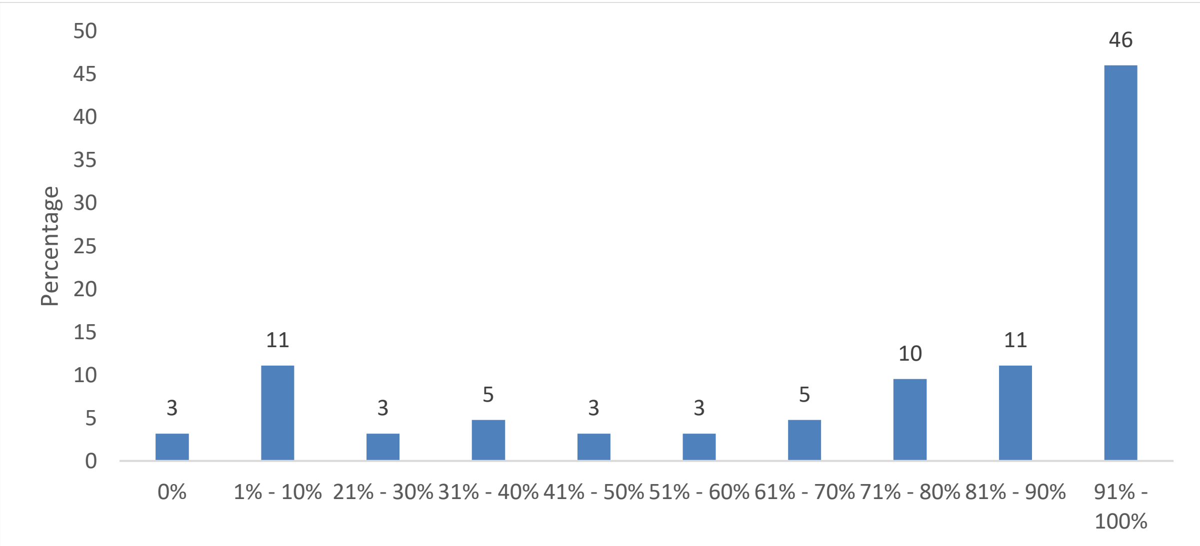
Over one quarter (26%) of businesses surveyed reported an annual turnover of less than $150,000 in the last financial year (Figure 25). A further 30% of businesses generated more than $1million in revenue.

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



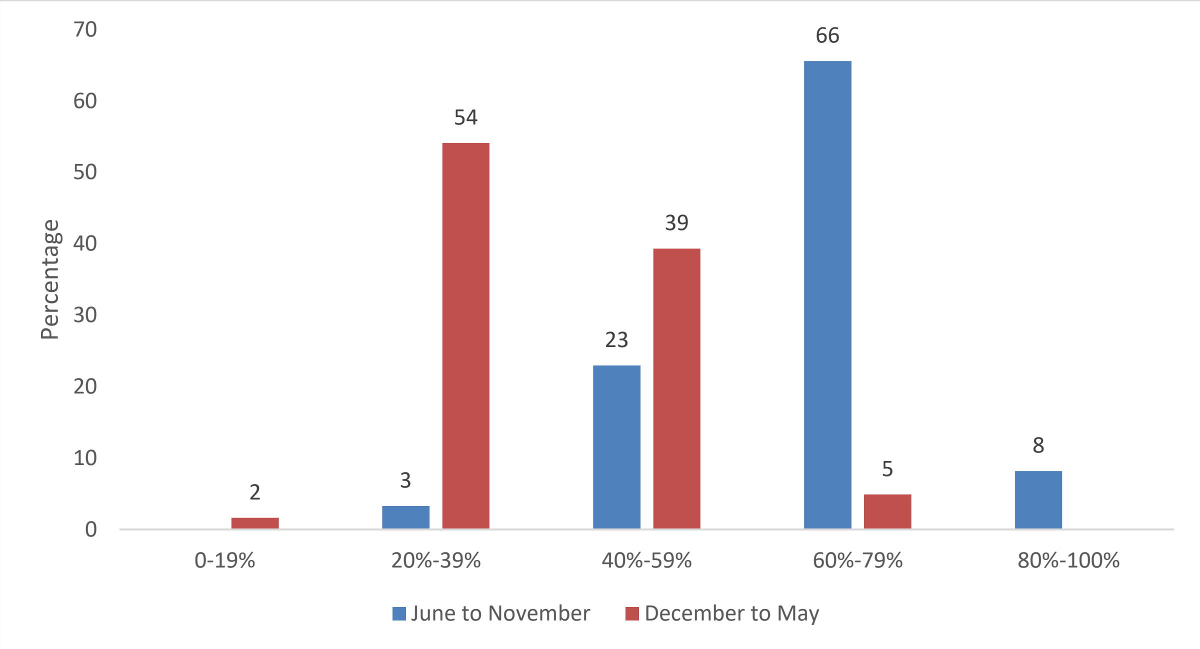
Nearly half (46%) of the businesses surveyed attribute more than 90% of their annual turnover directly to tourism (Figure 26). Only 14% of businesses indicated that 10% or less of their revenue is generated directly from the tourism sector.

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



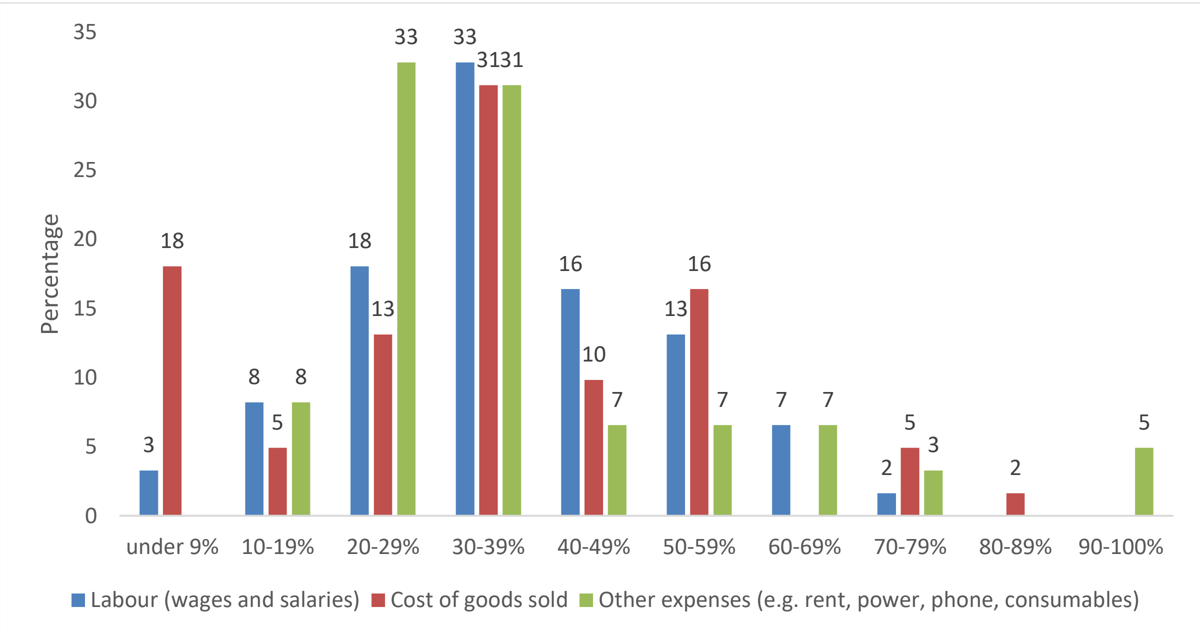
Respondents were asked to estimate what percentage of this turnover is generated in the high season (June to November) and low season (December to May) (Figure 27). On average, 62% of turnover was generated during high season (38% of turnover was generated during the low season). Nearly three quarters (74%) 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



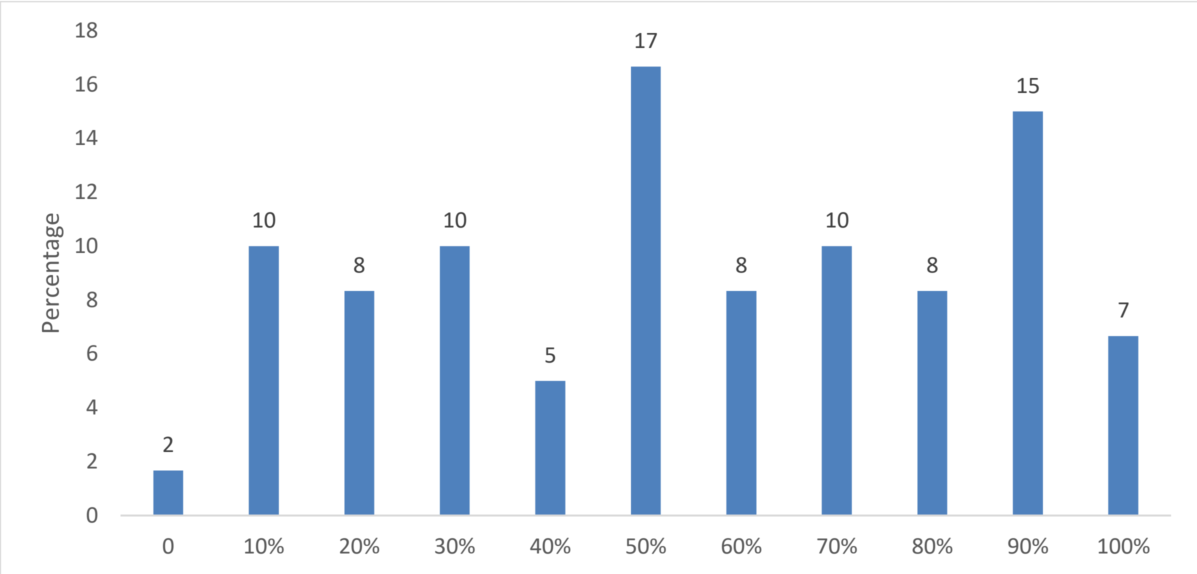
On average, 69% of business costs are allocated to labour (wages and salaries) and the cost of goods sold, 31% of annual business expenses are allocated to 'other expenses including rent, power, phone and consumables (Figure 28).

Figure 28: Approximate breakdown of the business annual expenses



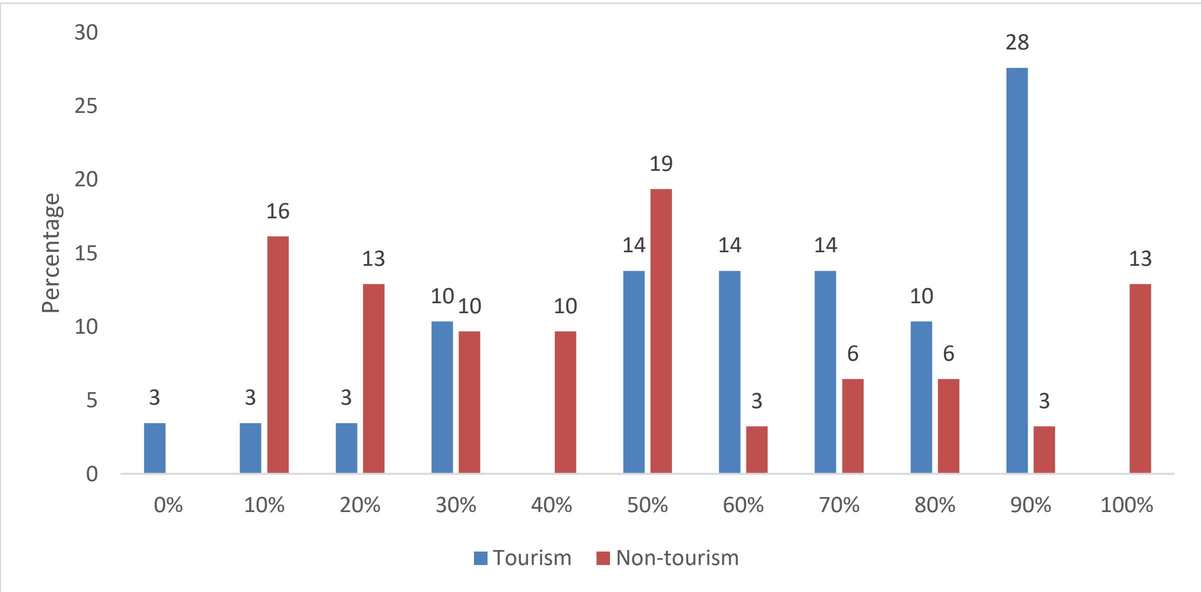
Two-fifths (40%) of the businesses make more than 70% of their purchases of products and services locally (Figure 29). One in five (20%) spend 20% or less of their non-labour expenses locally.

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



Over half (52%) of the tourism businesses make more than 70% of their non-labour purchases through businesses based in the Cook Islands, while 28% 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 March to June 2019. This survey is the seventh to have been produced since 2016, with both 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 (2018), 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 indicate that limited human resources and skills availability are the key challenge to their business. Intensifying competition has also grown as a challenge from previous survey periods.

Product development, marketing, 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 Cook Islands 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. Tourism businesses continue to show a higher general level of confidence than non-tourism businesses.

Overall, these survey results provide a relatively consistent message on the health of the Cook Islands' business sector. 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.

One challenge we need to address is the fall in survey responses for this period. It will be vital to promote the survey and also disseminate findings if we are to regain and maintain response rates of 30% and higher in the future.

APPENDIX

SUMMARY OF TIME SERIES TRENDS 2016-2019

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

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)	Phase 7 (round 1 of 2019)
Number of responses	**128**	**124**	**97**	**106**	**84**	**113**	**68**
Conversion rate	**41%**	**40%**	**31%**	**34%**	**27%**	**36%**	**22%**
Had participated the survey previously		**37%**	**58%**	**57%**	**58%**	**52%**	**68%**

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

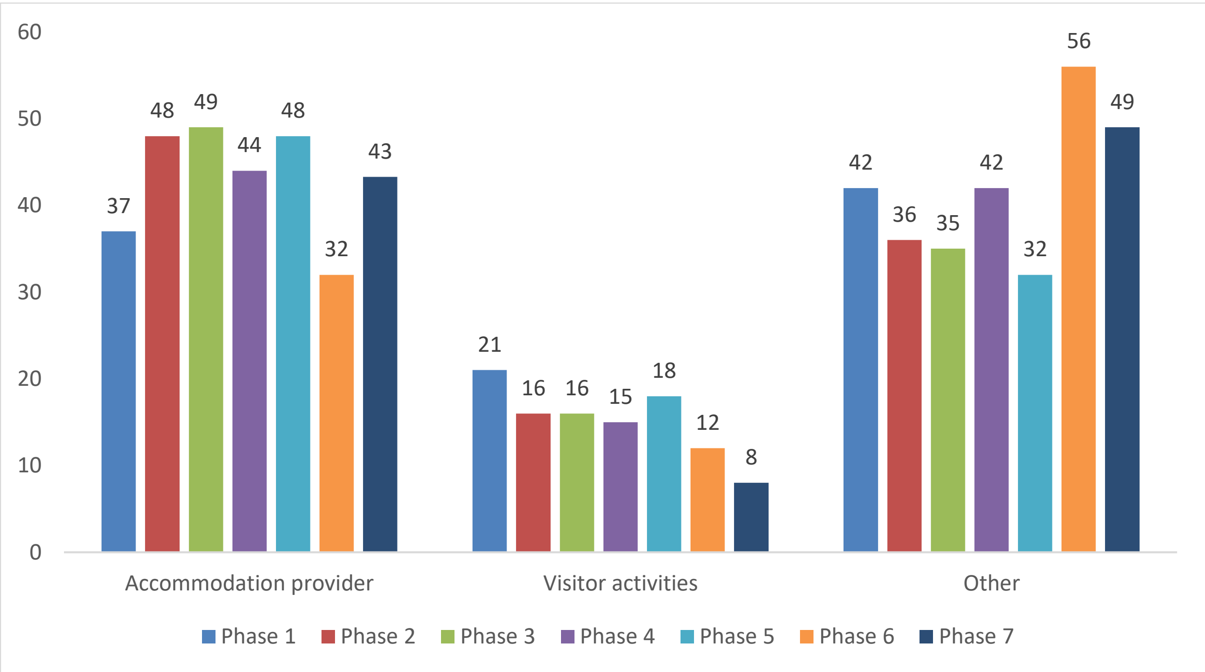


Figure 32: Accommodation provider: main focus of business

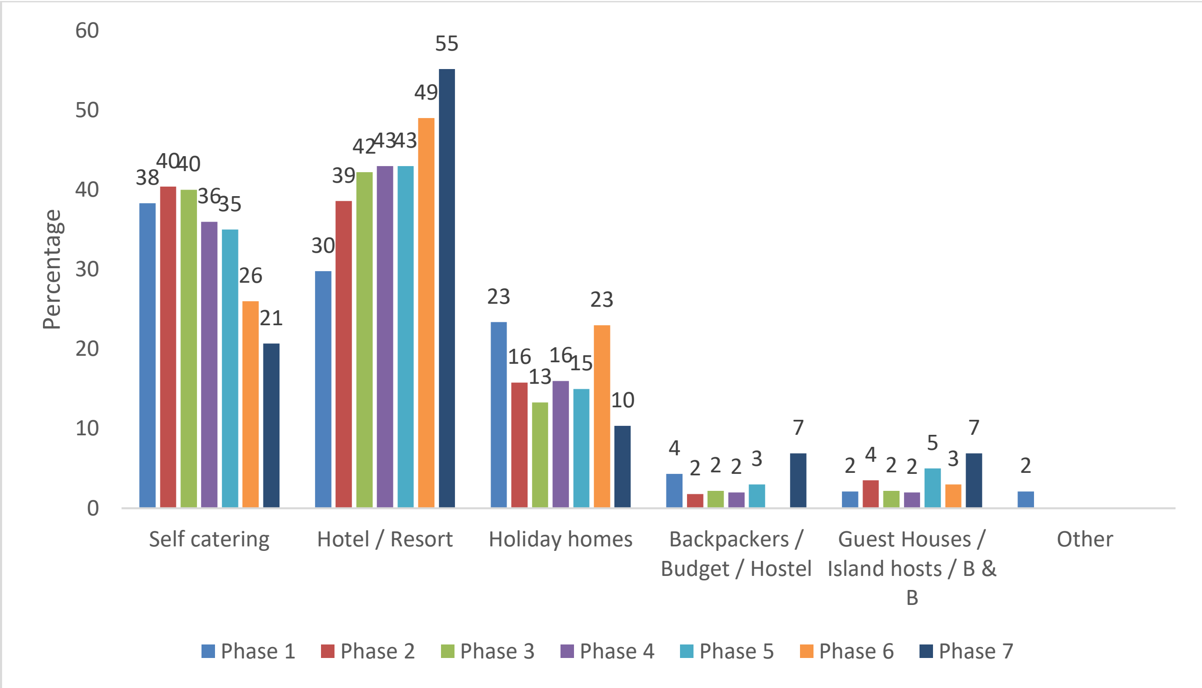


Figure 33: Visitor activities / tours: main focus of business

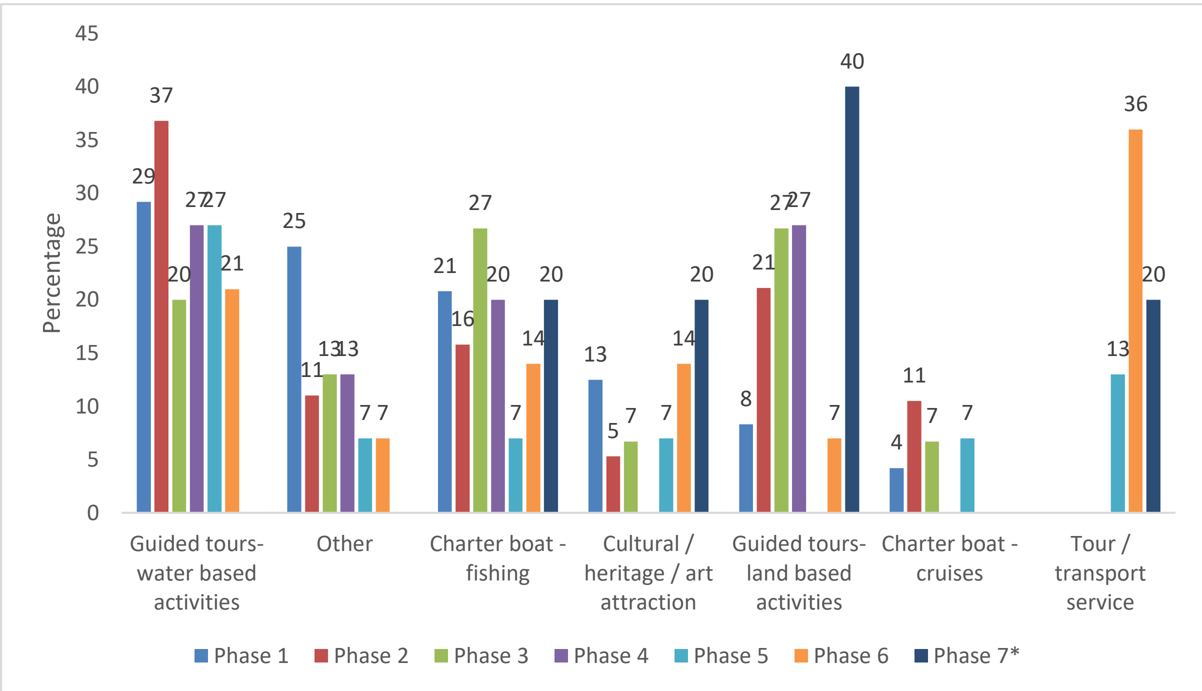


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Figure 34: Where is your primary business located?

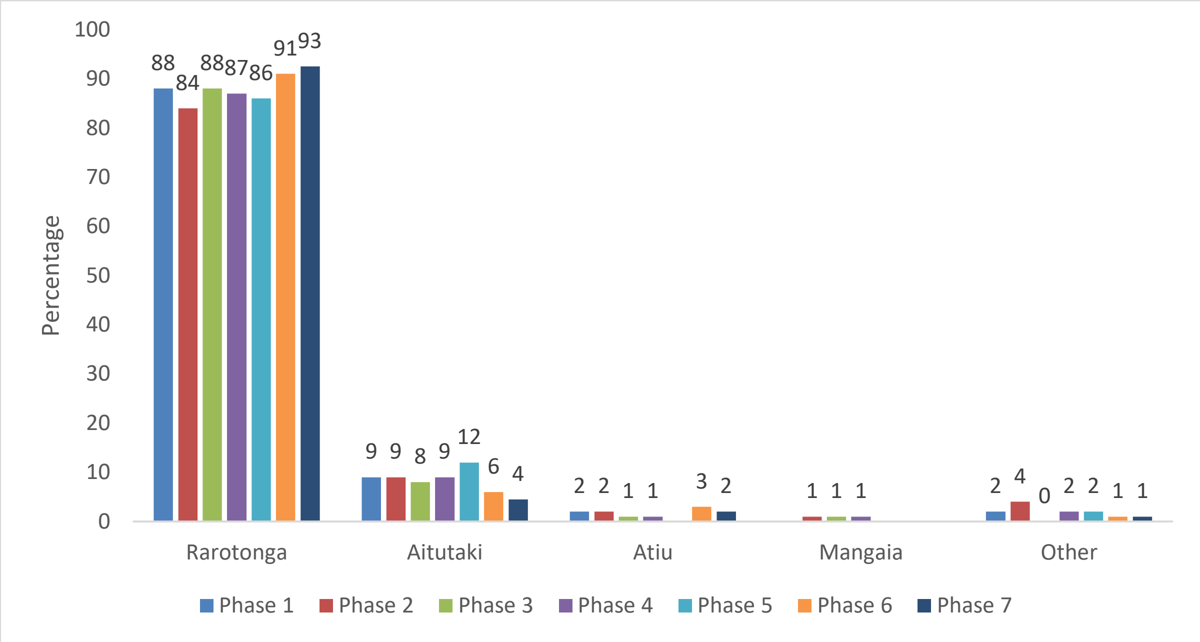

Figure 35: Your level of agreement with the following statement

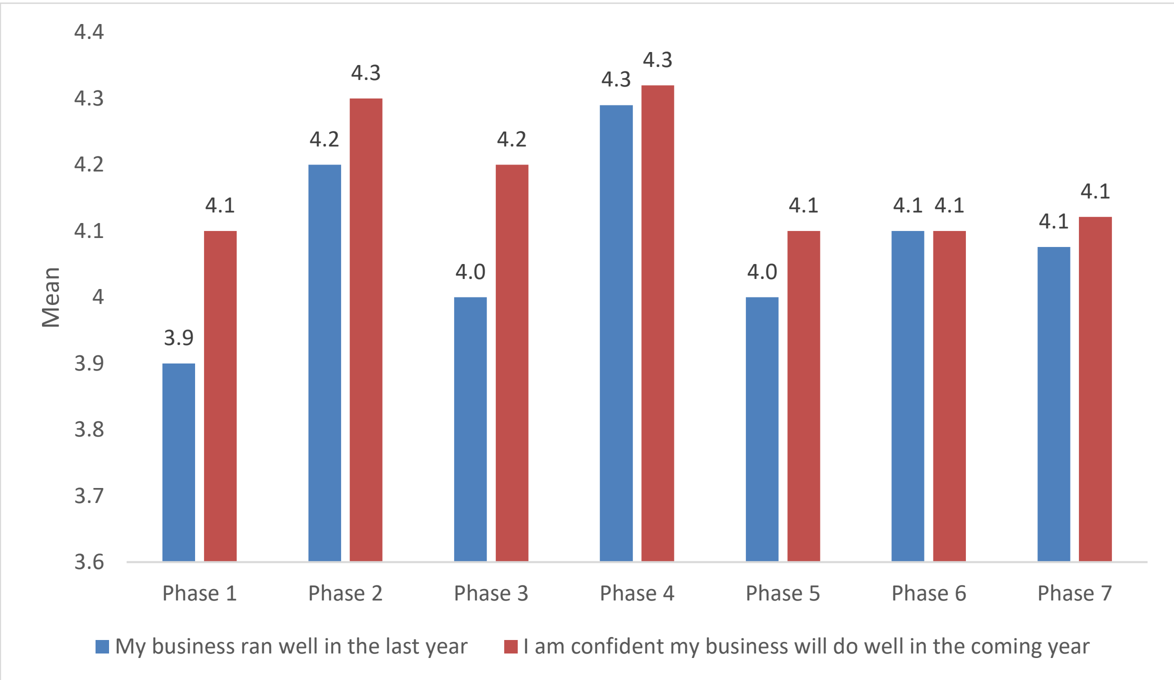

Figure 36: My business ran well in the last year

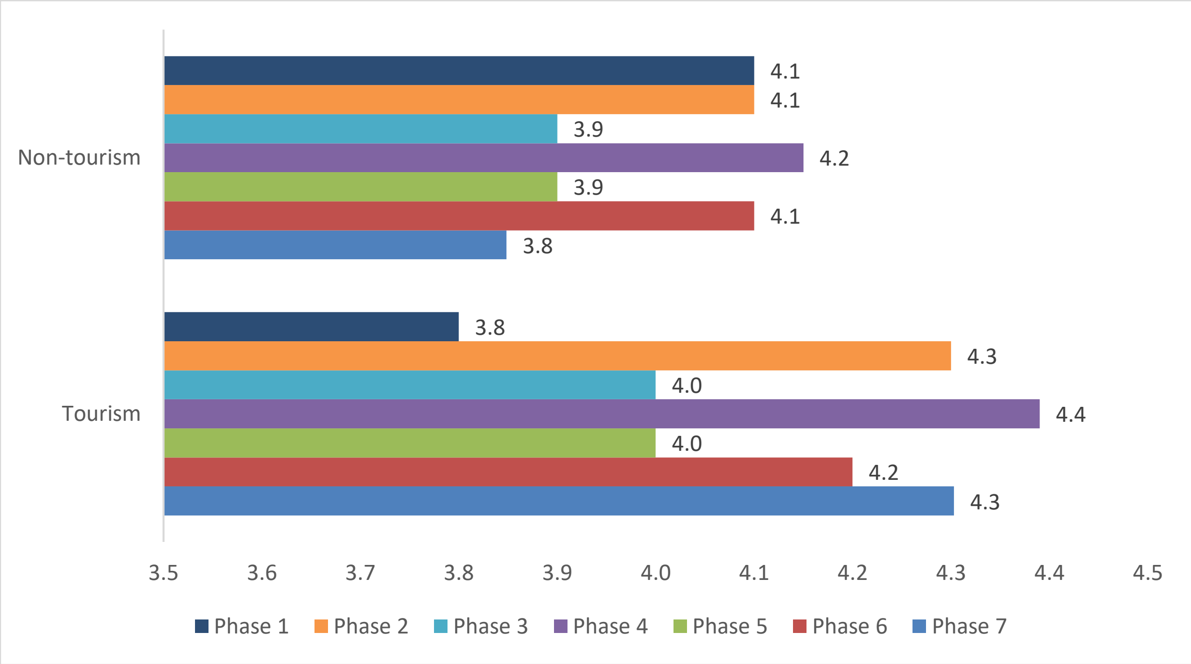

Figure 37: I am confident my business will do well in the coming year

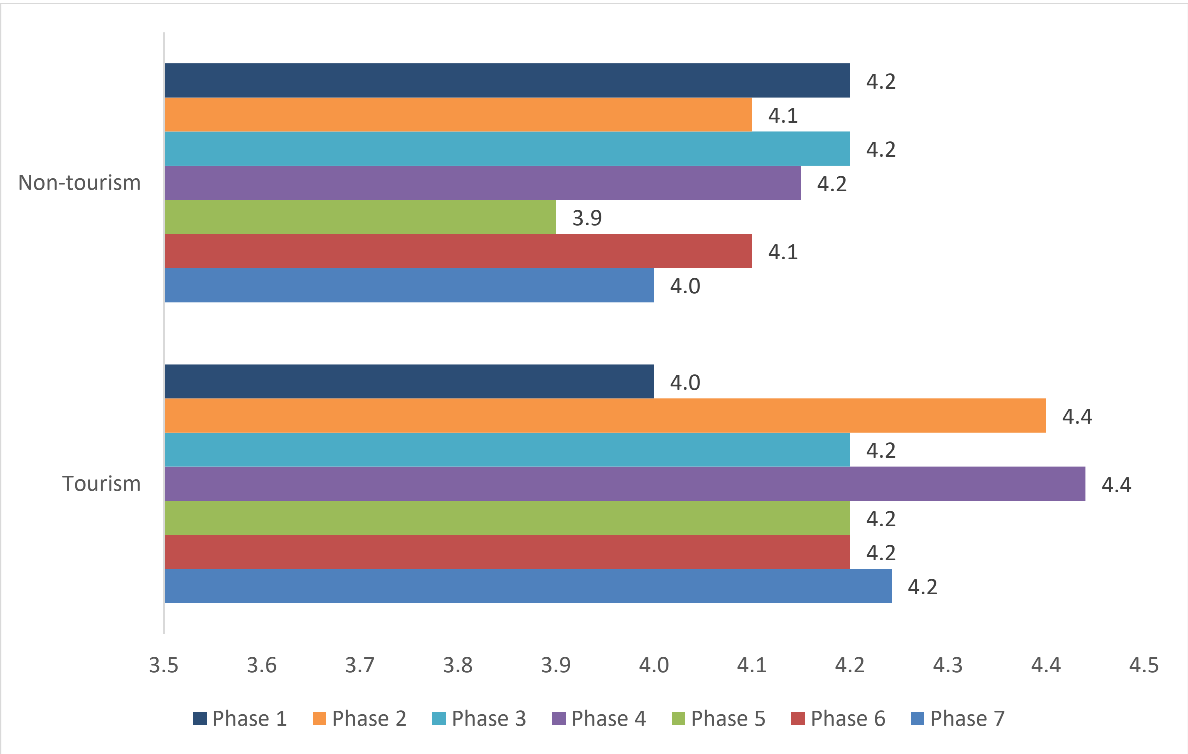

Figure 38: What do you see as being the major challenges that will face your business in next five years?

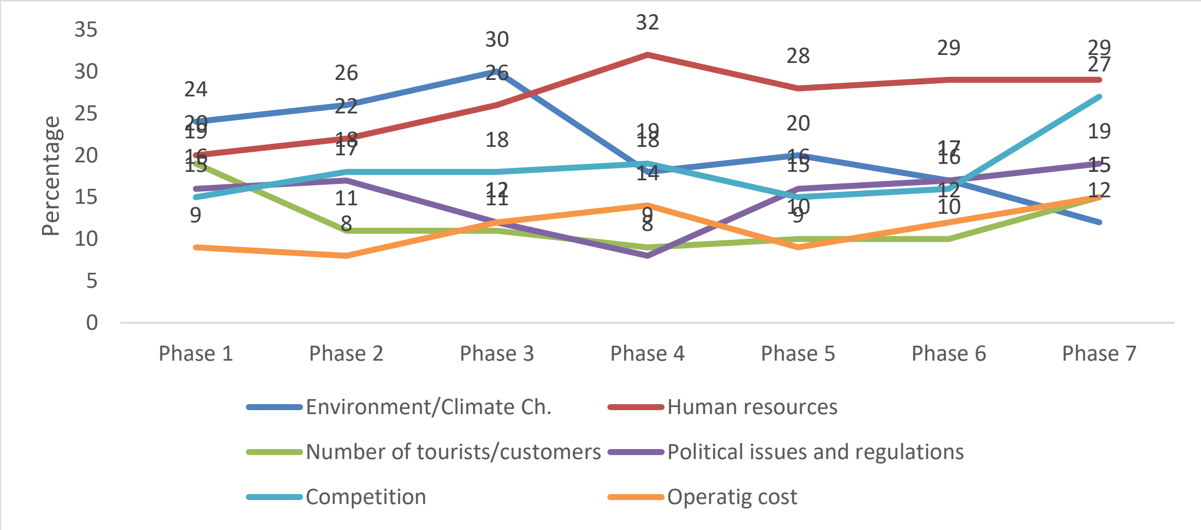

Figure 39: What do you see as being the major opportunities for your business in the next five years?

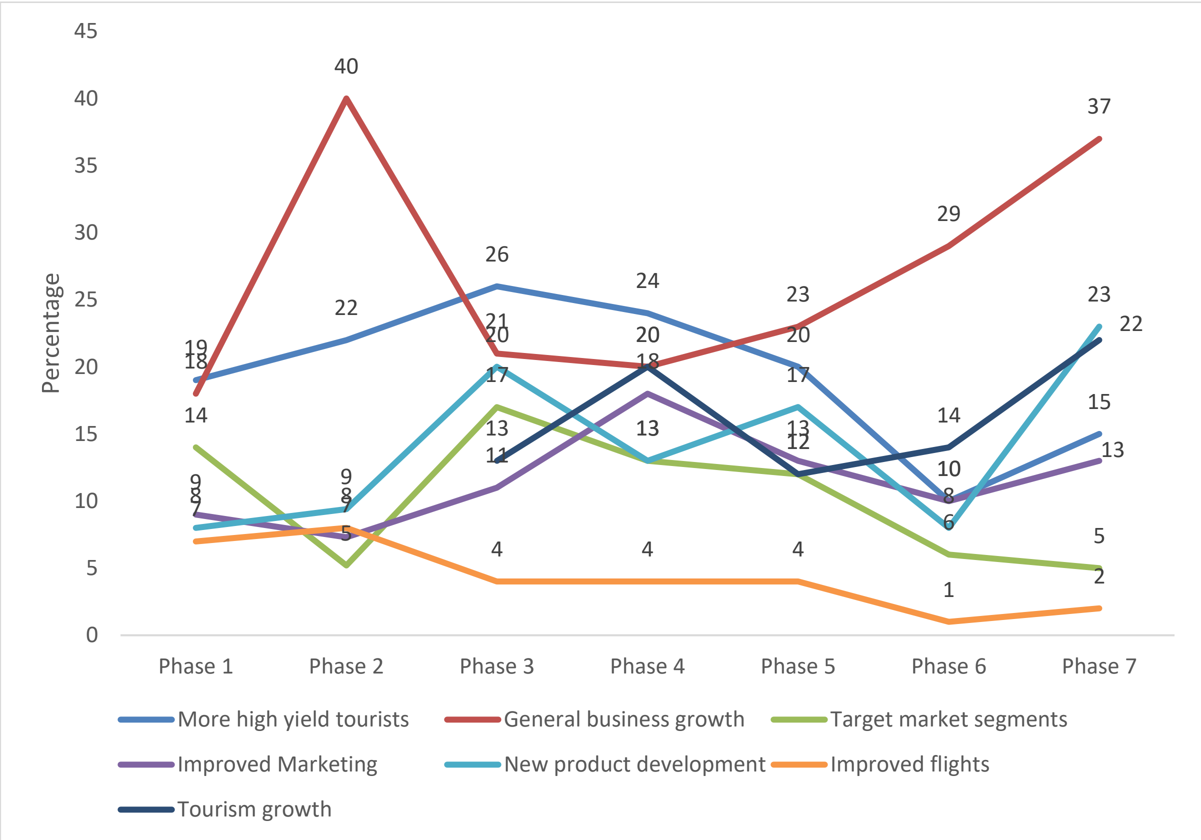

Figure 40: How do you see your business in next five years?

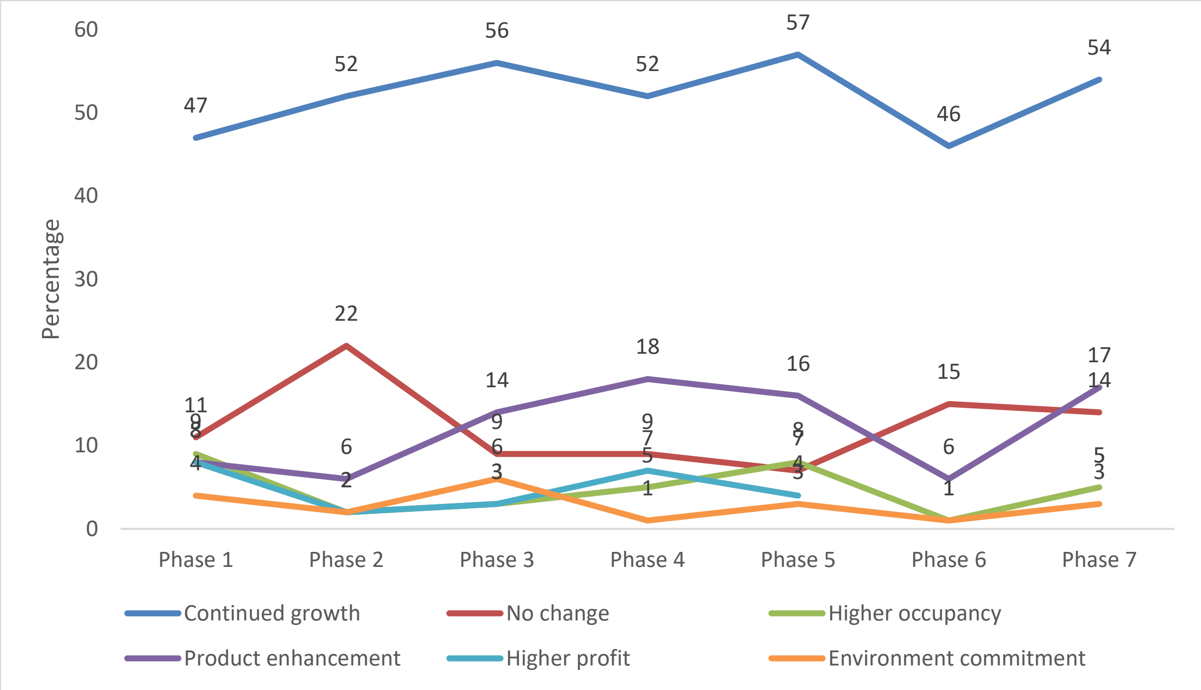

Figure 41: The importance of statements relating to the Cook Islands

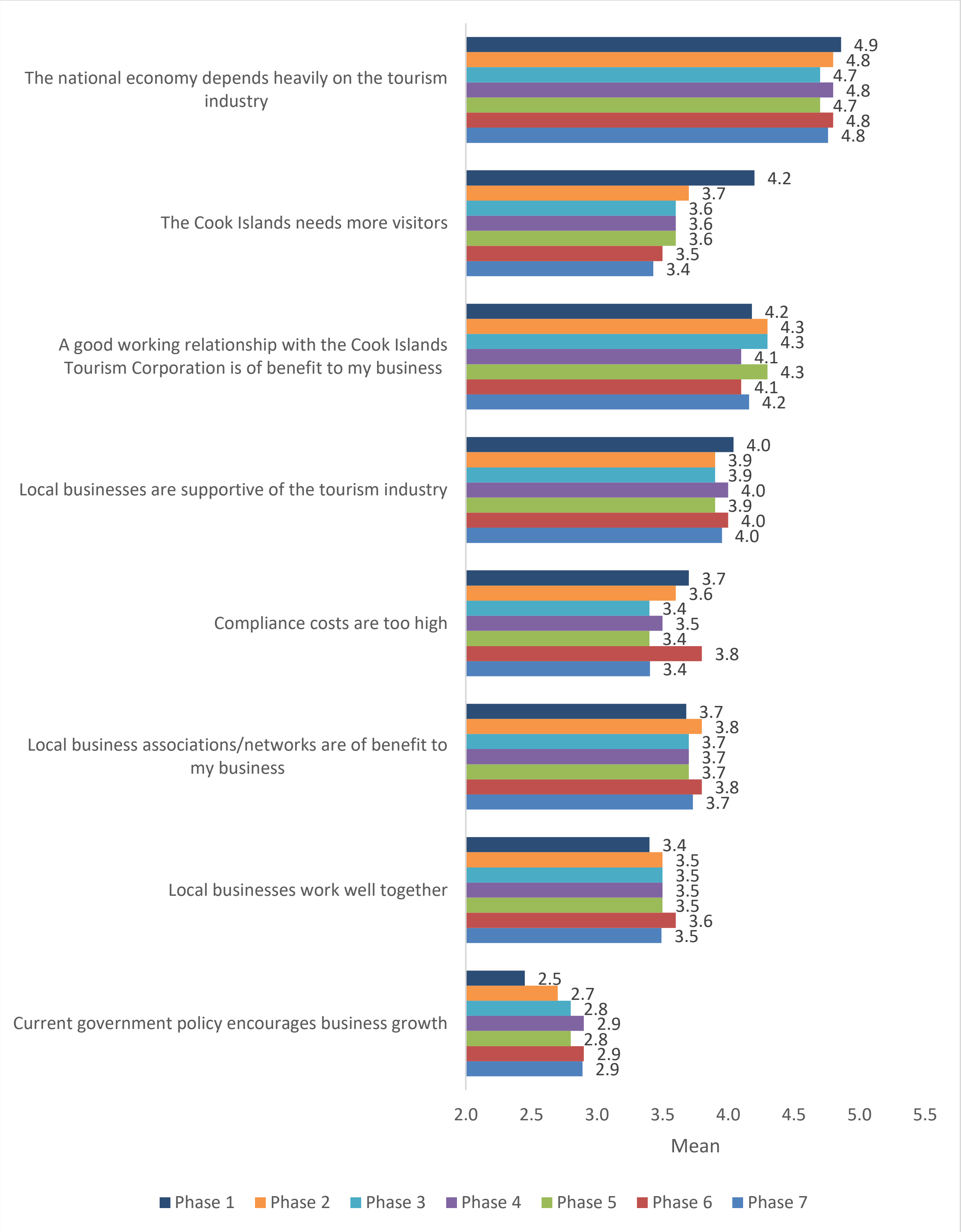

Figure 42: The importance of statements relating to the Cook Islands – tourism and non-tourism

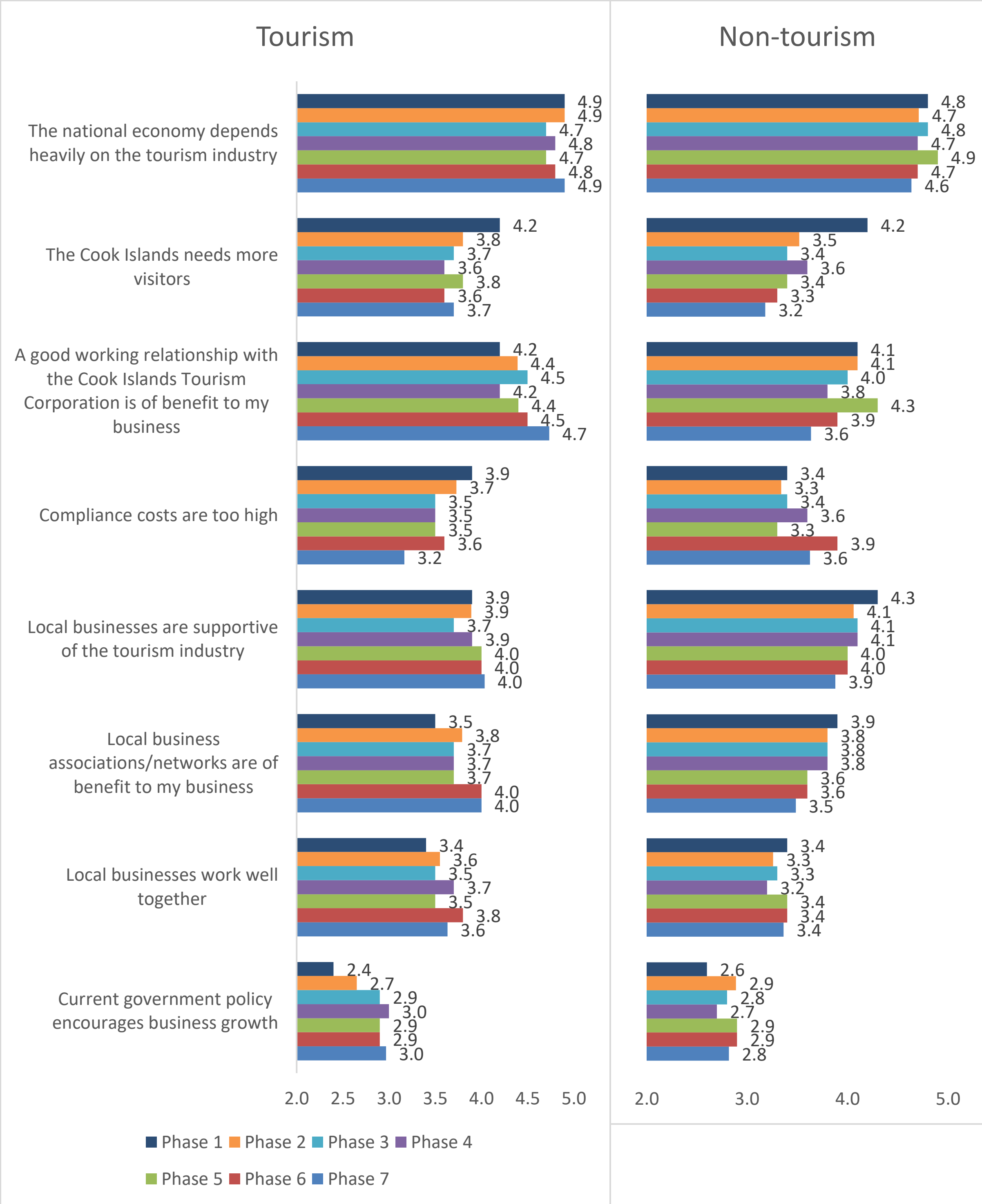

Figure 43: How important are the following to the Cook Islands?

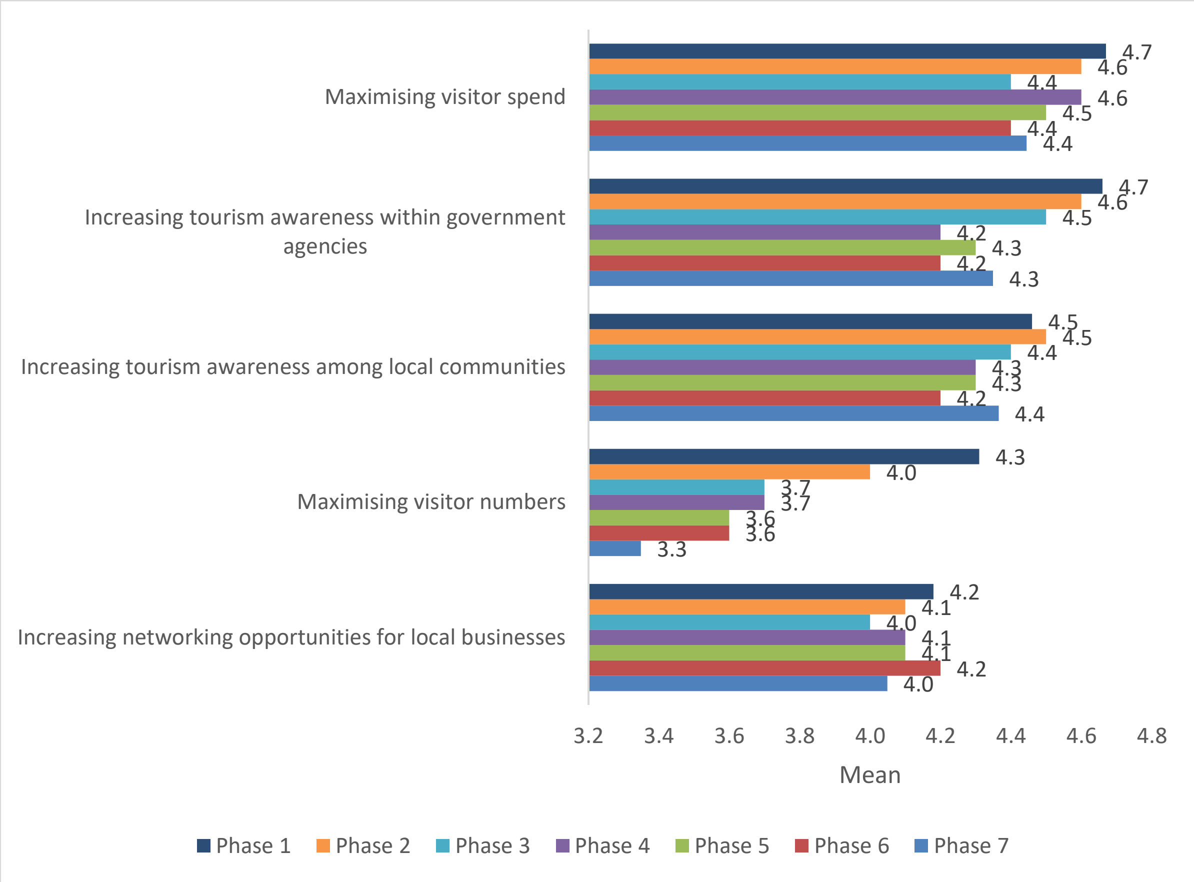

Figure 44: How important are the following to the Cook Islands? – tourism and non-tourism