Cook Islands Business Confidence Index Report

October - November 2021 Report

Prepared for the Cook Islands Tourism Corporation

New Zealand Tourism Research Institute
Auckland University of Technology

www.nztri.org

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Executive Summary

This report presents results from the online Cook Islands Business Confidence Index survey conducted from October to November 2021. Over this survey period, 342 businesses were contacted, and 145 completed surveys received - a conversion rate of 42%. The information presented in this report covers: business profiles, staffing, membership and Government programmes, business climate, business confidence, and information on revenue, costs and linkages. There is also a focus on COVID-19 impacts more generally.

This Business Confidence Index (BCI) report is the tenth to have been produced since 2016. Previous BCI surveys have been conducted at approximately six-month intervals (to generally reflect low and high tourism seasons). Since 2020, the BCI has had an added emphasis on assessing the state of the industry during the COVID-19 period. In addition to the regular reporting, there is a supplementary set of figures presented in the Appendix that highlight key time series trends over the five years that the BCI has run.

Over half (57%) of survey respondents are Cook Islanders, and nearly all (97%) respondents are owners, operators, or managers. Approximately two in three (68%) respondents have been in their current role under ten years. Over half (52%) of businesses have been operating for more than 10 years. Nearly half (46%) of businesses surveyed noted “accommodation provider” as their primary focus, and another 13% focused on “visitor activities and tours”. Businesses surveyed are mainly located in Rarotonga (90%), with a smaller number of businesses located in Aitutaki (6%), Atiu (2%) and other islands.

Due to COVID-19, over one in five (21%) respondents had closed their businesses at some stage during the past year and nearly a third (30%) businesses said their turnover fell by more than half compared to the same period last year. Most businesses covered in the survey indicated that their key short-term concerns relating to COVID-19 are focused on general economic uncertainty (84%) and cash flow (78%). In terms of long-term concerns relating to COVID-19, over half (53%) of businesses say they are concerned about labour shortages of some kind.

The top business training needs are: sales and marketing (mainly social media marketing or online marketing), customer service, management skills, hospitality and tourism related skills, and accounting and finance skills.

Nearly two thirds (63%) of respondents indicated they are members of either the Cook Islands Tourism Industry Council or the Cook Islands Chamber of Commerce. Nearly half (45%) of businesses indicate that their membership in local business or industry organisations has assisted them in managing the impact of COVID-19. In considering ways COVID-19 support could be delivered, over half (57%) of businesses rank online resources or training as the best option. A clear majority (87%) of businesses indicated that they are aware of the “Kia Orana Plus” programme provided by the Government.

Most tourism and non-tourism respondents feel that their business did not perform well in the last year and there is considerable uncertainty over what the coming year will bring. Both tourism and non-tourism businesses show far lower levels of confidence in terms of the year ahead when compared to pre-COVID-19.

When asked about challenges to their business, nearly a third (31%) of respondents indicate that the border closure and the travel ban are significant challenges for their businesses. Over a quarter (26%) of those surveyed consider growing business, adapting, and diversifying as a significant opportunity over the next five years. In terms of business development in the next five years, a quarter (25%) of business are optimistic about the future. On the other hand, another quarter (25%) of respondents uncertain about business development in the next five years due to COVID-19 and others focus on related issues such as labour shortages.

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 (4.5 out of 5). These levels have remained relatively consistent with figures prior to COVID-19.

Over three in five local businesses surveyed (61%) reported an annual turnover of less than NZ$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. Fifteen percent of businesses employ over 16 Cook Islands Māori staff, with 18% of businesses indicating none of their staff are Cook Islands Māori.

The timeseries series figures presented at the end of the report show quite clearly the dramatic impact of the COVID-19 pandemic on Cook Islands businesses (both tourism and non-tourism). Business confidence values have decreased sharply when compared to pre-COVID years. There is a significant increase in levels of agreement with the statement: "We need more visitors to the Cook Islands". The importance attached to "Maximising visitor spend" has continued to be a focus during this period. This points to an industry that is aware of the need to "reset" and develop a higher yield industry from a lower visitor base.

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Introduction

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

The report presents BCI results gathered during October to November 2021. Over this period, 342 businesses were contacted, and 145 completed surveys received - a conversion rate of 42%. Two thirds (66%) of respondents noted they had participated in the previous Cook Islands Business Confidence Index Survey. This Business Confidence Index (BCI) report is the tenth to have been produced since 2016. Previous BCI surveys have been conducted at approximately six-month intervals (to generally reflect low and high tourism seasons). Since 2020 the survey has been conducted annually towards the end of each year it will return to six monthly reporting as visitors flows return again.

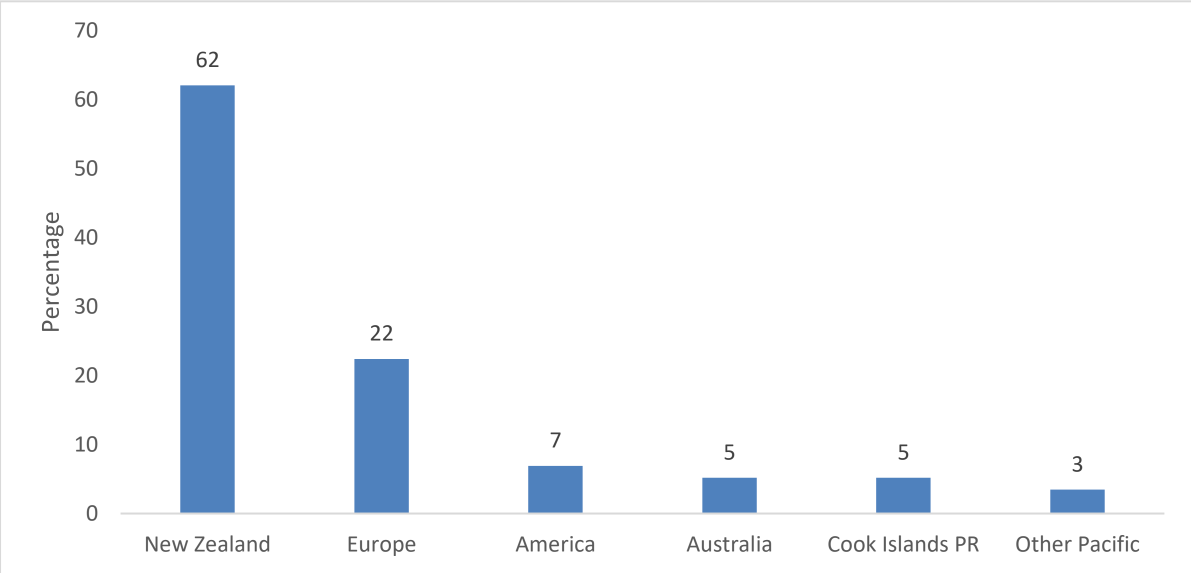
The information presented in this report covers: general business profile, staffing levels, membership and supports, the business climate, and information on revenues, costs and economic linkages. The survey also gathers key information about how businesses are impacted by, and are responding, to the evolving COVID-19 situation and highlights the types of advice and support they value and need. For the purposes of this report, we split much of the analysis between 'tourism' (accommodation and tour operator) and 'non-tourism' businesses. NB the latter can include businesses that may depend heavily on tourism (e.g., restaurants) and others that have limited or no direct exposure to the visitor industry.

The border closure after a short two-way quarantine travel bubble brings uncertainty for all businesses, especially for tourism businesses. The 2021 BCI represents an important baseline from which to understand post-COVID recovery. In addition to the regular reporting, there is supplementary provided presented in the Appendix that highlight key time series trends over the five years that the BCI has run.

Business Respondent Profile

The majority (57%) of respondents are Cook Islanders. Of those identifying as non-Cook Islanders, 62% are New Zealanders, a further 22% identified themselves as European (Figure 1).

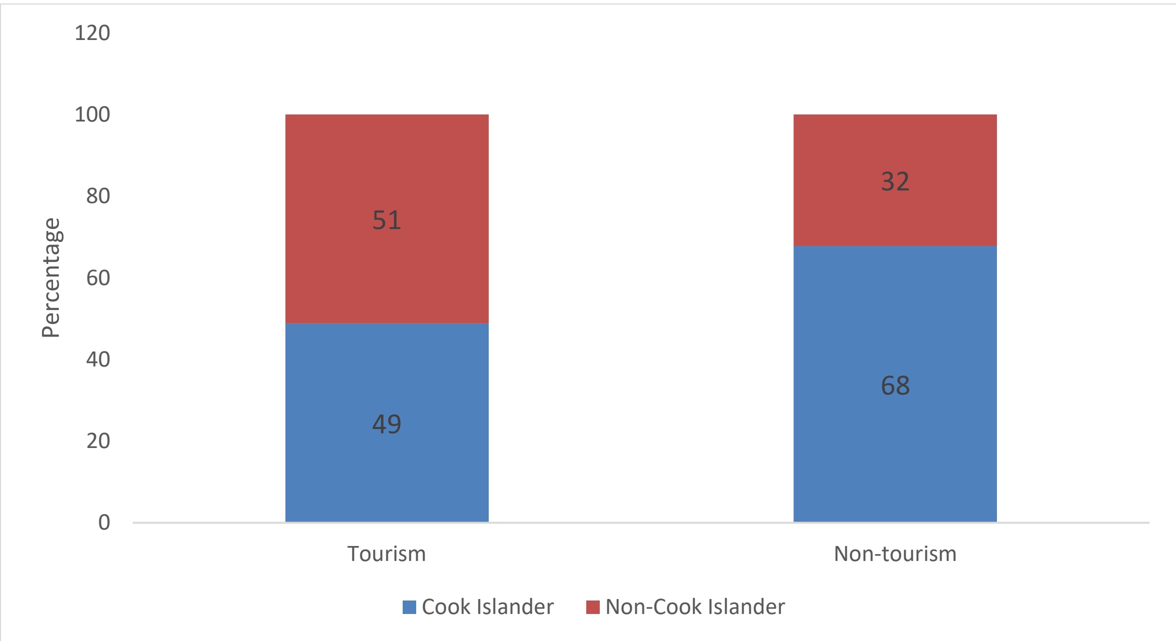
Figure 1: Which of the following best describes you – Non-Cook Islander



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

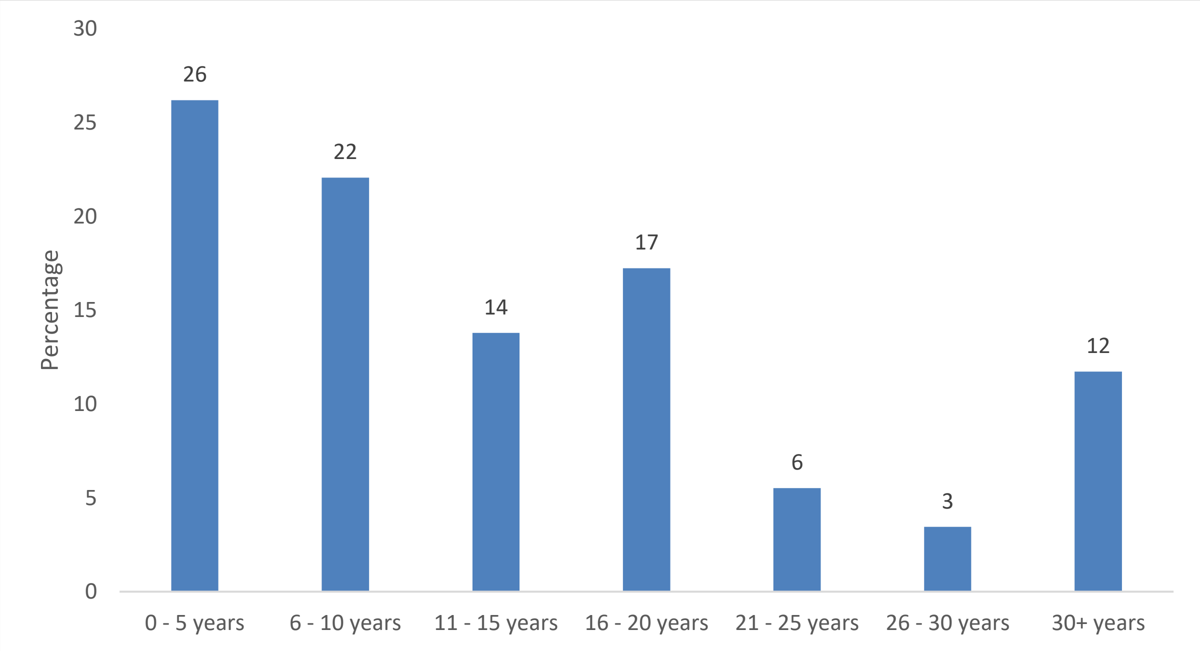
Survey respondents from non-tourism businesses are more likely to be Cook Islanders (68%). The representation of Cook Island Māori is stronger in the non-tourism sector (Figure 2).

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



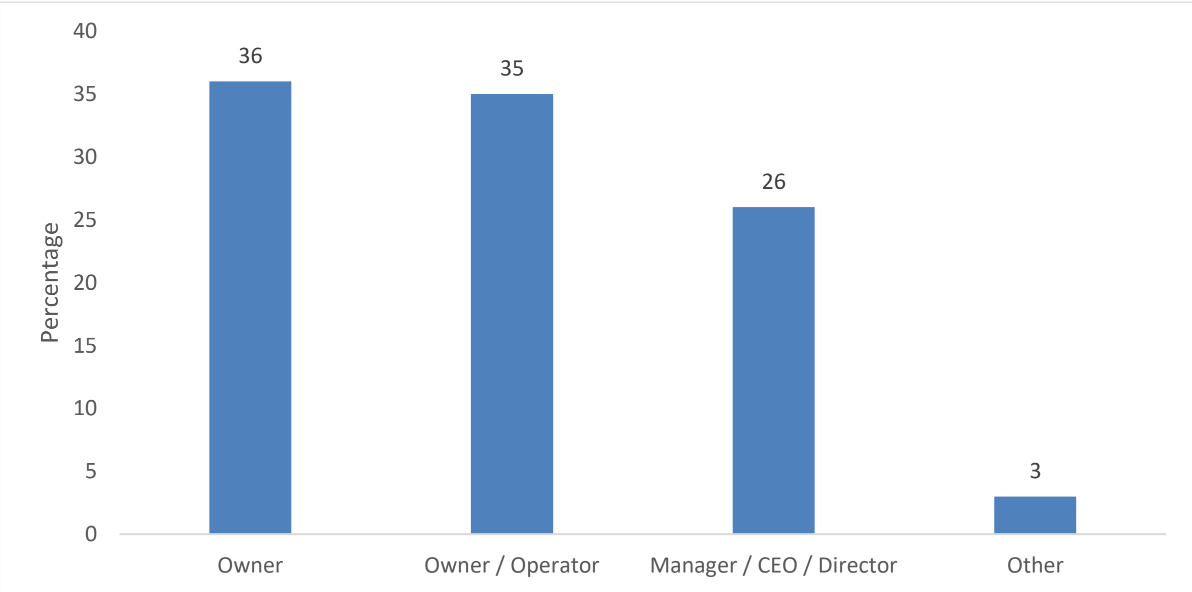
Over half of responding businesses (52%) have been in operation for more than 10 years (Figure 3). A significant number of businesses (12%) have been operating for more than 30 years.

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



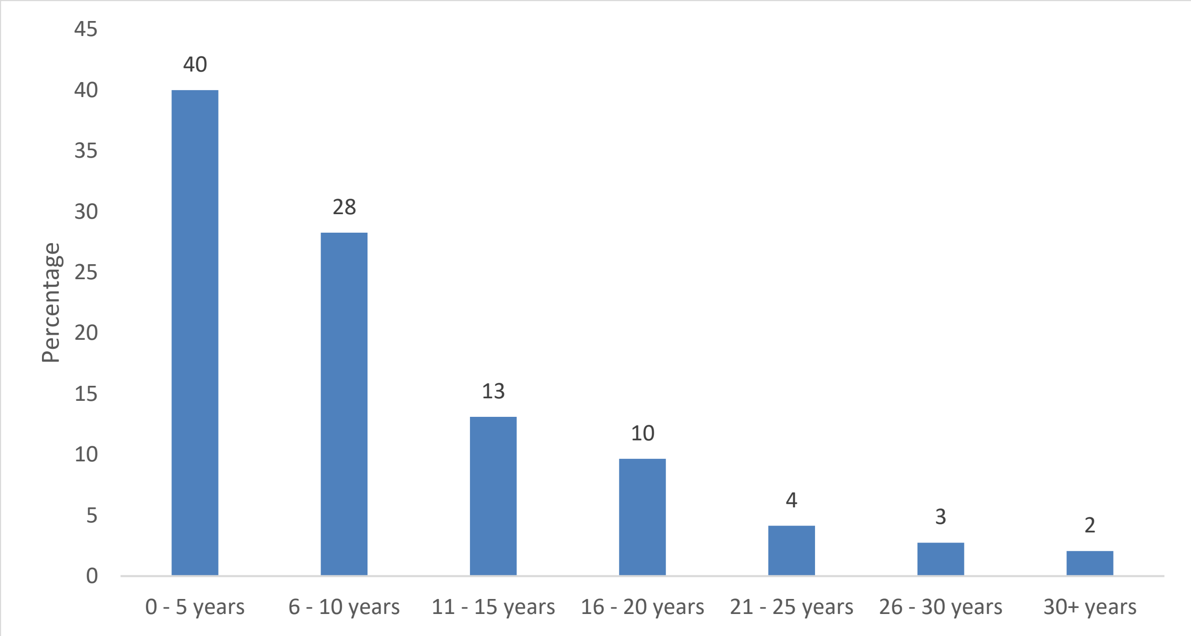
Most business respondents are either owners (36%), owner/operators (35%), or managers/CEOs/directors (26%) (Figure 4). Over half (54%) of business respondents are women.

Figure 4: What is your role in this business



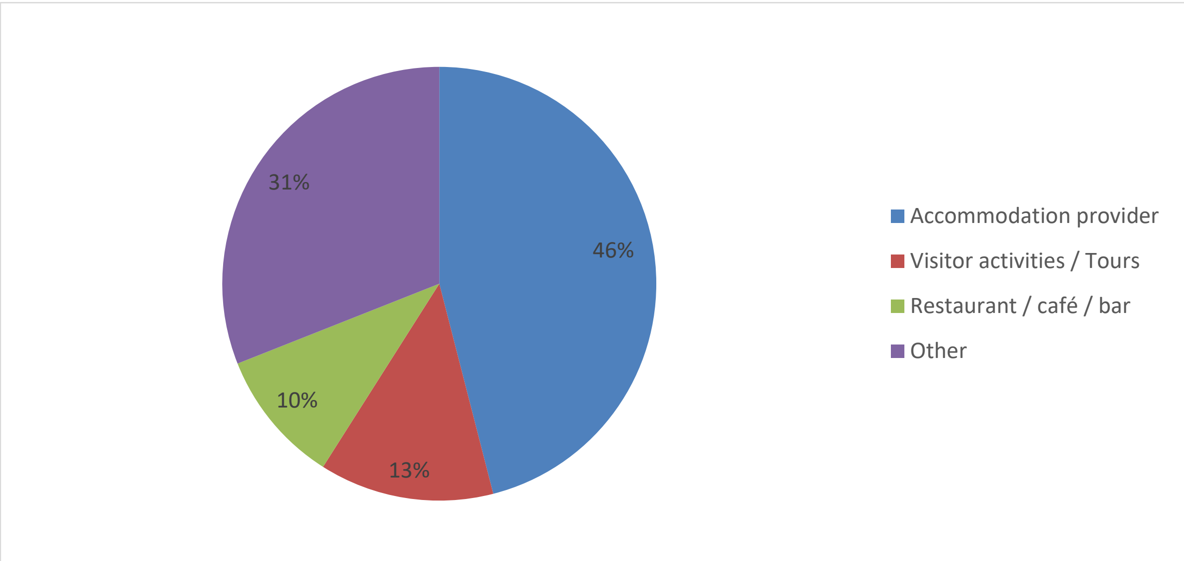
Over two thirds (68%) of respondents have been in their current role for 10 or fewer years (Figure 5). Only 9% of those surveyed have been in their role for over 20 years.

Figure 5: How long have you been in this role



Nearly half (46%) of businesses surveyed noted 'accommodation provider' as their primary focus, and another 13% are focused on 'visitor activities/tours' (Figure 6). Nearly one third (31%) of businesses surveyed are non-tourism businesses (this includes restaurant / café / bar).

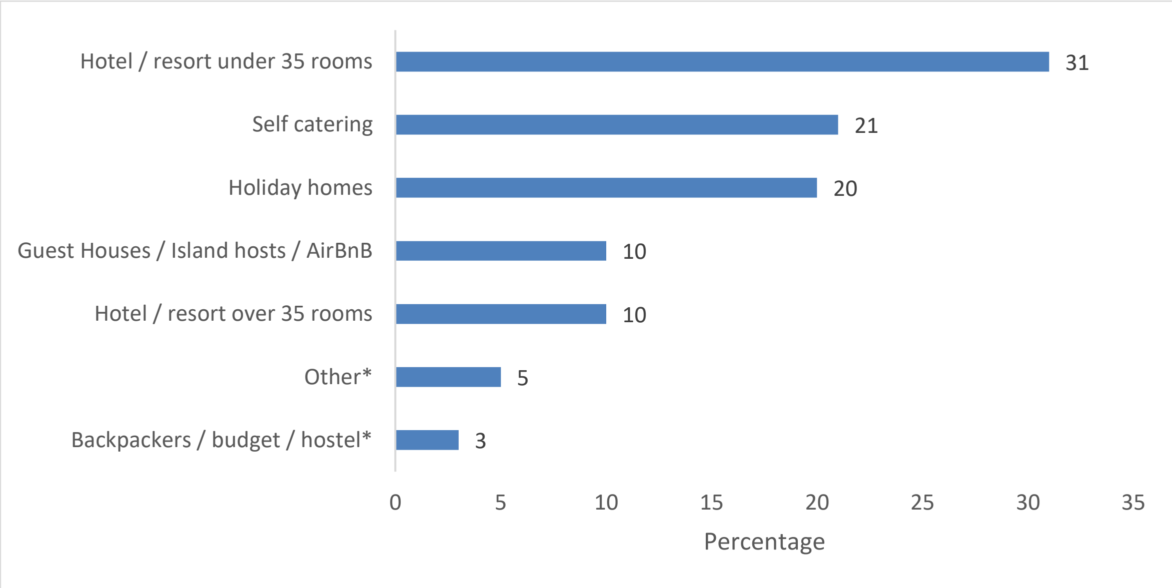
Figure 6: What is the primary focus on your business



Nearly a third (31%) of those who note accommodation as their primary focus classify the business as being a hotel/resort under 35 rooms, a further 10% indicate a hotel/resort over

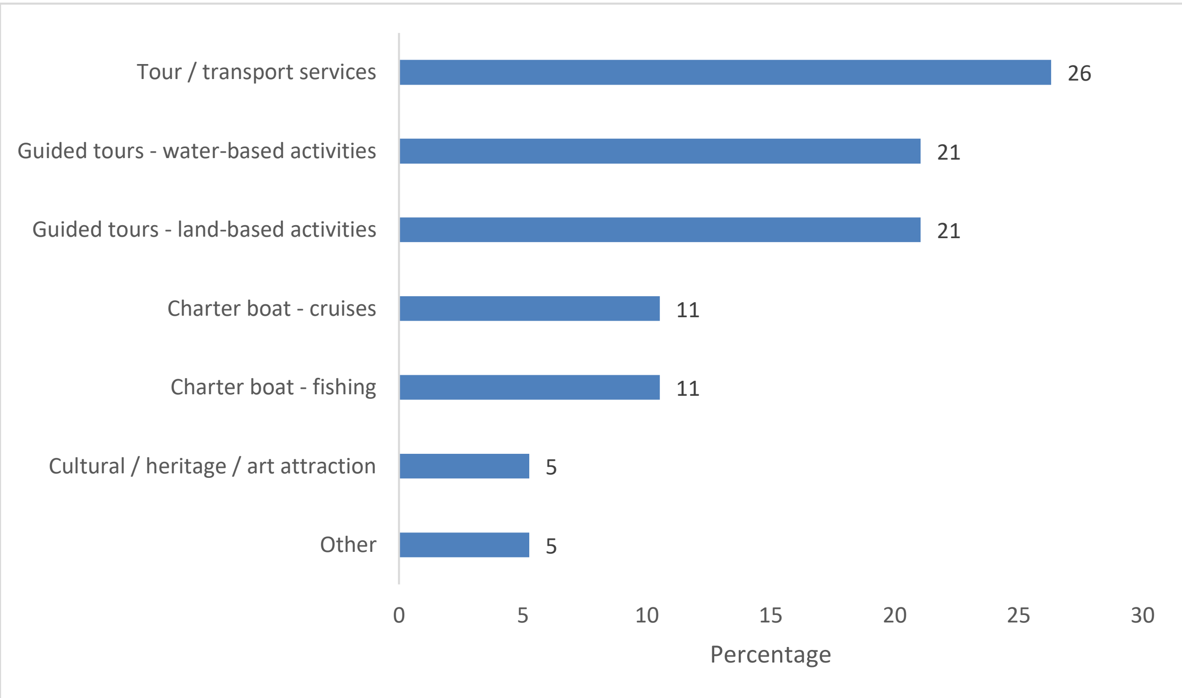
35 rooms. Over one in five (21%) businesses are 'self-catering', with holiday homes making up another 20% (Figure 7).

Figure 7: Accommodation provider: main focus of business



Of those who indicate visitor activities as their primary business focus, over a quarter (26%) state "tour/transport service", and a further 21% focus on "guided tours – water-based activities" and "guided tours – land-based activities" respectively (Figure 8).

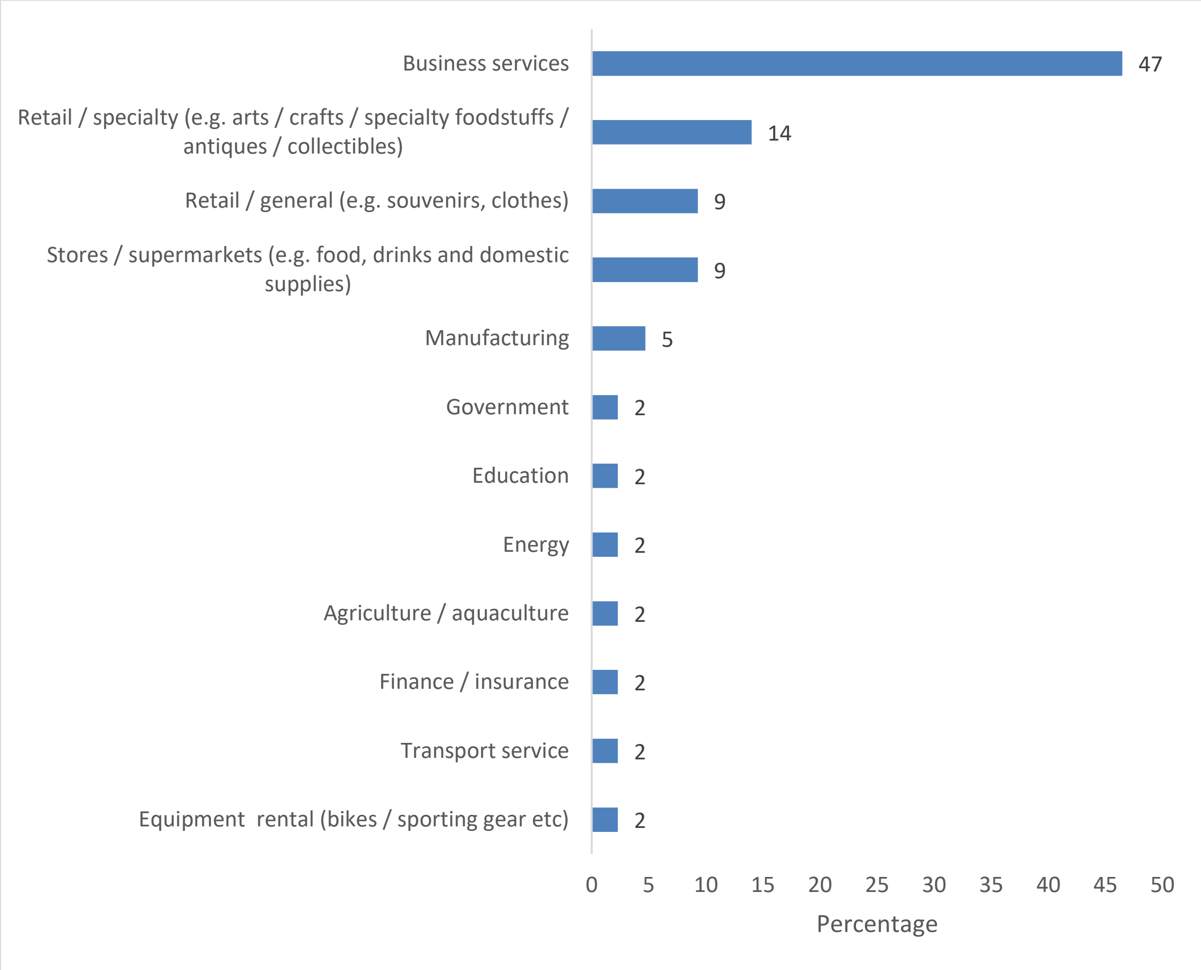
Figure 8: Visitor activities/tours: main focus of business



Note: n<5

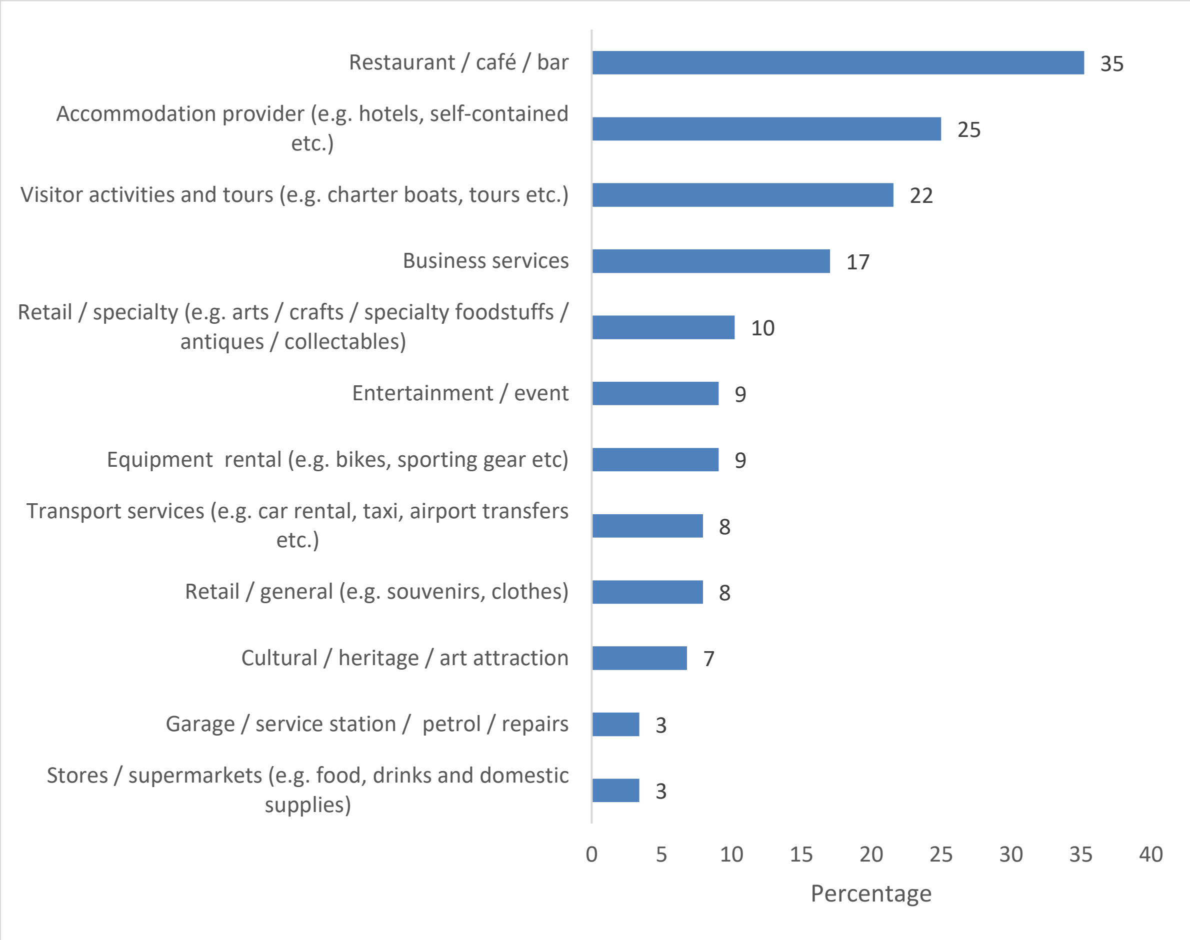
‘Other business sectors’ include business service (47%), retail / specialty (14%), retail / general (9%), and stores / supermarkets (9%) (Figure 9).

Figure 9: Other business sectors: main focus of business



Respondents were also asked to indicate whether they operate secondary activities in addition to their primary business focus. Over one third (36%) of respondents do not have a secondary business focus. For those who do have a secondary business activity, these are mainly focused on restaurant / café / bar (35%), self-contained accommodation (25%), visitor activities and tours (22%), business service (17%), retail / specialty (e.g., arts / crafts / specialty foodstuffs / antiques / collectables) (10%), entertainment / event (9%), and equipment rental (9%) (Figure 10).

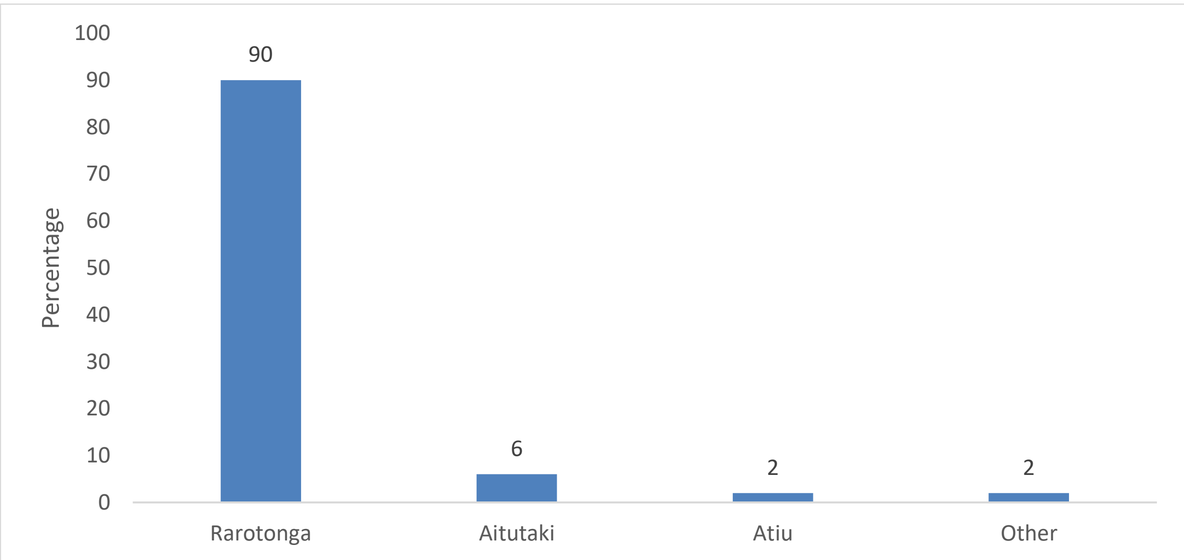
Figure 10: Secondary focus of business



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

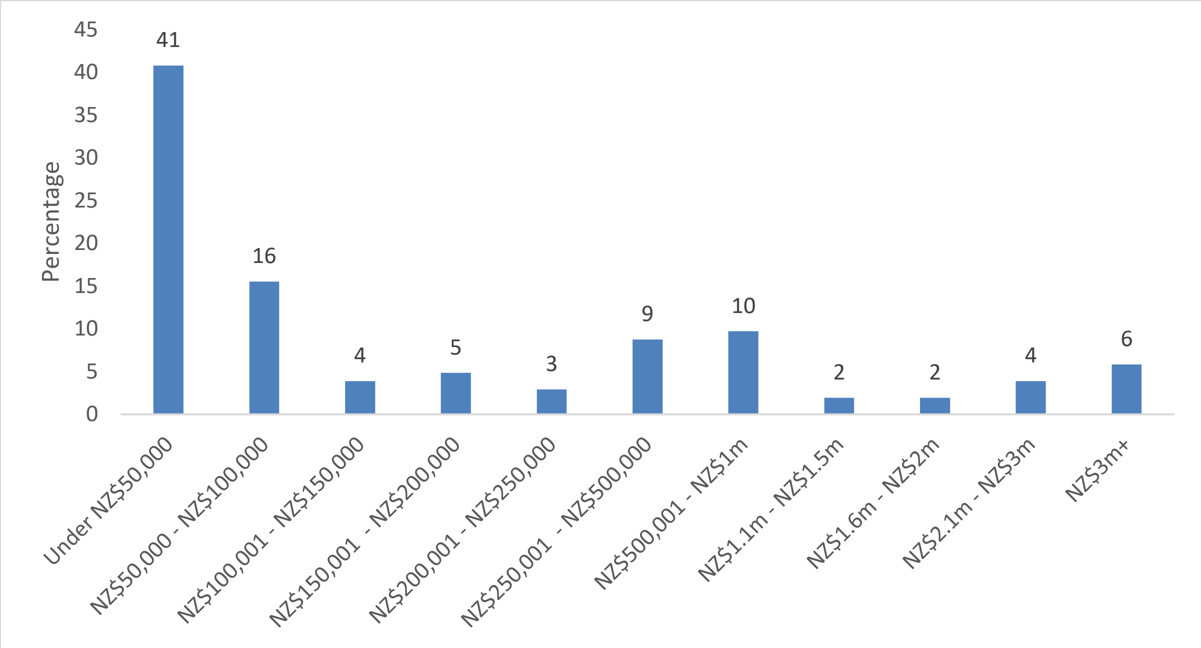
Most primary businesses covered by the survey are based in Rarotonga (90%), with a smaller percentage located in Aitutaki (6%), and Atiu (2%) (Figure 11).

Figure 11: Where is your primary business located?



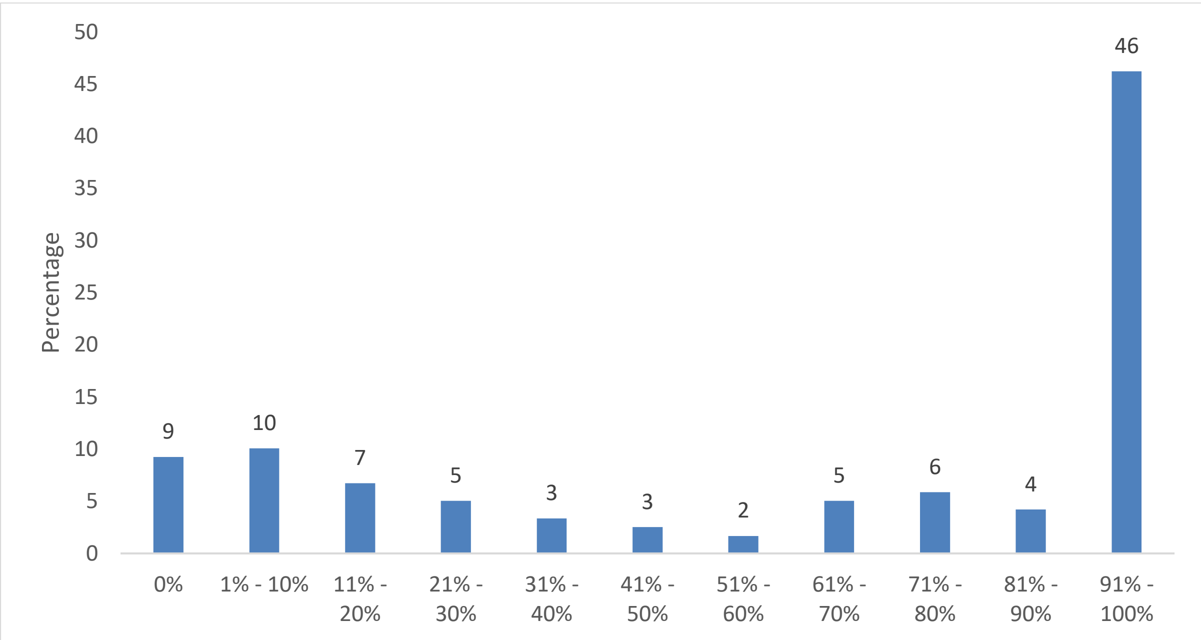
Nearly two thirds (61%) of businesses surveyed reported an annual turnover of less than NZ$150,000 in the last financial year (Figure 12). A further 10% of businesses generated more than NZ$2 million in revenue.

Figure 12: 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 13). Around one in five **(**19%) businesses indicated that 10% or less of their turnover is generated directly from the tourism sector.

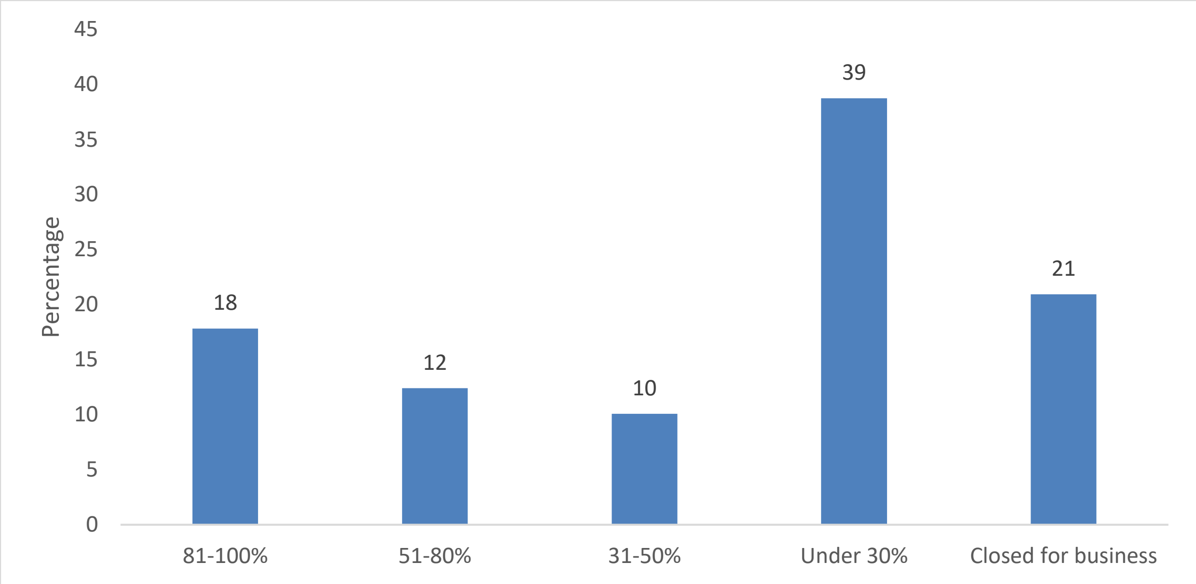
Figure 13: Approximate annual turnover estimated to come directly from tourism



COVID-19 impacts

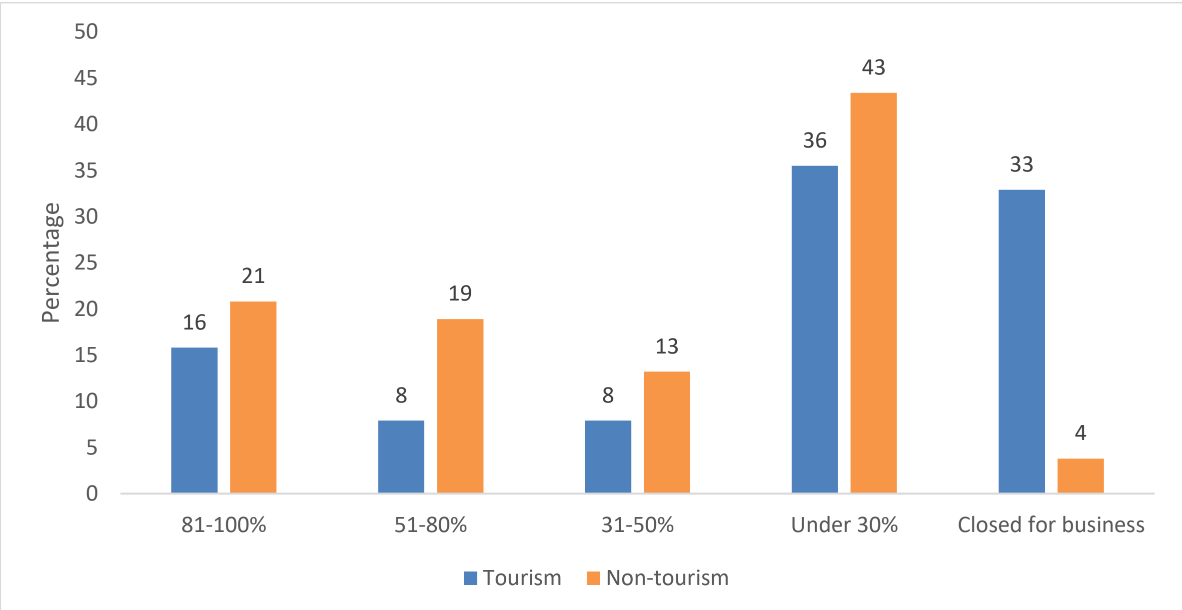
Due to the impacts of COVID-19, nearly half (49%) of businesses noted their turnover was under 50% of what it was during the same period last year (Figure 14). An additional fifth were closed for business at the time of the survey. Under one fifth (18%) of those surveyed indicate their turnover was over 80% of the same period last year.

Figure 14: Turnover compared to the same period last year



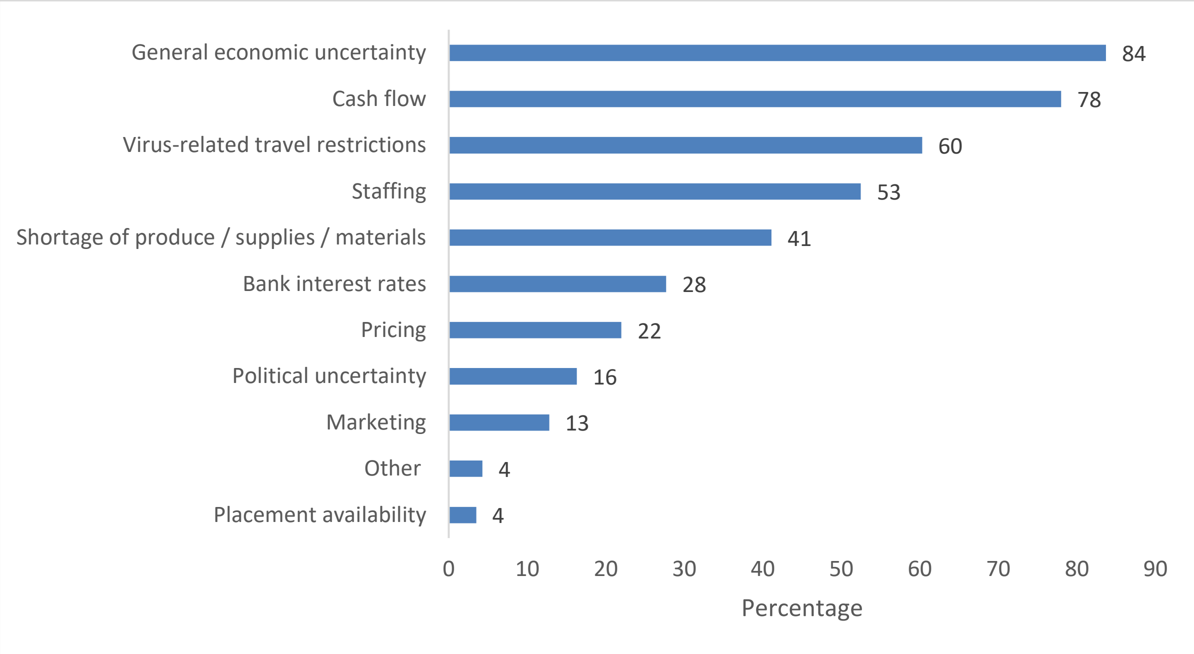
Over one in five (21%) respondents had closed their businesses at the time of the survey because of COVID-19. A third (33%) of tourism businesses said they had closed which is much higher than non-tourism businesses (4%) (Figure 15).

Figure 15: Turnover compared to the same period last year (tourism and non-tourism)



Most businesses responding to the survey indicated that their key short-term concerns relating to COVID-19 revolve around general economic uncertainty (84%) and cash flow challenges (78%) (Figure 16). A further 60% state that virus-related travel restrictions are the key short-term concern. Other main concerns are staffing (53%), shortage of produce/supplies/materials (41%), bank interest rates (28%), pricing (22%), and political uncertainty (16%).

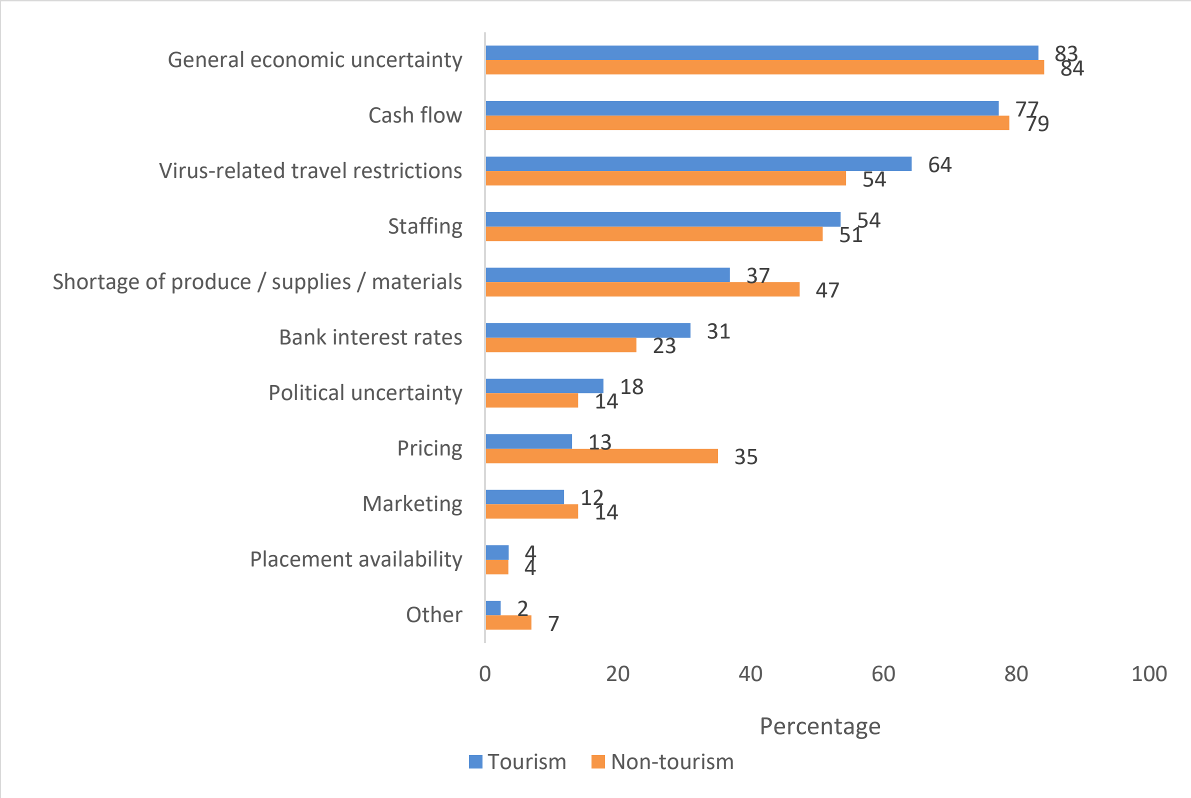
Figure 16: Key short-term concerns relating to COVID-19



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

Tourism businesses are more likely to have short-term concerns that relate to virus-related travel restrictions, staffing, bank interest rates, and political uncertainty (Figure 17). Non-tourism businesses are far more likely to highlight pricing and a shortage of supplies as major concerns.

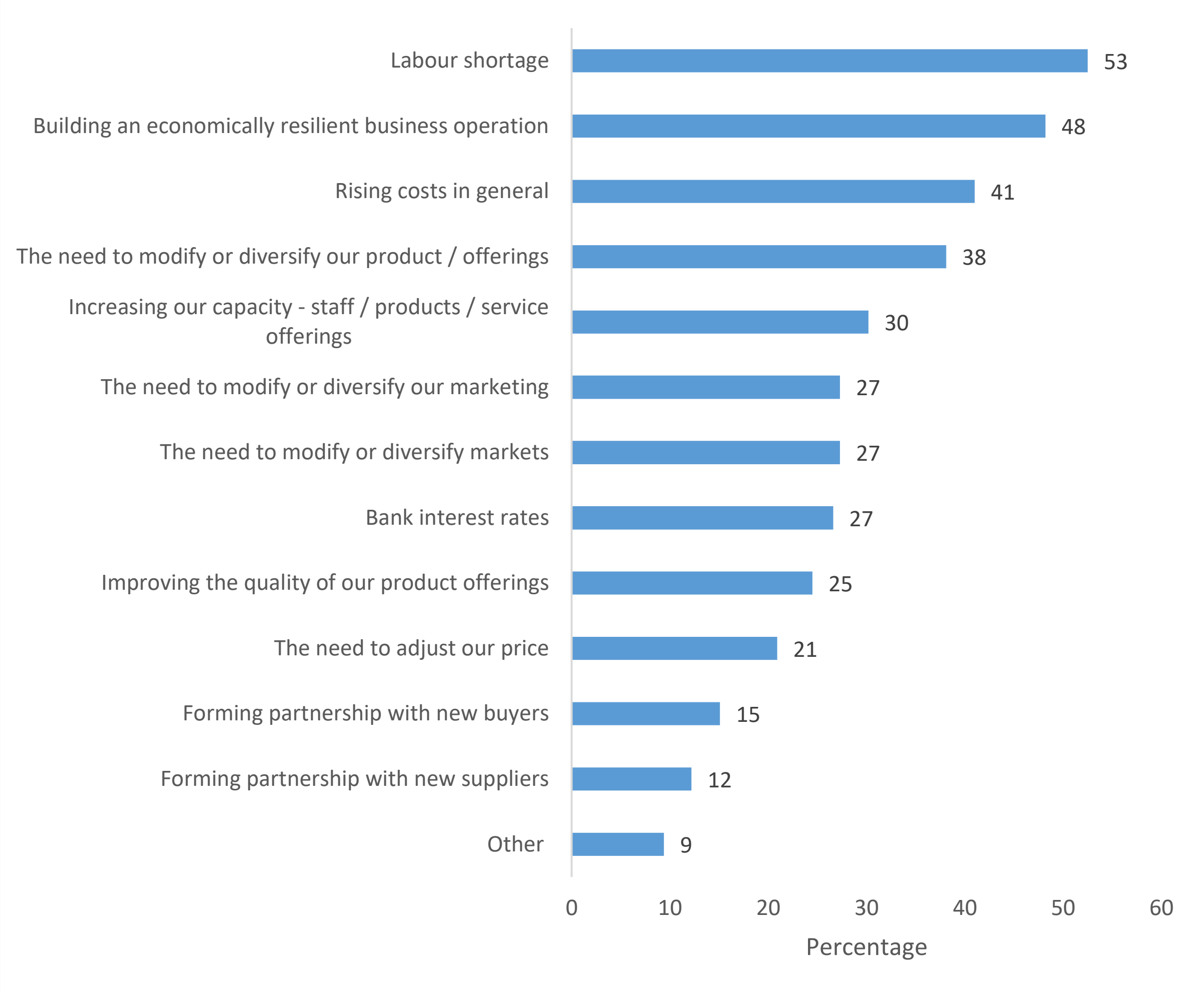
Figure 17: Key short-term concerns relating to COVID-19 (tourism and non-tourism)



When asked about longer-term concerns relating to COVID-19, over half (53%) of businesses mentioned they are concerned about labour shortages (Figure 18). Nearly half (48%) of respondents also mentioned the ongoing challenge of (re)building an economically resilient business operation.

Other long term concerns focused on “rising costs in general” (41%), “the need to modify or diversify product/offerings” (38%), “increasing capacity – staff/products/service offerings” (30%), “the need to modify or diversify marketing” (27%), “the need to modify or diversify markets” (27%), “bank interest rates” (27%), “improving the quality of product offerings” (25%), “the need to adjust price” (21%), “forming partnerships with new buyers” (15%), as well as “forming partnerships with new suppliers” (12%). Other comments mainly focus on uncertainty surrounding the timing and nature of the border opening.

Figure 18: Key long-term concerns relating to COVID-19

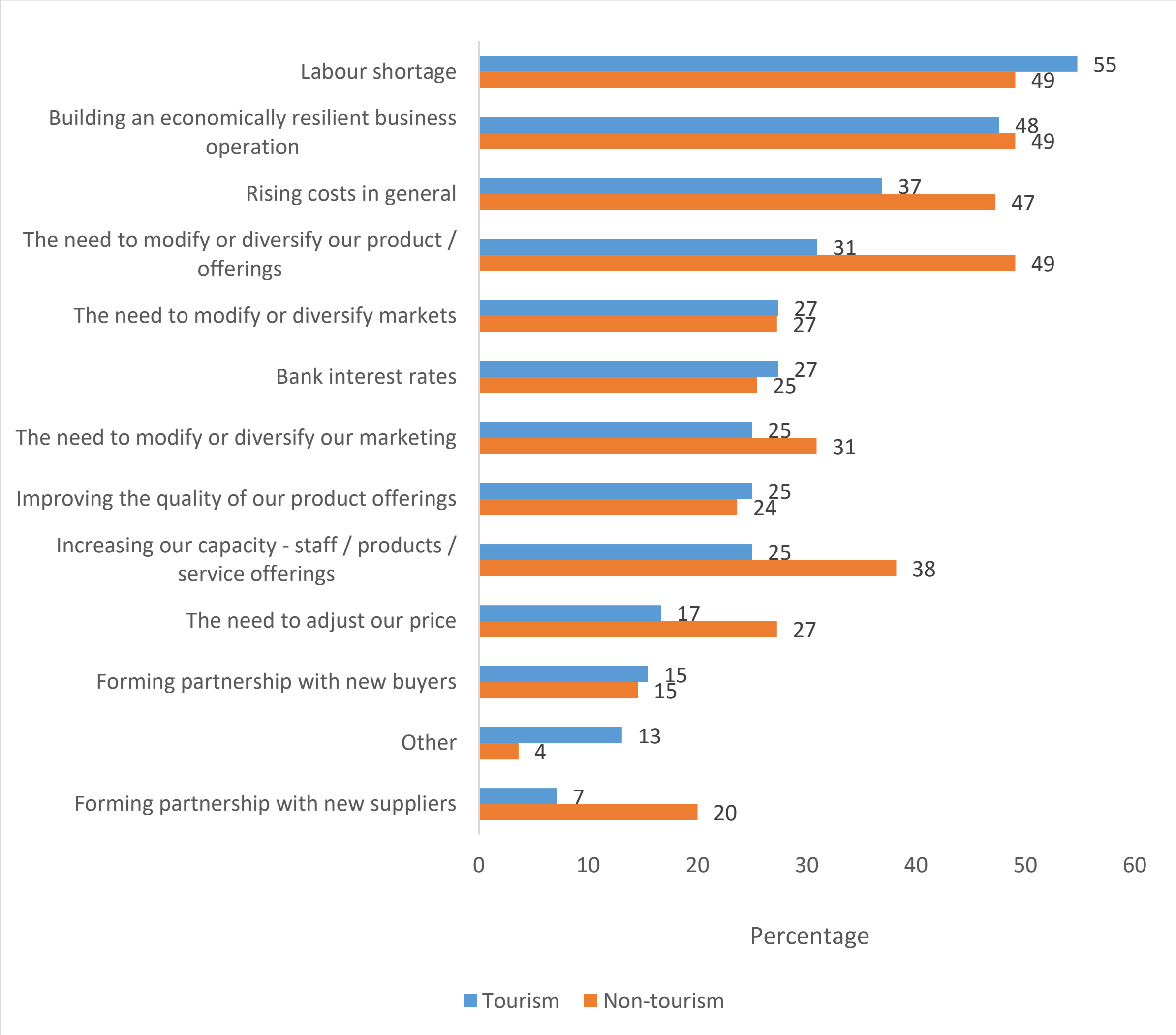


Note: Multiple responses, therefore total does not add up to 100%

Tourism businesses are considerably more likely to express concern about labour shortages than their non-tourism counterparts (Figure 19). Tourism operators are also more likely to express concerns over "bank interest rates", and the need to "improve the quality of our product offerings".

Non-tourism businesses tend to focus on rising costs and the need to diversify product/service offerings. They are also more likely to highlight the challenges of increasing capacity, the need to adjust prices and the challenges associated with working with new suppliers.

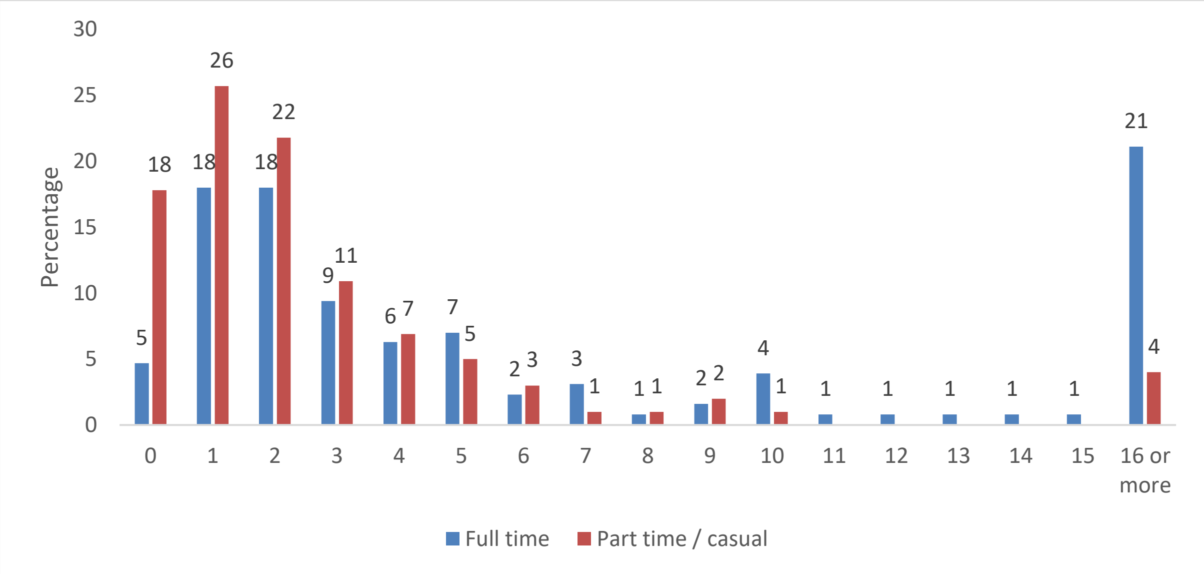
Figure 19: Key long-term concerns relating to COVID-19 (tourism and non-tourism)



Staffing

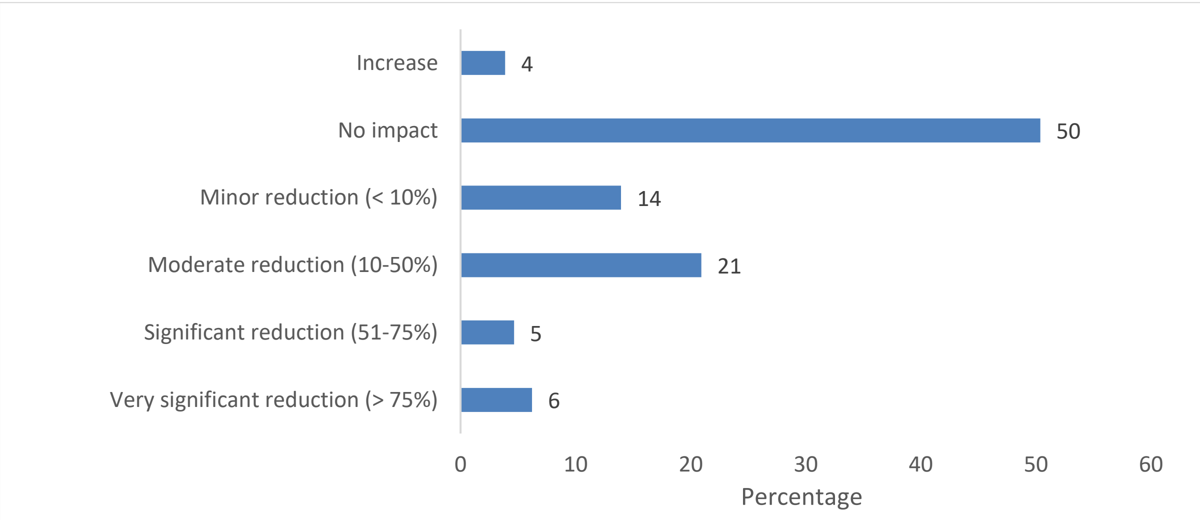
Nearly all (95%) of the businesses that participated in the survey employ at least one full time staff member (Figure 20). The majority (83%) of businesses employ fewer than four part-time staff. Around 45% of businesses have 1-3 full time staff. Over a fifth (21%) of respondents employ 16 or more full-time staff.

Figure 20: Average number of full-time and part-time staff employed (Oct/Nov 2021)



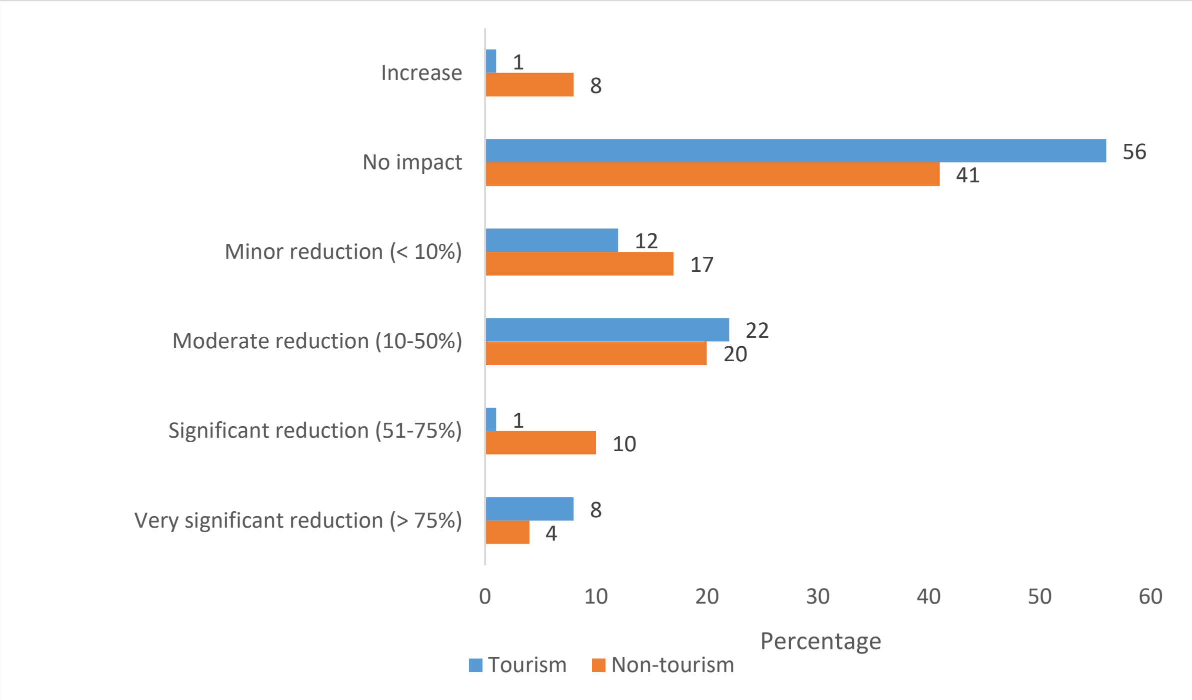
Respondents were asked to compare the number of people they employed in July 2021 to their employment levels in October/November of 2021. This provides some insight into the impact of the travel bubble closure in August. Half of the businesses expressed that there was no impact on the number of people employed (Figure 21). A further 46% of businesses indicated a reduction in staffing levels, while only 4% of businesses noted an increase in staff.

Figure 21: How does your total staffing in October/November 2021 compare to July 2021?



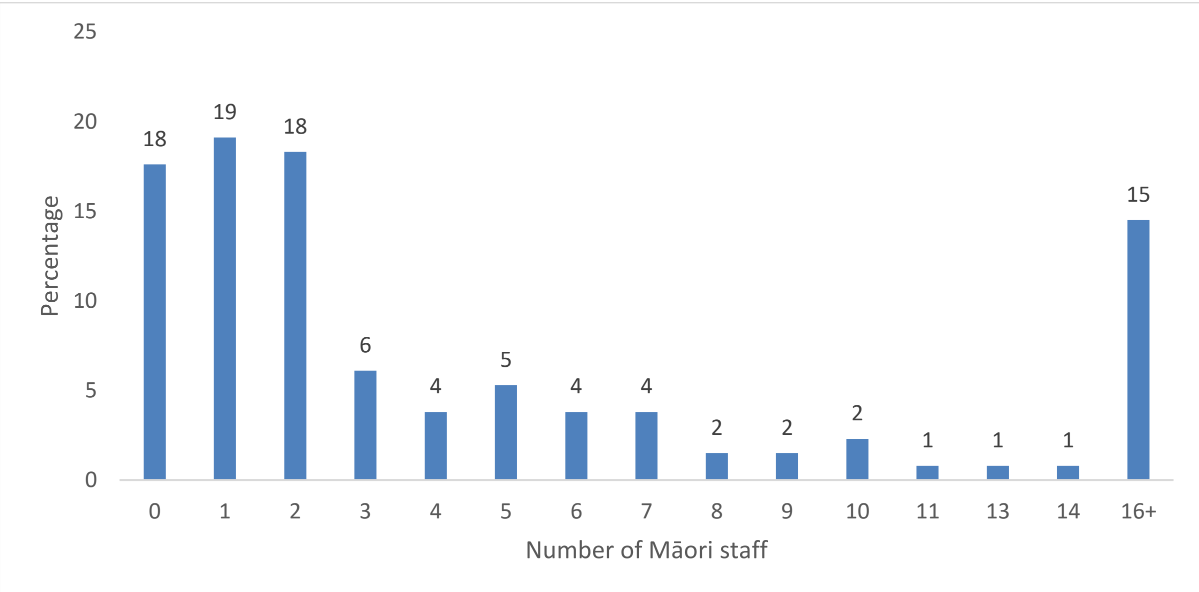
While tourism businesses were most likely to state that there had been no impact on employment levels (56%) they were far less likely to see an increase in employment when compared to non-tourism businesses. Eight percent of tourism businesses noted a very significant (>75%) decrease in staffing, compared to 4% of the non-tourism businesses. (Figure 22).

Figure 22: How does your total staffing compare to July 2021 (tourism and non-tourism)



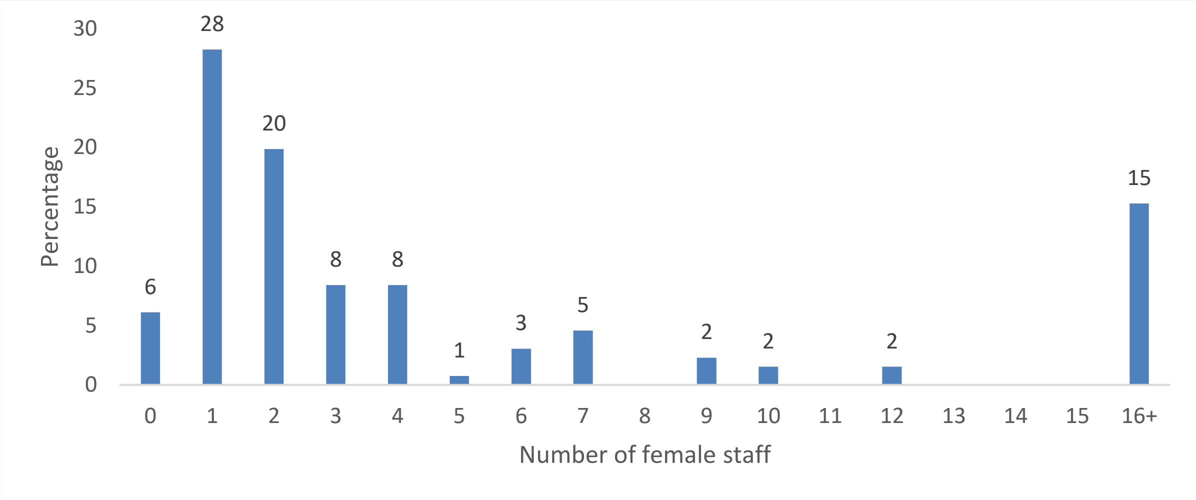
Fifteen percent of businesses employ 16 or more Cook Islands Māori staff, with 18% not employing any (Figure 23). The average number of Cook Islands Māori staff is 5 (the median value is 2).

Figure 23: Number of Cook Islands Māori staff



Nearly two thirds (64%) of businesses hire between one and four women. Fifteen percent of businesses hire over 16 female employees (Figure 24). The average female staff number is 5 (the median value is 2).

Figure 24: Number of staff that are women



Nearly three quarters (72%) of businesses listed their business training needs (Table 1). Of these responses, over a quarter (27%) focused on the need to train staff in marketing and sales skills, especially internet and social media marketing. Other training needs highlighted included: customer service (13%), management skills (12%), accounting and financial skills (12%), and general hospitality and tourism skills (12%). It is notable that 8% of businesses emphasised the importance of COVID-19 safety training needs.

Table 1: Business training needs

Theme	Share of respondents
Sales and marketing	27%
Customer service	13%
Management	12%
Accounting or finance	12%
Hospitality and tourism	12%
Trade or technical skills	9%
Health and safety and COVID practise	8%
ICT skills	5%
Employee performance	5%
Kia Orana values and cultural understanding	2%
Mental wellbeing	2%
Product development	2%
Housekeeping	1%
Public relation	1%
Sustainable development	1%

* Respondents could give more than one theme, so total does not add up to 100%.

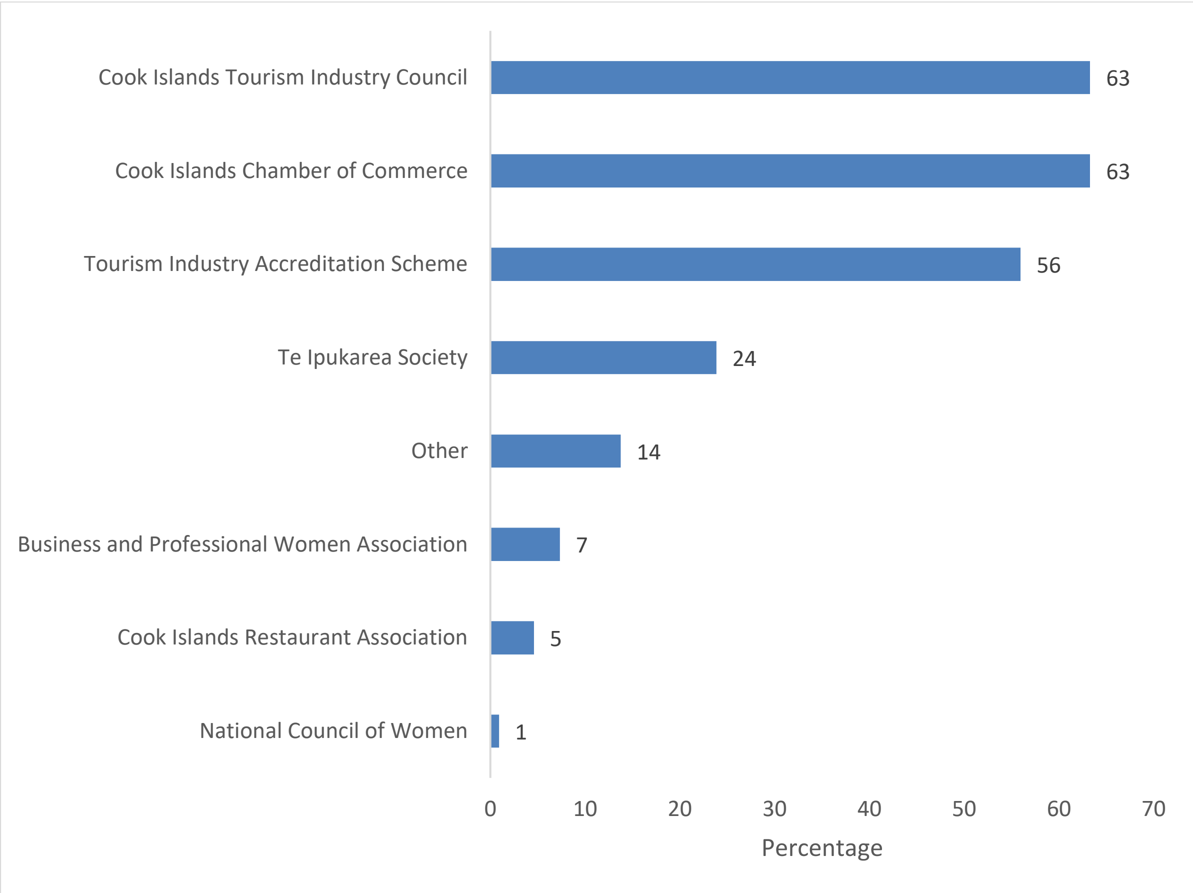
Comments on business training needs included:

> *"Social Media - have done the tourism one, but they started at a level over my head."*
>
> *"Marketing & Developing a strong social media presence."*
>
> *"Tour Guiding and Guest Customer services."*
>
> *"Economic Resilience to the COVID-19 situation."*
>
> *"All aspects of managing guests behavioural patterns as a result of being challenged and governed under new COVID-19 restrictions."*
>
> *"Preparation for the next pandemic or crisis affecting inbound tourism."*
>
> *"Economic Resilience to the COVID-19 situation."*
>
> *"Trip advisor, booking com training etc as there is a lot of background stuff that we don't use and scared to play with."*
>
> *"Ancillary Revenue Development; Thinking Outside the Box; Multi-Purposing Your Time; Cost Cutting & Saving."*

Membership and Government programmes

When asked to list any local business/organisations they belong to, nearly two thirds (63%) of respondents answered that they are members of the Cook Islands Tourism Industry Council with the same percentage indicating membership of the Cook Island Chamber of Commerce. Over half (56%) of the businesses indicated they are members of the Tourism Industry Accreditation Scheme (Figure 25).

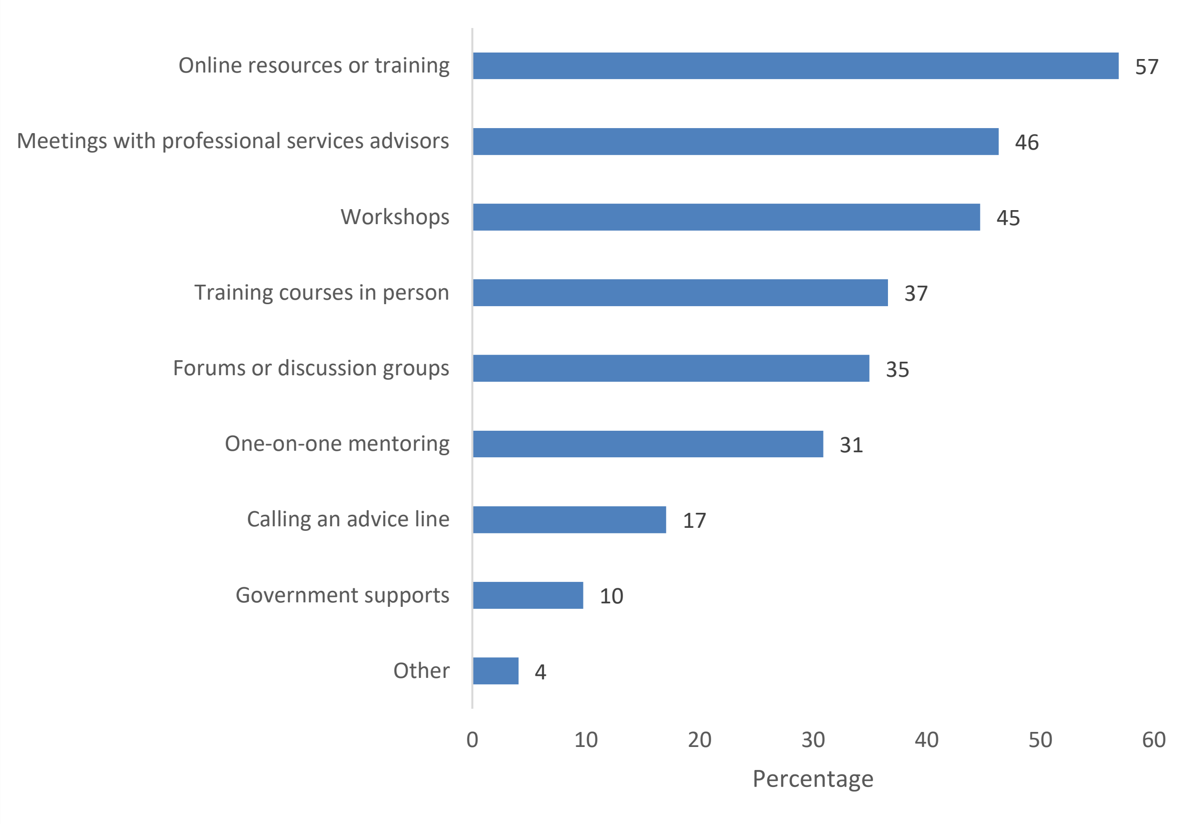
Figure 25: Local business or industry organisations belonged to



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

Nearly half (45%) of businesses indicate that their membership of local business or industry organisations has assisted them in managing the impact of COVID-19. In considering different modes for delivering COVID-19 support, over half (57%) of businesses highlight online resources, followed by meeting with professional services advisors (46%), workshops (45%), in-person training courses (37%), and forums / discussion groups (35%) (Figure 26).

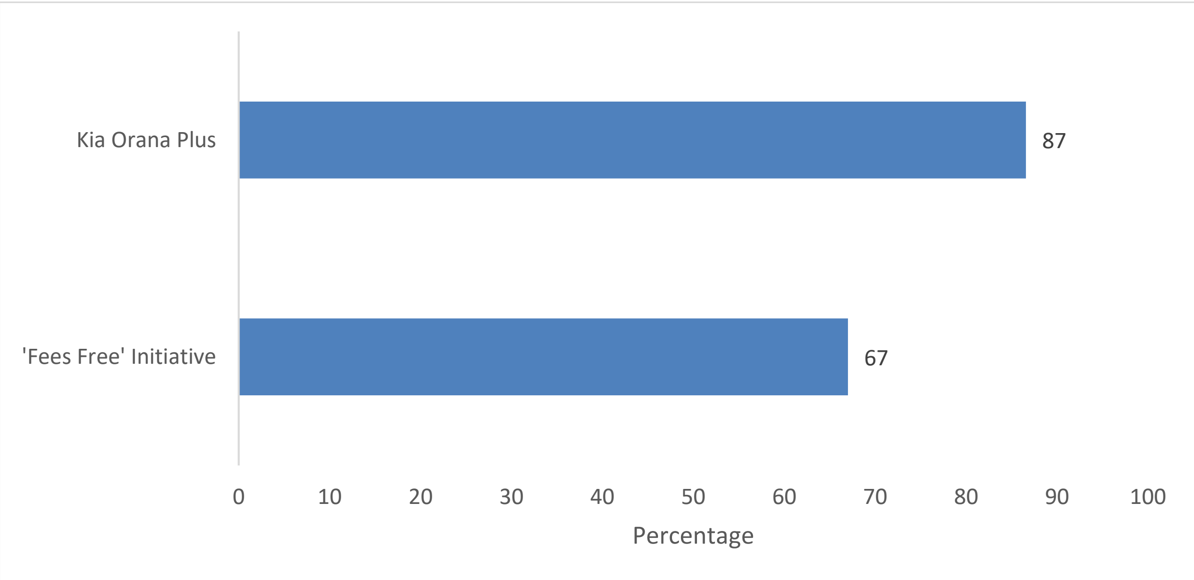
Figure 26: Ways of delivering COVID-19 related Government support



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

A majority (87%) of businesses indicated that they are aware of the 'Kia Orana Plus' programme provided by the Government, with a further two thirds (67%) of respondents surveyed aware of the 'Fees Free' initiative programme (Figure 27).

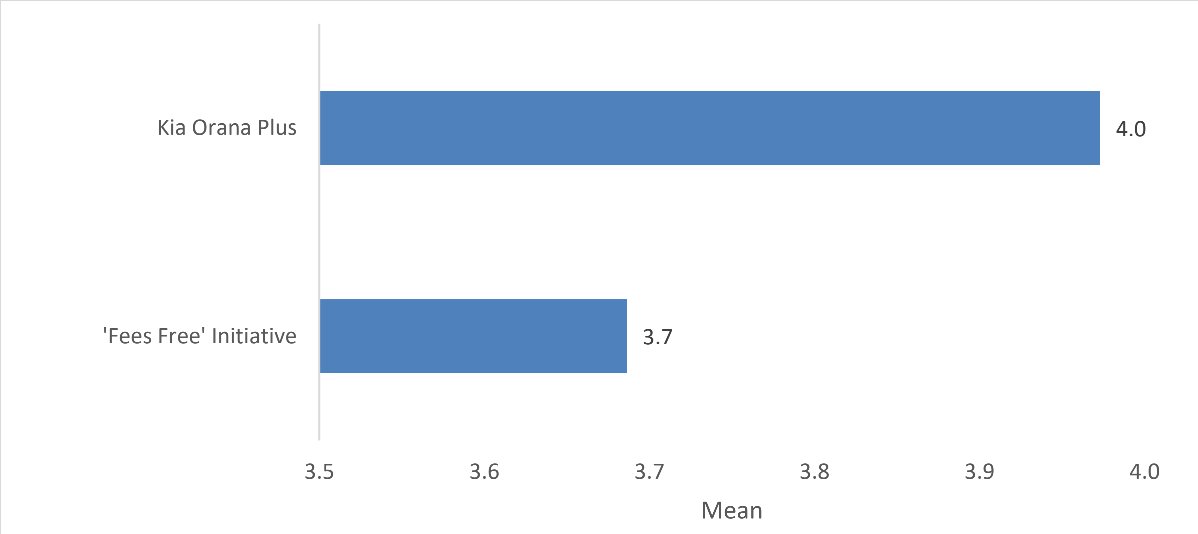
Figure 27: Programmes provided by the Government



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

When respondents were asked to rate their satisfaction with these government programmes, ‘Kia Orana Plus’ generated the highest score (4.0 out of 5), following by the ‘Fees Free’ initiative (3.7) (Figure 28).

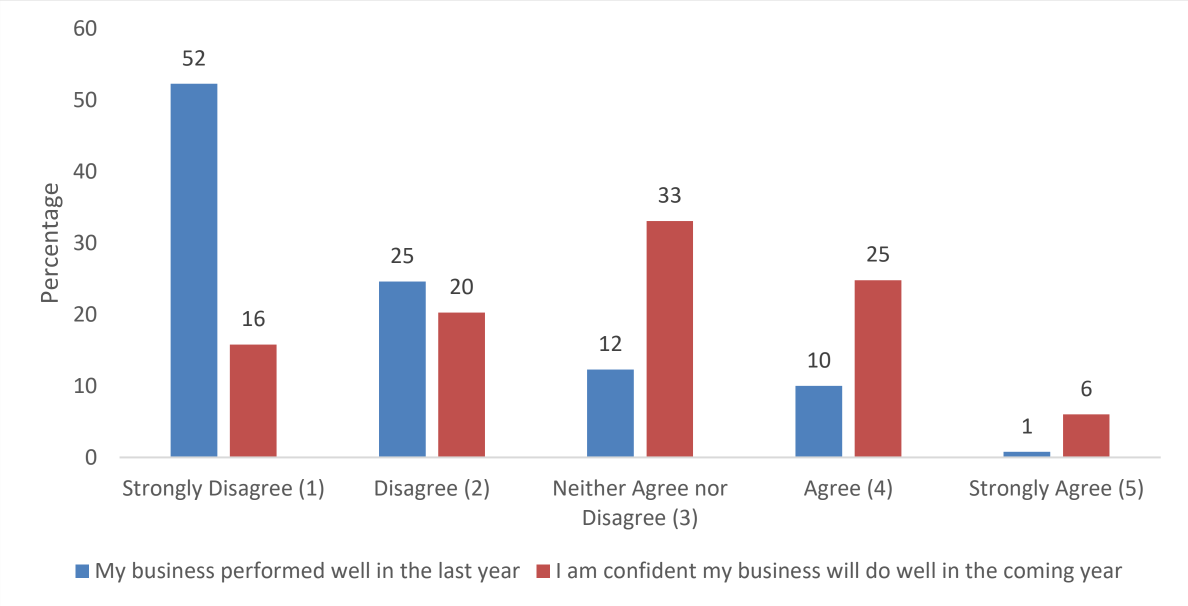
Figure 28: Satisfaction level with programmes provided by the Government



The business climate

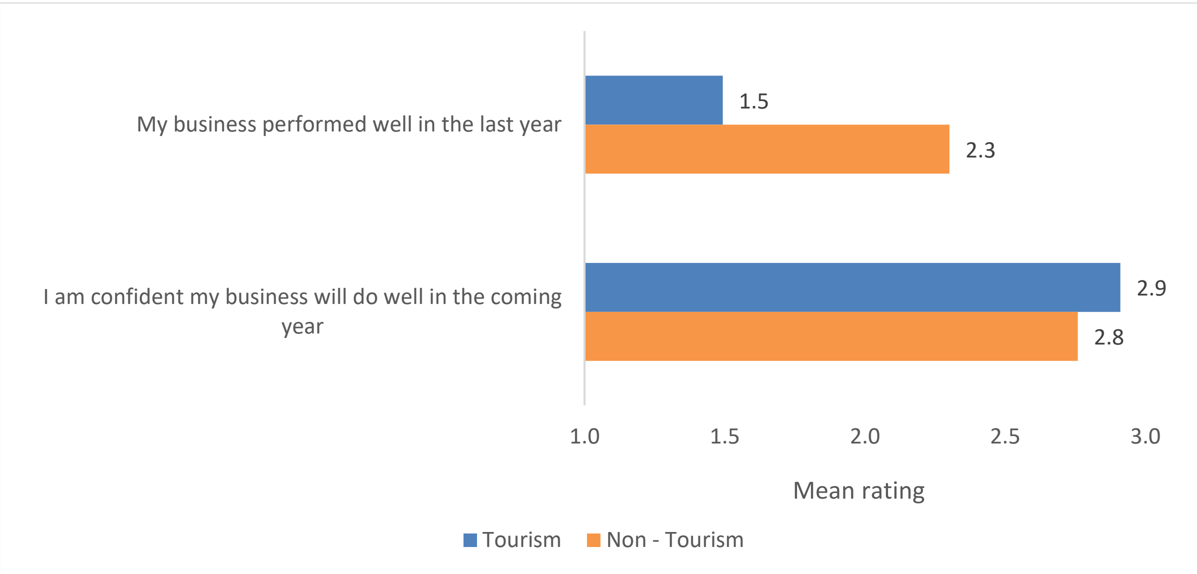
Respondents were asked to rank statements related to their level of business performance. Over three quarters (77%) of respondents disagree that their business performed well in the last year (mean value 1.8 out of 5), and less than a third (31%) of those surveyed state they agree that their business will do well in the coming year (an average of 2.8 out of 5) (Figure 29).

Figure 29: Please indicate your level of agreement with the following statement



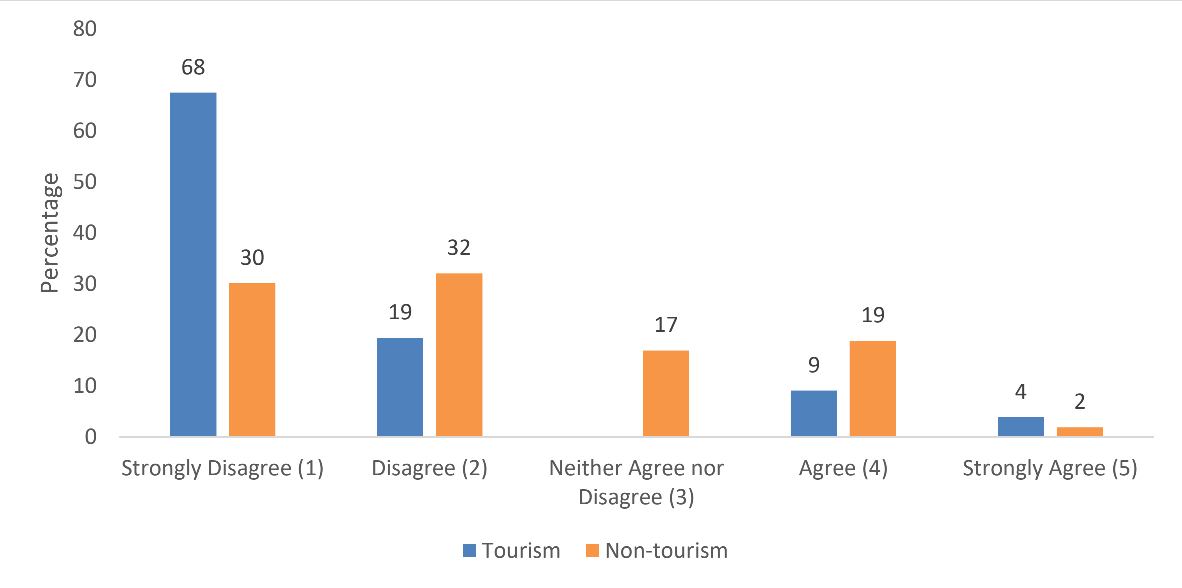
Tourism businesses were far less likely than their non-tourism counterparts to feel that their business performed well in 2021. However, tourism businesses showed a slightly higher level of confidence than their non-tourism counterparts for the coming year (Figure 30).

Figure 30: Level of confidence (tourism and non-tourism)



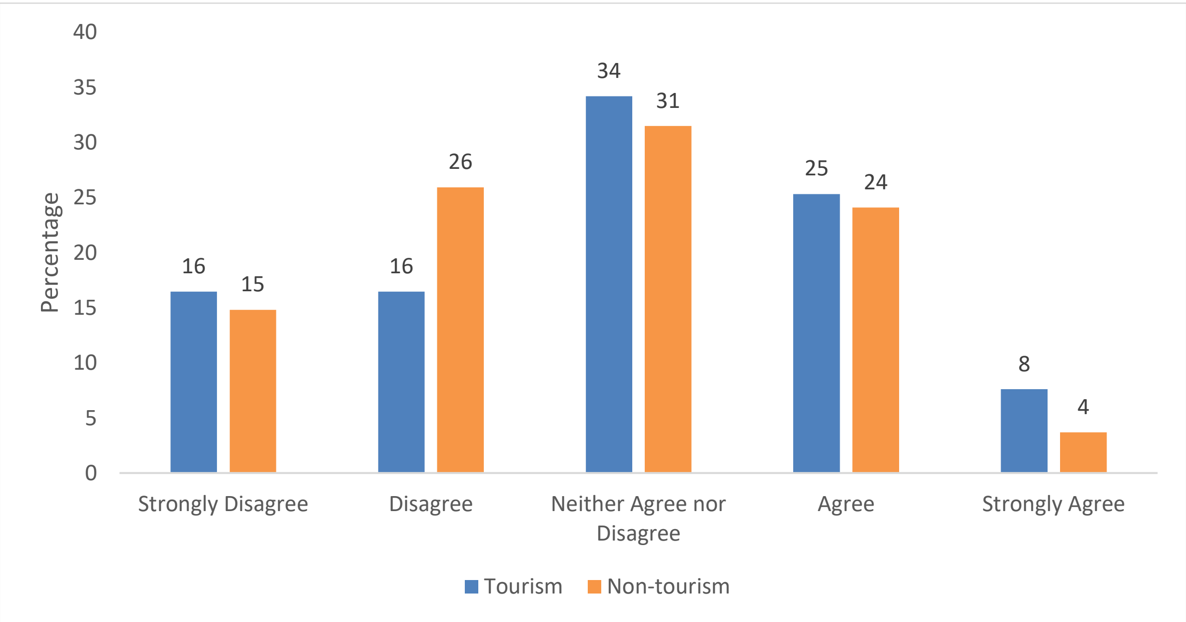
Further break down of these figures reveals that tourism businesses show a significantly lower level of confidence with the statement "My business performed well in the last year" than their non-tourism counterparts (87% strongly disagree / disagree vs 62% strongly disagree / disagree) (Figure 31).

Figure 31: My business performed well in the last year (tourism and non-tourism)



On the other hand, tourism businesses exhibit higher confidence with the statement "I am confident my business will do well in the coming year" (Figure 32). Tourism businesses (32%) are considerably less likely to "Disagree" with the statement than their non-tourism counterparts (41%) and are far more likely to strongly agree.

Figure 32: I am confident my business will do well in the coming year (tourism and non-tourism)



Respondents were asked: "What do you see as being the major challenge that will face your business in the next five years?". Although only 10% of businesses mentioned COVID-19 directly, most other challenges mentioned are directly influenced by the pandemic (Table 2). For example, nearly one third (31%) of respondents mentioned border or travel restrictions, followed by human resources - mainly staff shortages (28%). Cash flow and revenue generation (19%) were also highlighted, along with tourism recovery (15%), supply shortages (10%), and competition from others (6%), plus political issues and regulations (6%).

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

Theme	Share of respondents
Border or travel restriction	31%
Human resources	28%
Cash flow or revenue	19%
Tourism recovery	15%
COVID-19	10%
Supply shortage	10%
Competition from other businesses	6%
Political issues and regulation	6%
No customer	5%
To survive	5%
Global or local economy	3%
Advertising and marketing	2%
Flight related issues	2%
Climate change or environmental degradation	1%

* Respondents could give more than one theme, so total does not add up to 100%.

Comments included:

> *"Recovering from the impacts of COVID-19 and uncertainty regarding future border closures."*
>
> *"Not being able to generate enough cash flow to keep being operational once the borders are open again (midterm)."*
>
> *"Dependency on border remaining open without snap shut decisions."*
>
> *"NZ employers poaching our staff, exorbitant freight cost increases, total loss of tourism, high cost of finance, hyper-inflation."*
>
> *"Return of tourism, return of staffing from those leaving the island for work in NZ, not able to fulfil demand if tourists return."*
>
> *"Our Pearl Technician is a foreigner and based in Japan, He hasn't been able to get back to the Cook Islands since the borders closed."*

"Uncertainty (about everything, but especially border closures/risk of illness/costs and pricing), staff turnover and shortages (especially senior chefs)."

"Expanding out tourism markets so visitors from countries other than NZ can come here."

"A real challenge as the Pa Enua will likely refuse Cruise Ship calls for some time."

"Uncertainty of border opening or the economy as a whole, people cant make long term decisions at the moment which affects their ability to plan their service needs."

"Price Increase for most materials and products (global Shipping cost)."

"Heavy debt burden (mortgage plus business continuity loan)."

"Continued lack of 'due process' in the fair application of tax, business and operating regulations. It was apparent during the last year that some businesses had been operating for a considerable time 'outside' of legislation and had not been penalised. Due to immigration and BTIB requirements this is also perceived as discrimination, leading to unfair competition. There are some processes where different rules apply depending on whether the business is owned by a Cook Islander or 'foreign investor'. Surely if contributions to the economy, employment and tax laws apply to both, then both should be treated equally. This is not the case. Sadly, the ongoing COVID-19 situation has revealed this more prominently, as well as increasing prejudice against 'foreigners' (Dare I even say blatant racism). This has become more of a challenge and will continue to be moving forward."

"Market still very competitive with alot of operators including home sellers pushing sale prices down."

"Attracting advertising support over next 6-12 months from tourism operators affected by pandemic."

"Recovering from the cash burn experienced over the last 18 months."

Another survey respondent highlighted a regional dimension related to returning visitors flows:

> "With Fiji opening and with a lack of decision making and increased labour shortages and costs we will be facing a major competition hurdle with the likes of Fiji and other countries."

Those surveyed were asked: "What do you see as being the major opportunities for your business in the next five years?" Over a quarter (26%) of businesses mentioned opportunities to grow the business that involved diversification and adaptation (Table 3). Other opportunities mentioned included: tourism growth (16%), border re-opening /no quarantine for visitors (12%), targeted market segments (8%), new marketing strategies (6%), being a COVID free (safe) destination (6%), staffing (6%), and focusing on the domestic market (8%).

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

Theme	Share of respondents
Growing the business, adapting, and diversifying	26%
Tourism growth	16%
Border open or no quarantine	12%
Target market segments	8%
Marketing	6%
Being COVID free (safe destination)	6%
Staffing	5%
Focusing on domestic market	4%
Less competition	4%
More NZ visitors	4%
Product development	3%
Technology or ICT	2%
Investment	2%
Government support	2%
Reducing the cost of business	2%
Being more environmentally friendly	1%
Rising prices	1%

* Respondents could give more than one theme, so total does not add up to 100%.

Comments included:

> *"Taking advantage of providing an alternative holiday destination to new travellers."*
>
> *"We are a new business with a very popular product and price point. We have already invested over $3M and we can expand further but will not do so until certainty exists."*
>
> *"Creating new relationships building opportunities from these relationships, product and service diversification and improved marketing."*
>
> *"Possibly diversify into other areas not under the current scope of the business."*
>
> *"To export more products and having more of a presence on social media."*
>
> *"Once the world controls the virus only then an influx of visitors will arrive."*
>
> *"Safe open borders and resumption of tourism travel."*
>
> *"Expanding the New Zealand market as tourism moves to short haul destinations."*
>
> *"Developing more specialised products for market segments and selling directly to these consumers."*

“Cook Islands is perceived as a COVID free travel destination. Appealing for NZ and Australia markets, if virus remains under control here.”

“Online advertising and marketing to increase sales.”

“We've remained fully operational and open every day, so we're prepared for reopening. Having kept everything maintained, we don't have any major expenditure requirements to continue at our desired level, other than qualified staff shortages.”

Some did share uncertainty as part of their response:

“We need to first focus on reopening and then we can look at the next 5 years.”

When respondents were asked: “How do you see your business developing in the next five years”, a quarter (25%) indicated that they are optimistic about the prospects for future growth. The majority of responses, however, focused on uncertainty and the challenges stemming from COVID-19. Staffing challenges to improving performance and the need to adapt and diversify product offerings were also highlighted. Only three percent of businesses highlighted improving environmental responsibility.

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

Theme	Share of respondents
Uncertainty, dependent on COVID-19 and borders opening	25%
Continued growth or quick recovery	25%
Slow growth only gradually returning to pre COVID-19 level	9%
Poorly – impact on business survival	9%
Staffing challenges	9%
Product enhancement	7%
Marketing or sales strategies for enhancements	5%
Management improvement	4%
Service improvement	4%
New technology or getting online	4%
Diversification to the domestic market or new ideas, new areas	4%
Debt management	3%
Environment commitment and concerns	3%
Higher occupancy	1%

* Respondents could give more than one theme, so total does not add up to 100%.

Comments included:

“Hard to say due to so much uncertainty, so would have to say SLOWLY.”

“Positive Growth, pending the World Opening and limited restrictions on travel.”

“Dependent on the Passport Vaccine Rules- Cruise business will bounce back quickly if the Maritime Borders rules are user friendly.”

"With COVID affecting the world, I can honestly say that our business will not survive unless things get better next year."

"Expansion was planned for 2020, but hopefully, that will resume in mid-2022. We aim to be the dominant centre in Rarotonga."

"Cautiously but still reinvesting. Current strategy will be delayed by 24 months."

"Expanding but exposed to collapse through our dependence on maintaining our own water supply, vehicle maintenance and keeping out wild pigs."

"Growth if we have another airline to compete with Air New Zealand, a link to LA and Europe with safe travel."

"Adapting to changing tourists and reducing staff to allow for smaller demands from diversifying due to lack of tourism numbers and staff ..."

"More technology less staff."

"We will more resilient therefore growth in the Cook Islands will better and to attract the Cook Islanders who have left for better opportunities overseas."

"It will take 5 years just to get back to where we were in 2019."

"It will take that much time to recover and get to the pre COVID days of abundance."

"Expand portfolio of clients, expansion of marketing into around the world."

"In land maintenance, developing new areas such as land clearing/levelling, increase in our own handling of accounting and recording, moving up a level in production of quality black pearl jewellery and promotion online of Cook Island pearls."

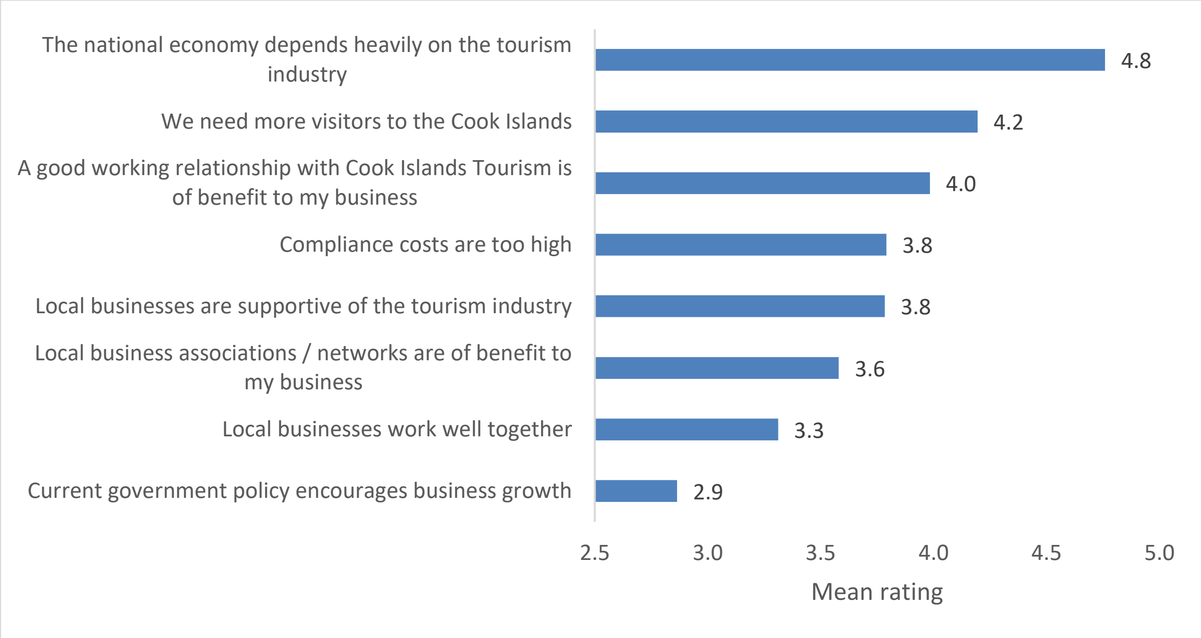
"We will be able to offer more tours and also get into merchandising."

"We would like to put in place a concession/operations management arrangement where new operators would be able to expand the events and corporate venue aspect."

"Set my standards to a Local Market and sell local."

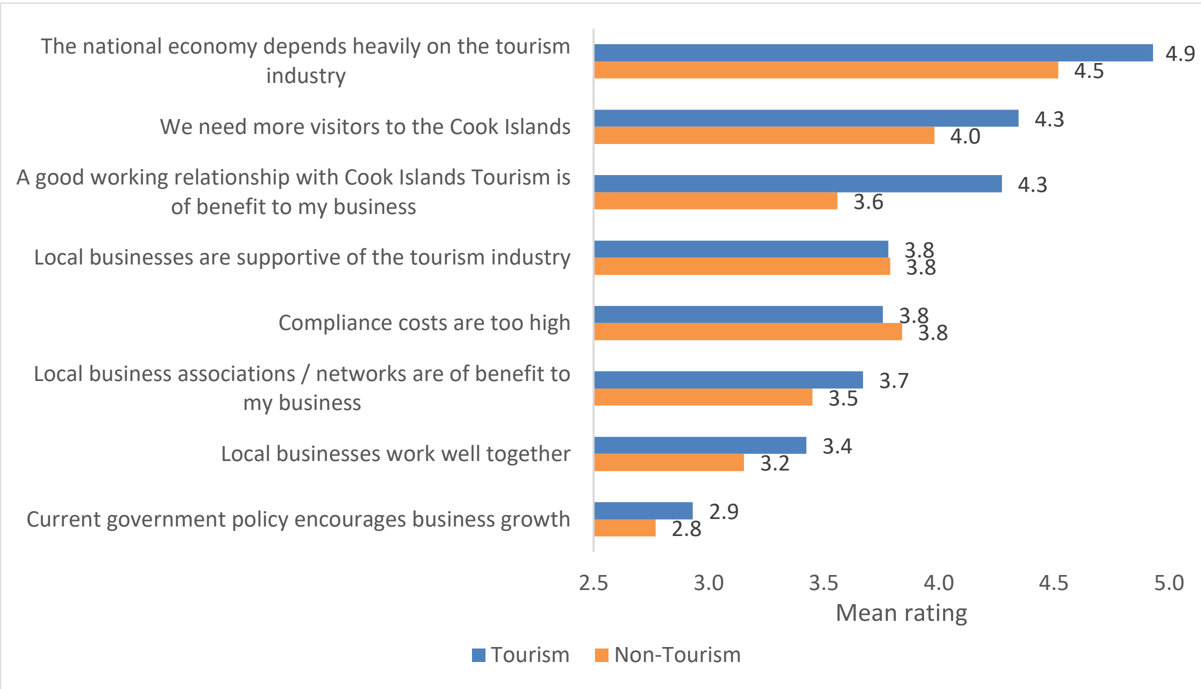
Respondents were asked to rate their agreement with a range of statements about tourism, the economy and government policy (Figure 33). The statement "the national economy depends heavily on the tourism industry" received the highest level of agreement (4.8 out of 5). Notably, "we need more visitors to the Cook Islands" received the next highest level of agreement (4.2 out of 5). "Current government policy encourages business growth" (2.9 out of 5) and "local businesses work well together" (3.3 out of 5) received the lower ratings.

Figure 33: Please respond to the following statements



Tourism businesses show a higher or similar level of agreement across most statements compared to their non-tourism counterparts (Figure 34).

Figure 34: The importance of statements relating to the Cook Islands (tourism and non-tourism)



Some respondents provided further comments, including:

> *"With regards to compliance, I think we're under-regulated in many areas, we should be a high value world class destination."*

"Can we have a plan how to keep Business open in a safe manner whilst COVID or any other interruptions may happen?"

"Focus on environmental protection and reducing reliance on fossil fuels / getting the Pa Enua to be more productive in contributing to the overall welfare of the Cook Islands."

"My biggest bug bear is the $500 annual immigration charge to get that stamp in my passport. What has happened to the PR revisions?? Most current holders haven't been living here in years. Please try to get that sorted as it is very unfair."

"Regards to more visitors, we should be growing nights stayed average stays growth better spend from visitors staying in the local economy."

"The government need to be brave and open the borders. What was the point of everyone here getting vaccinated if the Cook Islands are going to close every few months."

"Restrictions in hiring foreign workers has been restrictive and costly."

"Remove all fees for work visas, get hospitality workers here now otherwise the product delivered will be bad. Already apparent in F&B. What are governments risk management plans and processes to roll out when COVID arrives?. Where are the diversification plans? Our interest rates are choking investment and cashflow. Secondary school is failing our youth, some teachers are appalling. Where are our standards? Why is average okay? Very annoying, education needs prioritisation, using COVID as an excuse. Buck stops at the top. Everything here is slipping in quality and no acknowledgement by govt...no plans forward..."

"Unfair when looking at what 'foreign investors' have to pay compared to Cook Islanders. This is not just monetary, it also applies to the legislative procedures applied to foreigners."

"We need to get Tourism back. It's good to look a diversity but this will not return to the economy what Tourism does."

"The tourism industry needs more participation from indigenous Cook Islanders at all levels."

"Business turnover increased this last quarter as 2 way travel was open by nearly 1000% relative to the year before (no option to select more than 100%). One of the limits to business growth and return on investment is high land rentals continuing despite the economic constraints on income. This is a complex policy and community matter, but if there is no concession given by landowners, many businesses will have to walk away from their premises. Government does not address land issues as they are so politically sensitive. Investment in the wrong and expensive infrastructure (eg obsolete marine cable when told satellites improving), chlorination systems when farming should be organic, rather than supporting private sector to increase renewable energy use on Rarotonga, investing in healthcare to encourage long

term/retirement investors/visitors, improving education system to provide much needed skilled labour, MPs and government workers not reverting to 2018/19 pay scales (keeping 45% increase) when COVID hit. These are all examples of how government policy is not encouraging business growth. The actions in the last quarter that qualify as supporting business survival not growth include the wage subsidy and grants."

"We need to follow the lead set by NZ and reopen our country to tourism, we are on track to break the economic viability of a country that relies heavily on tourism!"

"A business hub is needed for the Cook Islands, a collaboration between BTIB and Chamber of Commerce where there is a one stop Business Hub for entrepreneurs, I've heard too many stories of businesses that had to find their own way to get to where they are. Imagine how much more progress we can see in the private sector when the proper support is provided at the beginning."

"Tourism needs to focus on getting a better spending customer base rather than focussing on " bums on seats " mentality which is only over burdening our current infrastructure at a further cost to our environment."

"…we should be focussing on border reopening so we can all survive. 5 years is not a future if we cannot even operate now. Cook Islands Tourism is great but until border reopens we have no relationships to build. We have seen this for 14 months and we are back there now with little end in sight."

"Once the borders open, AIR NZ and our government must ensure that we are not inundated with too many visitors."

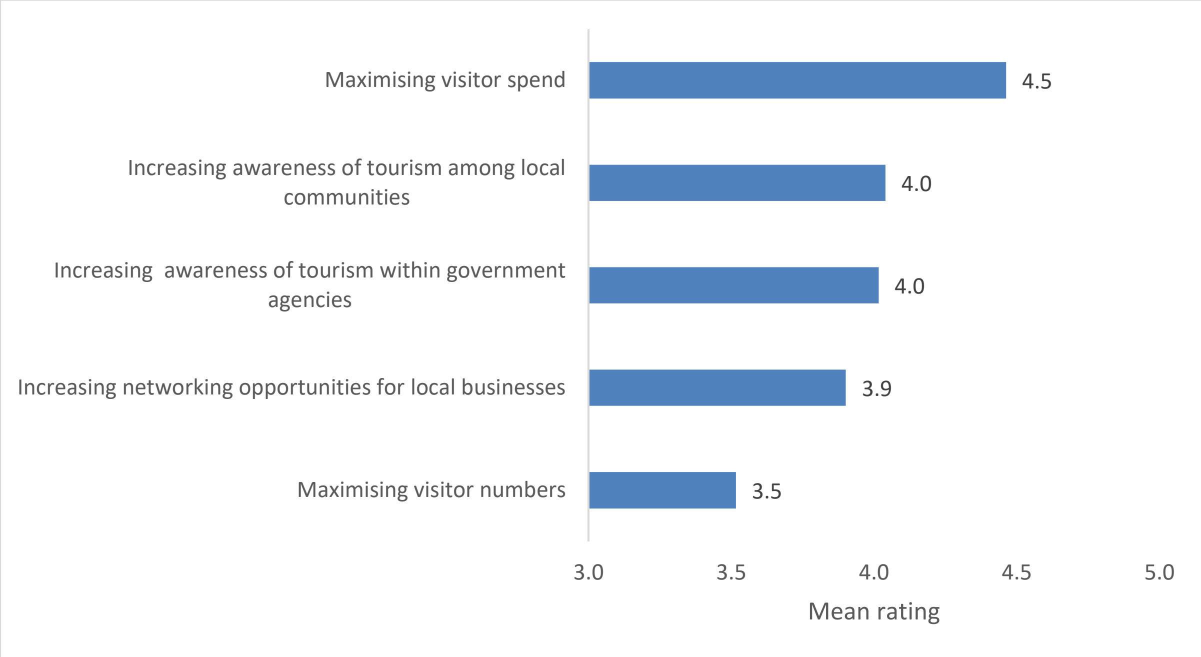
"It's not the number of tourists it's the right ones. It needs to be a sustainable industry. If there's not enough revenue from a sustainable tourist industry then diversify. Maybe look at niche tourism sectors."

"We need to reimagine our tourism product, reform immigration allow 2 yr visas for longer stay professionals, reform our land laws to attract higher calibre investors and promote the Cooks as the best place in the world to live and remain COVID free."

"There should be a COVID-housekeeping course on site for all businesses."

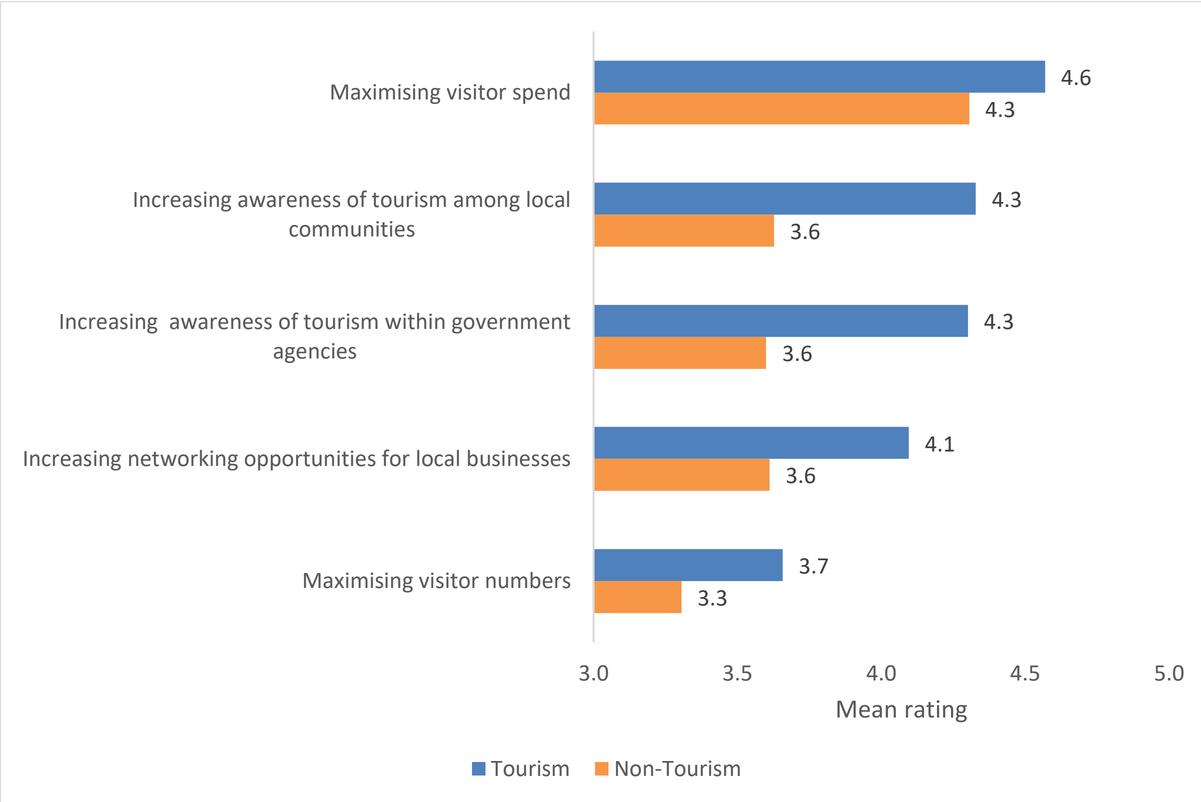
When respondents were asked to rate a range of statements in terms of their importance to the Cook Islands, "maximising visitor spend" (4.5 out of 5), "increasing tourism awareness among local communities" (4.0), "increasing tourism awareness within government agencies" (4.0), and "increasing networking of tourism within government agencies" (3.9) were given the highest scores (Figure 35). "Maximising visitor numbers" received the lowest rated response (3.5).

Figure 35: How important are the following to the Cook Islands



When compared to their non-tourism counterparts, tourism businesses assigned a higher degree of importance to all the statements provided (Figure 36).

Figure 36: How important are the following to the Cook Islands (tourism and non-tourism)



Additional comments relating to this question included:

"Perhaps less visitors and premium high value locations/activities."

"Visitor numbers should not over-strain our infrastructure."

"Yield vs volume - this needs to be balanced so as not to affect our destination character and protect the environment."

"Our infrastructure is not prepared for maximising the visitor numbers, rather we should maximise the quality/money spent per visitor, to reduce the environmental impact in our island."

"We don't need to increase visitor numbers, allow people to stay longer so they spend more and have less impact on the environment."

"Need to cap the amount of visitors to the islands. More visitors more wasted resources."

"We need the right tourist, long term visitors... Promote the quality local providers. Some won't make it. Diversify the rest of the economy, build our people."

"We need less visitors but higher spenders, longer term stays, reset our tourism mix and consider the environment."

"I think visitor numbers should be capped - this would enable us to provide a better service and would restrict the impact on our environment and our infrastructure."

"We should also look at the quality of visitors not just numbers."

"We should indeed maximise visitor numbers, but there should be no compromising our safety from COVID 19."

"167k was a good number of visitors we need to work harder on getting them to spend more."

"Maximising visitor numbers is only an option when the labour shortages are rectified. We cannot produce the services we should at the moment, and adding visitors to an overstretched tourism entity will only create bad service and a negative view on holidaying in the Cook Islands."

"We don't need more tourists especially the budget tourists which have been arriving on our shores over the past 2 - 3 years."

"Government Departments need to work better with the industry and value what it delivers to the economy."

'I believe we need to focus on the environment we offer (as an experience) and have tourism that brings more $ per person with less load on our infrastructure. I'm not in

favour of budget tourism especially not backpacker style... uses too much resources for not a lot of profit."

"With the high percentage of vaccinations in the Cooks and in NZ we can begin to open the border, it is unrealistic to continue keeping the country closed, and many in tourism suffering from zero occupancy."

"Improving the availability and variety of goods & services on island to enable businesses to improve to meet & exceed world standards of competing destinations. Business owners don't have time / or cannot travel to meet suppliers and buy new inputs for their businesses. They rely on importers/wholesalers to provide this service (which is performed poorly right now). Importers / Wholesalers bring in low grade / low quality options that are not trending now or tomorrow. Large importing shops are selling a lot of rubbish."

"Unless the Government deals with the fact that COVID-19 will never be eliminated in New Zealand there will be no tourism."

"I think that everyone knows tourism pays the bills. But current conditions mean it is not earning and that is causing increased debt. But people in government jobs etc are not impacted and are short sighted and are not thinking about our economic future."

"Tourism strategy needs to be reviewed. Reduce numbers, increase yield. Allow longer stays and remote workers. Need to be more creative. Turn on the internet, encourage e-commerce, banks to invest in payment gateways, only ANZ have this..."

Conclusions

This report presents results from the Cook Islands Business Confidence Index Survey conducted from October to November 2021. This survey is the tenth to have been produced since 2016.

Since the initial wave of closures due to COVID-19, both tourism businesses and non-tourism businesses continue to show a low level of confidence about the upcoming year. Respondents indicate that general economic uncertainty and cash flow are their main short-term concerns. Long term concerns mainly focus on labour shortages and how to build an economically resilient business operation. Uncertainty over border/travel restrictions and human resource shortages are seen to be key challenges facing businesses in the short and long term.

It is notable that many of those surveyed feel uncertain about the future and are dependent on borders opening for their business survival over the next five years. Nevertheless, there are positive elements that emerge from the survey. Growing the business, adapting, and diversifying are identified as the major opportunities for businesses in the coming five years and 25% say they foresee growth.

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

The report highlights the value of generating ongoing cost-effective and robust data that can explored over time and then shared in a way that guides the development of local business policy and strategy. The BCI offers a timely barometer of future economic activity, and it highlights the big issues and gives crucial data to plan the way forward. As 2022 brings the prospect for the further return of international tourism it will be vital to continue to map business confidence, sector needs and responses.

APPENDIX

SUMMARY OF TIME SERIES TRENDS 2016-2021

LS16 –Low season 2016 (Dec 2015 to Feb 2016)
HS16 – High season 2016 (Sep to Oct 2016)
LS17 – Low season 2017 (Feb to Apr 2017)
HS17 – High season 2017 (Aug to Oct 2017)
LS18 – Low season 2018 (Feb to April 2018)
HS18 – High season 2018 (Oct to Dec 2018)
LS19 – Low season 2019 (Mar to Jun 2019)
HS19 – High season 2019 (Sep to Nov 2019)
2020 –2020 (Oct to Nov 2020)
2021 –2021 (Oct to Nov 2021)

Table 5: Respondents across ten phases

	LS16	HS16	LS17	HS17	LS18	HS18	LS19	HS19	2020	2021
Number of responses	**128**	**124**	**97**	**106**	**84**	**113**	**68**	**70**	**161**	**145**
Conversion rate	**41%**	**40%**	**31%**	**34%**	**27%**	**36%**	**22%**	**22%**	**51%**	**42%**

Figure 37: Which of the following best describes you?

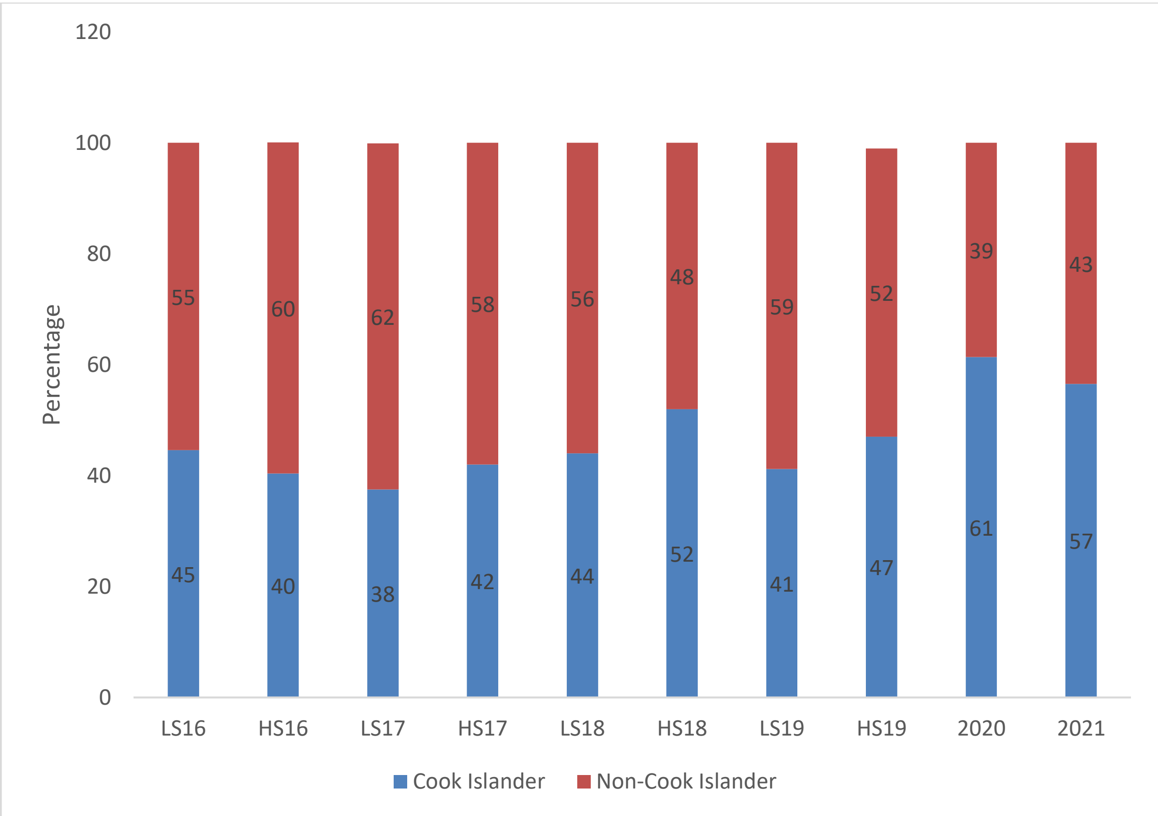


Figure 38: What is the primary focus of your business?

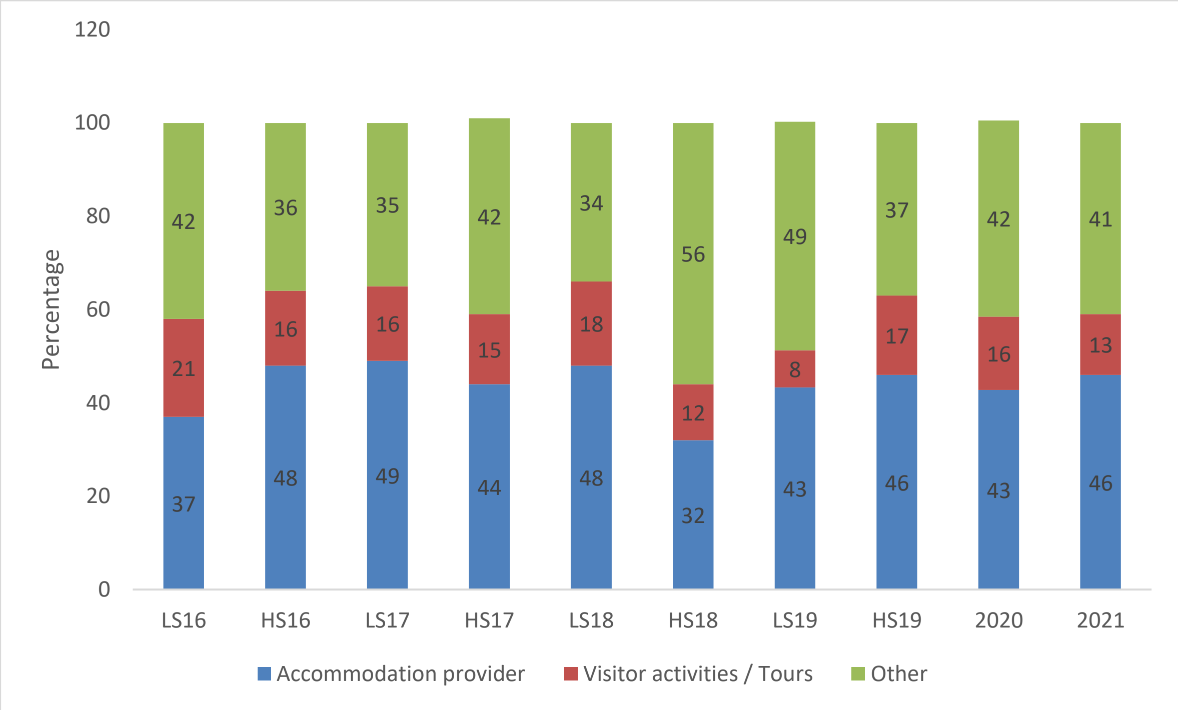


Figure 39: Accommodation provider: main focus of business

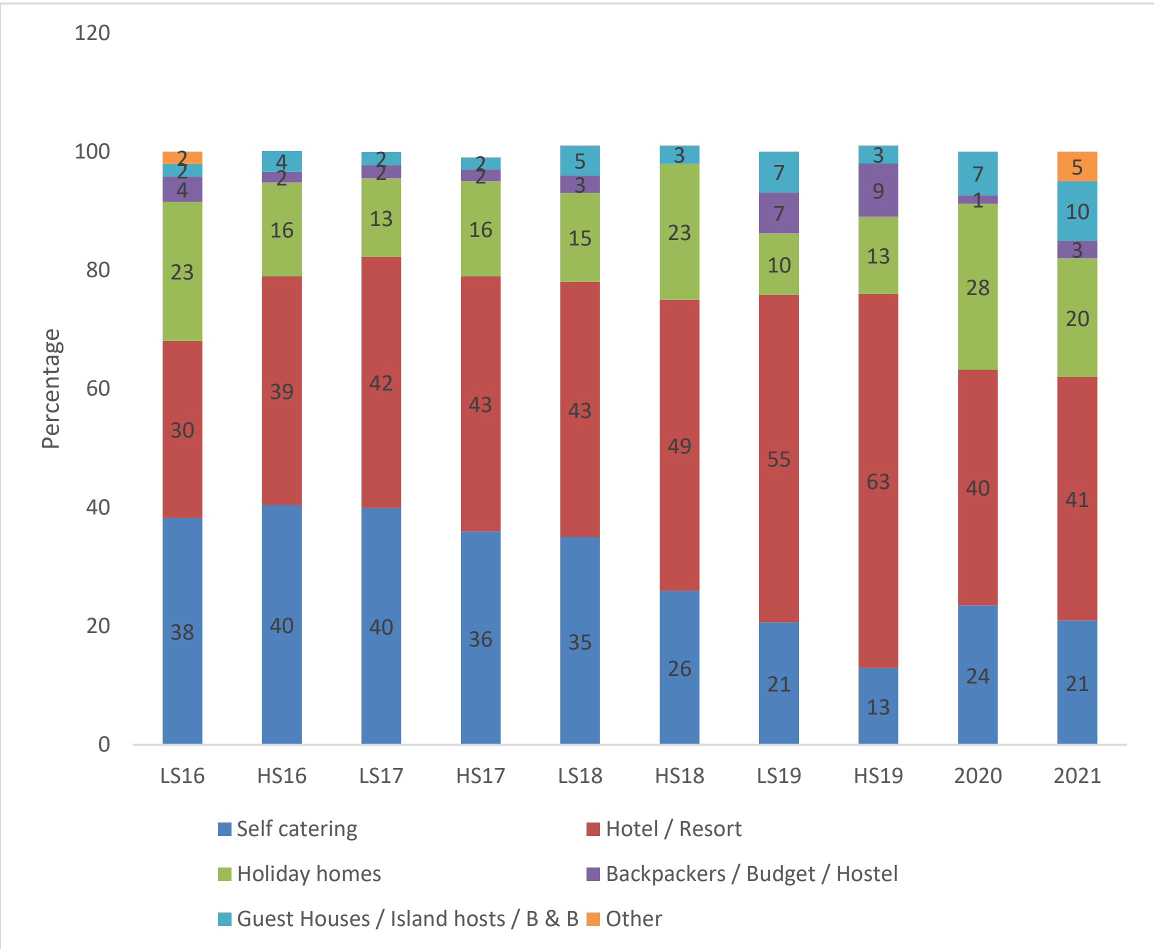


Figure 40: Where is your primary business located?

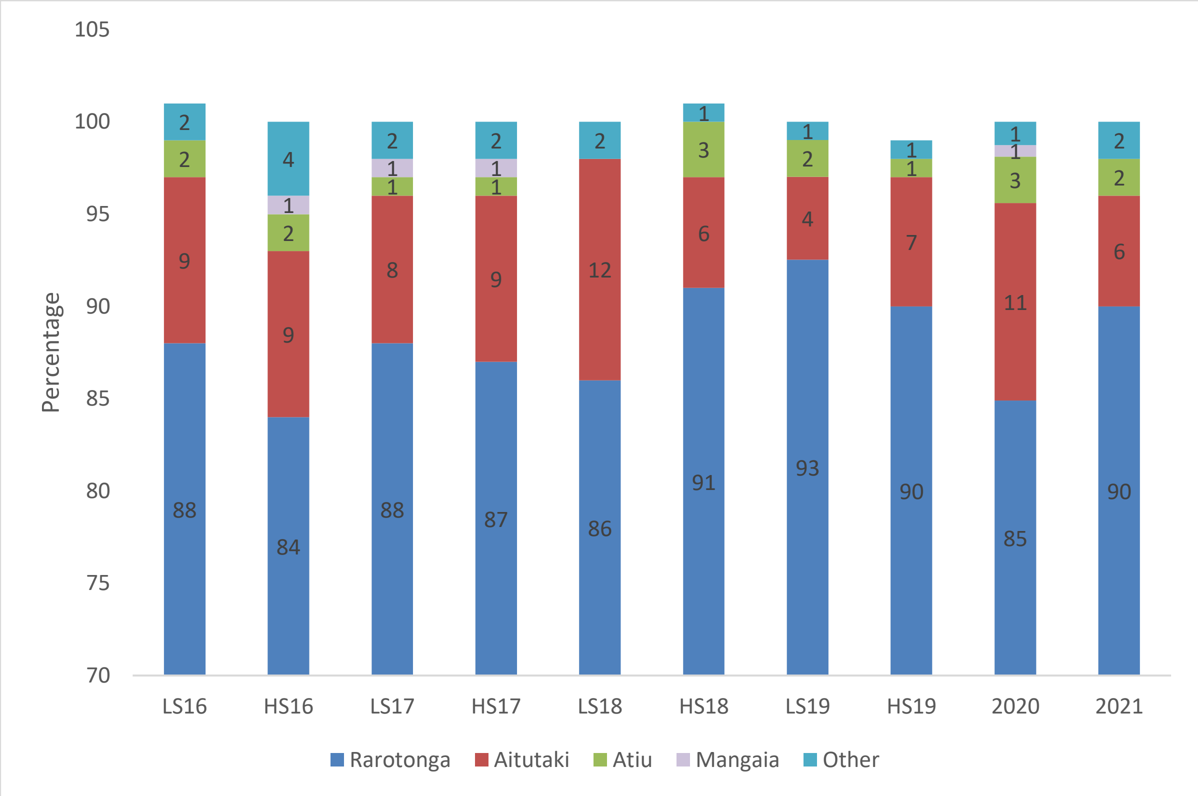


Figure 41: Your level of agreement with the following statements

Figure 42: My business performed well in the last year

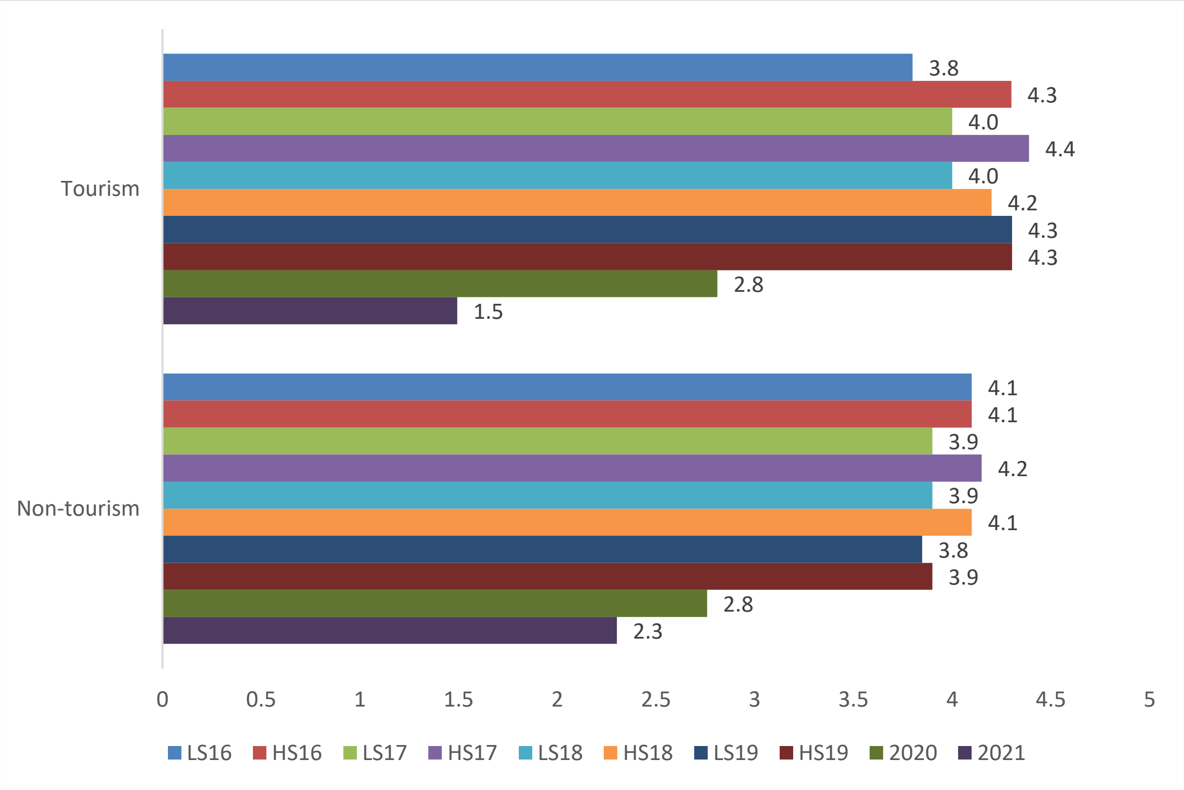


Figure 43: I am confident my business will do well in the coming year

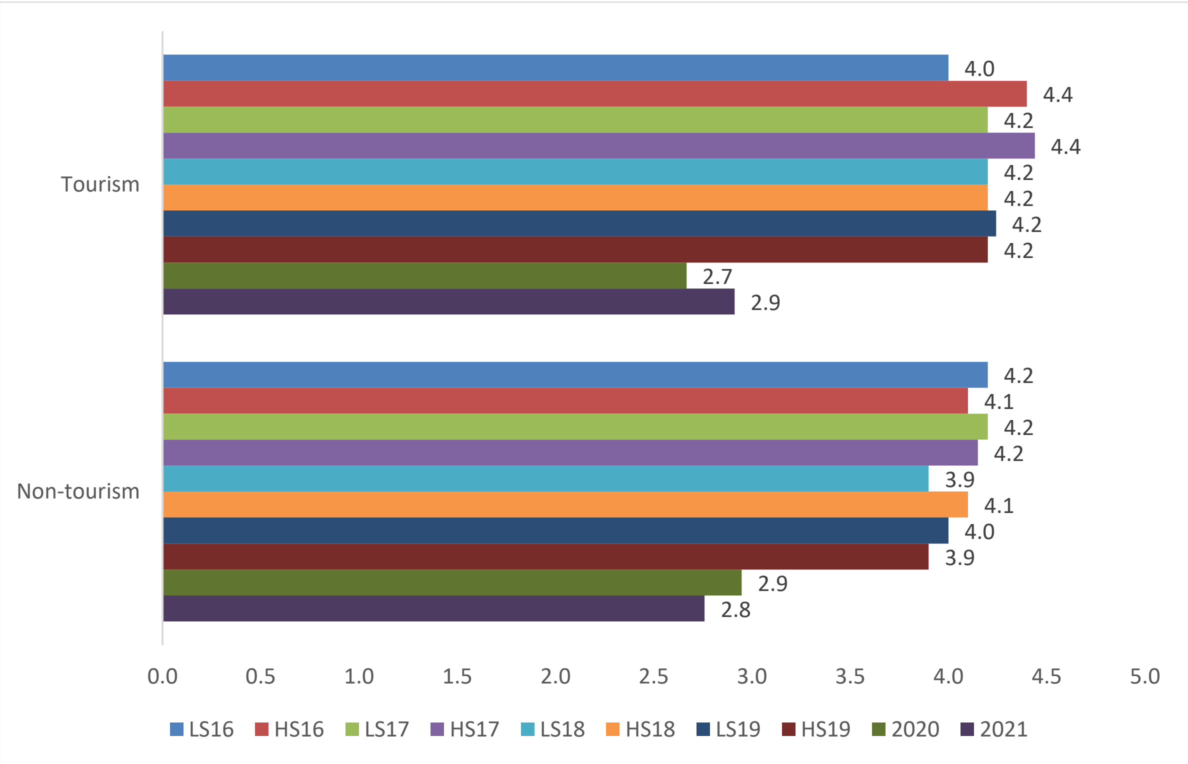


Figure 44: What do you see as being the major challenges that will face your business in next five years? – Part one

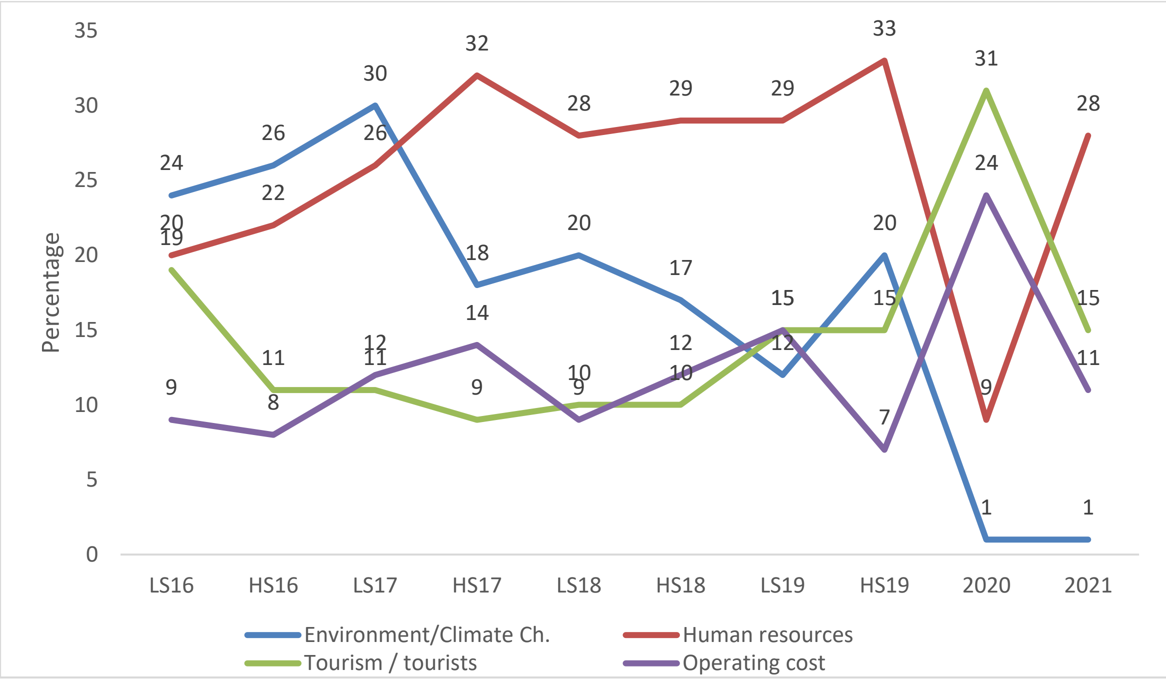
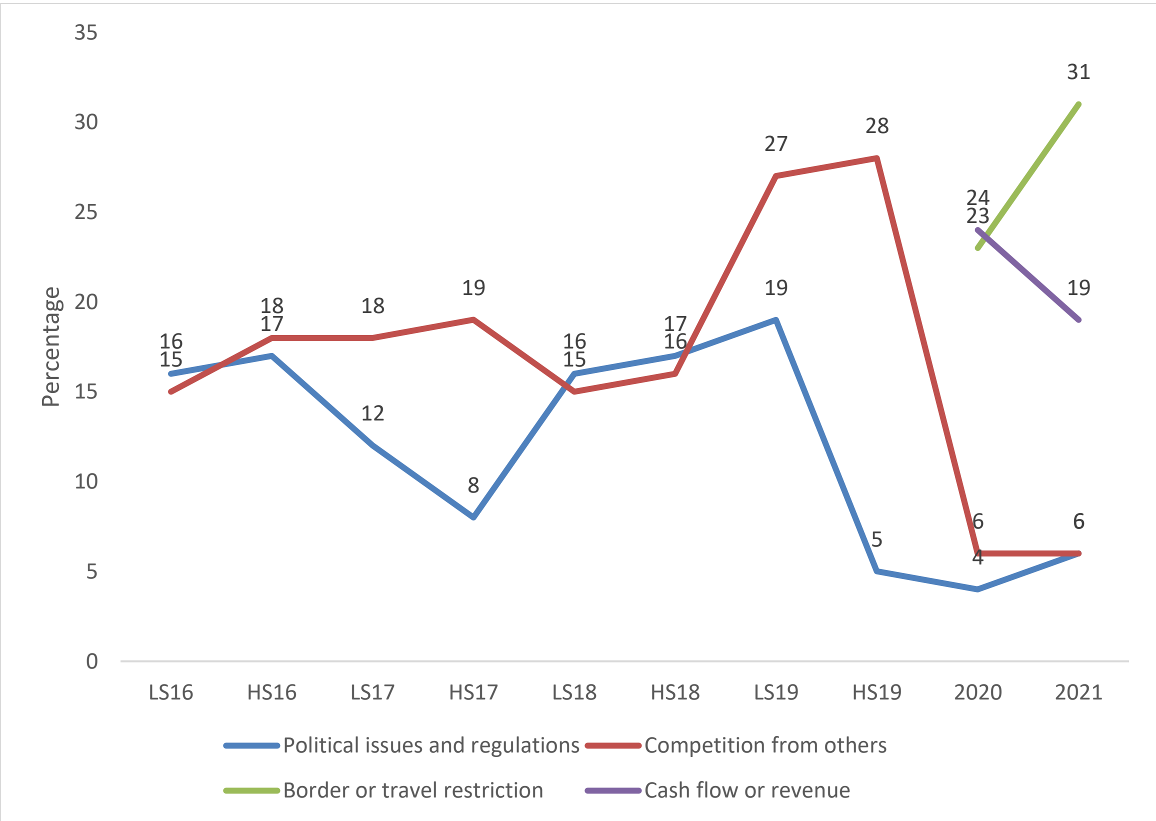


Figure 45: What do you see as being the major challenges that will face your business in next five years?* - Part two



* Key variables that emerge for the first time from 2020: cash/revenue flow or border/travel restriction.

Figure 46: What do you see as being the major opportunities for your business in the next five years? - Part one

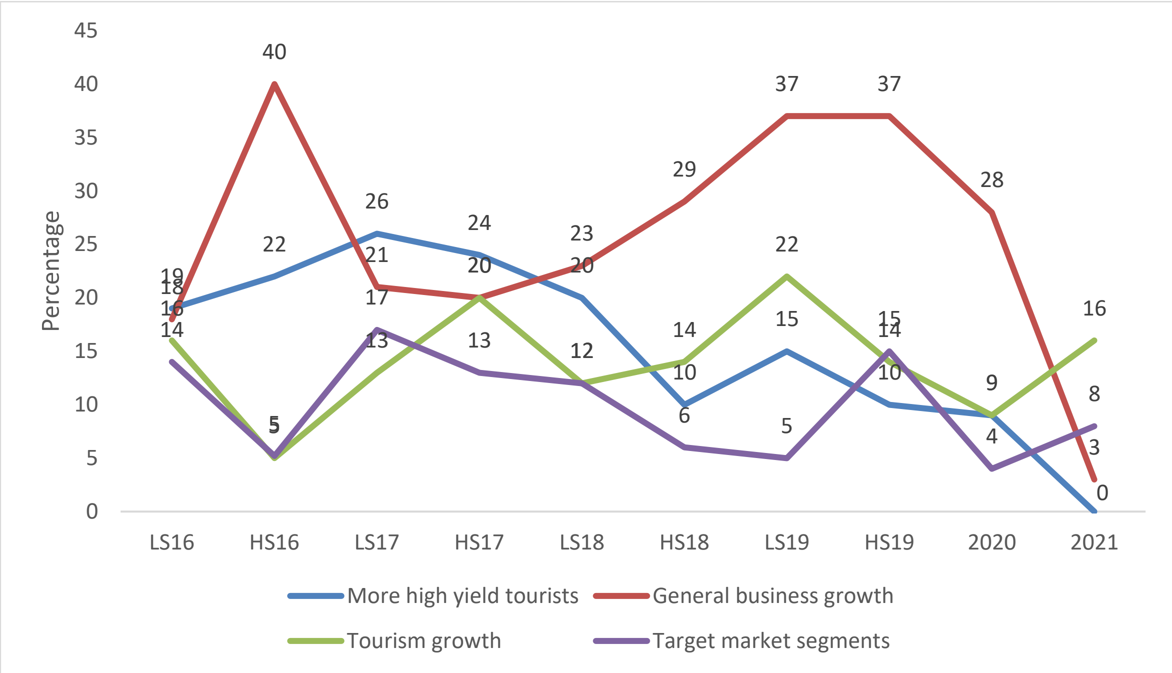
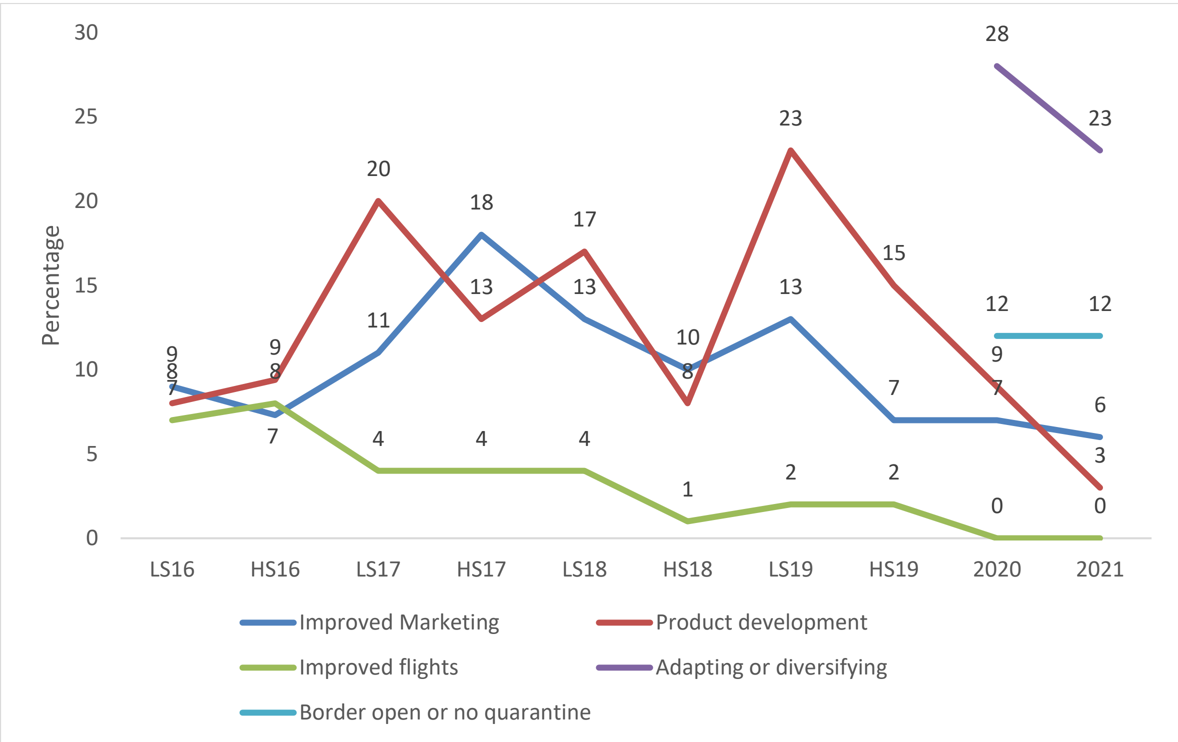


Figure 47: What do you see as being the major opportunities for your business in the next five years?* - Part two



* Key variables that emerge for the first time from 2020: adapting and diversifying, and border open or no quarantine.

Figure 48: How do you see your business developing in next five years? – Part one

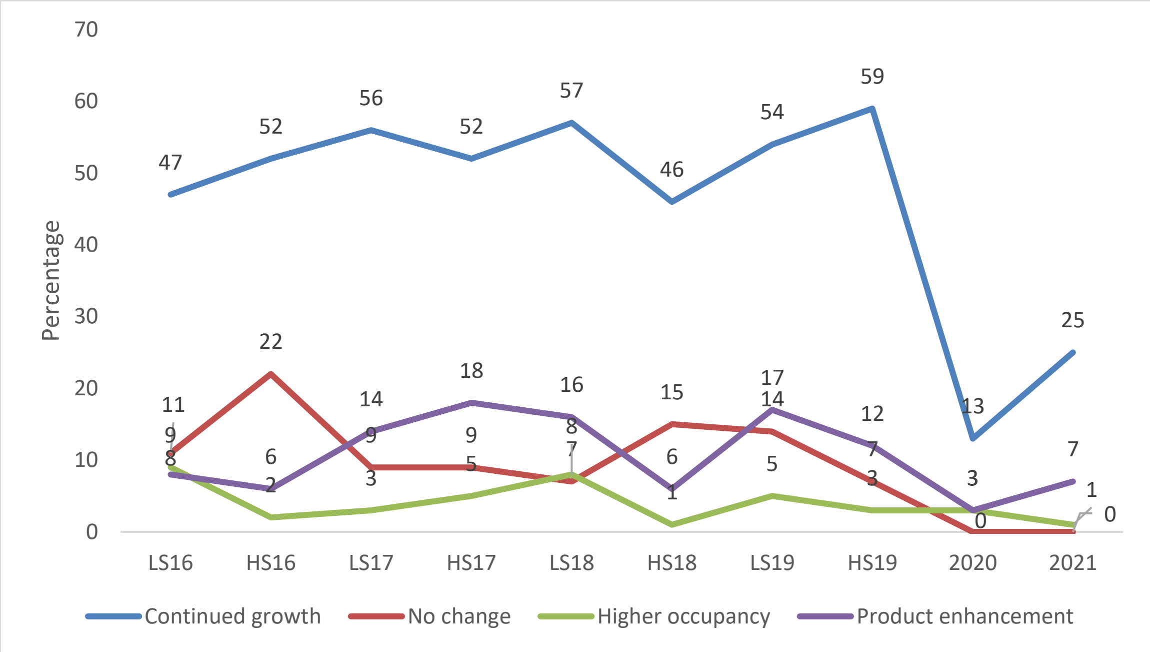
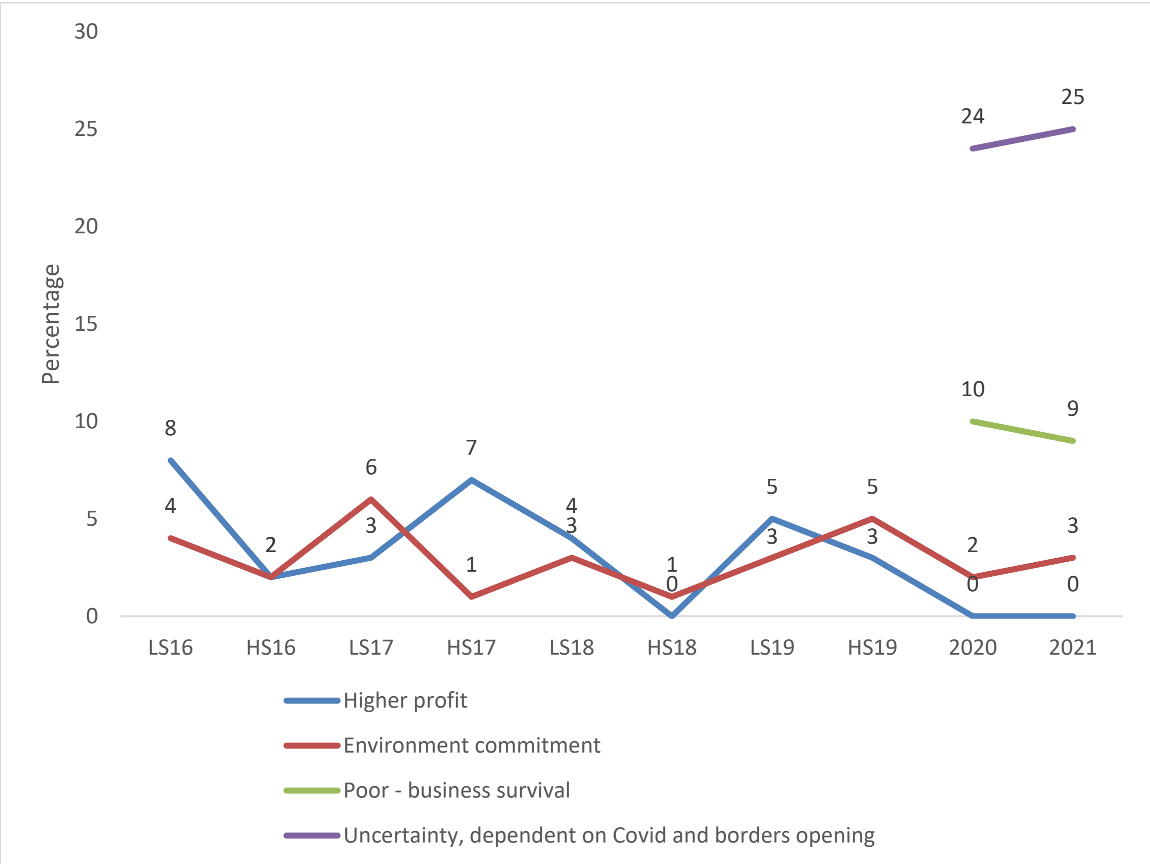


Figure 49: How do you see your business developing in next five years?* – Part two



* Key variables that emerge for the first time from 2020: uncertainty, dependent on COVID-19 and borders opening, and poor-business survival.

Figure 50: The importance of statements relating to the Cook Islands

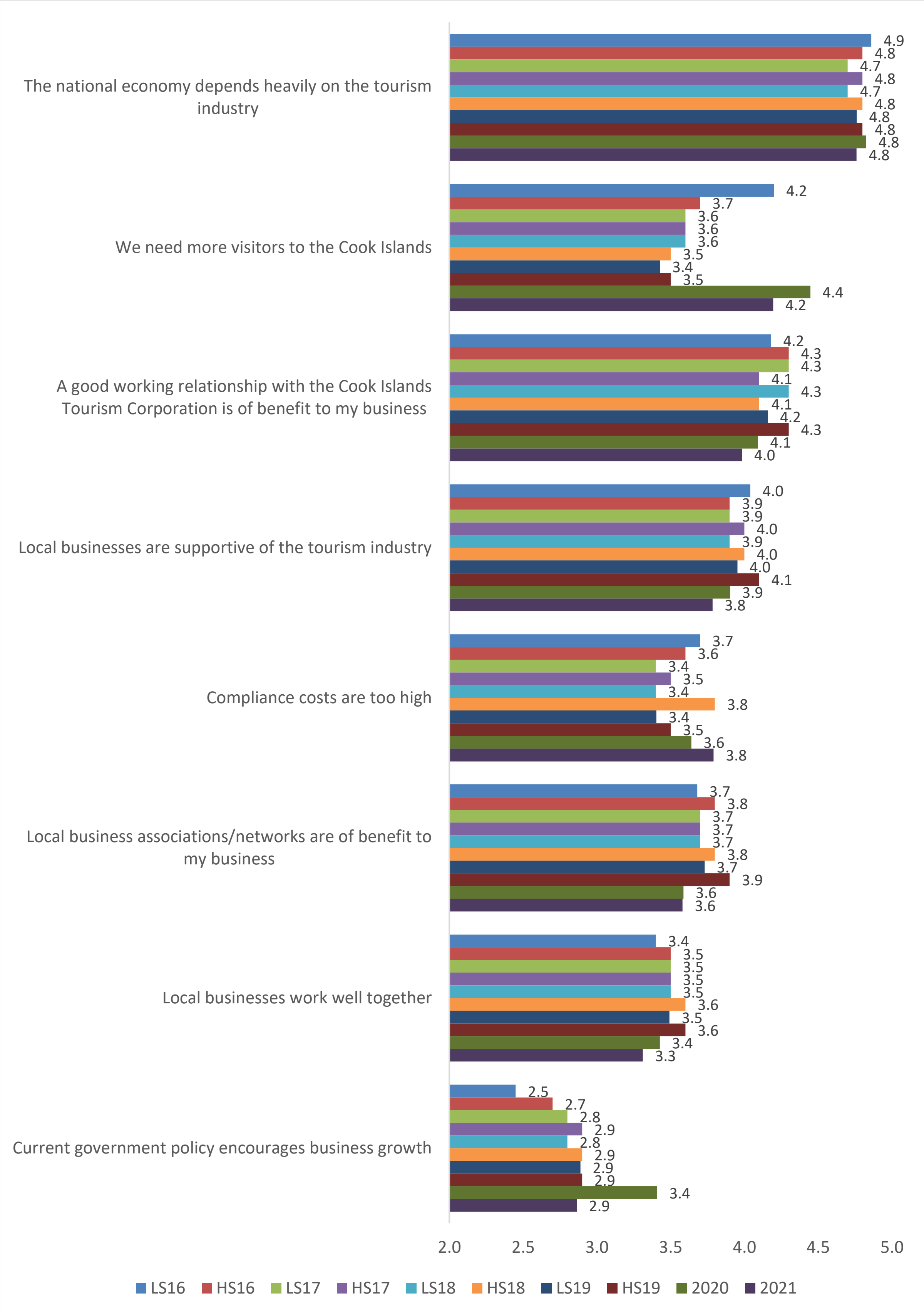


Figure 51: The importance of statements relating to the Cook Islands (tourism and non-tourism)

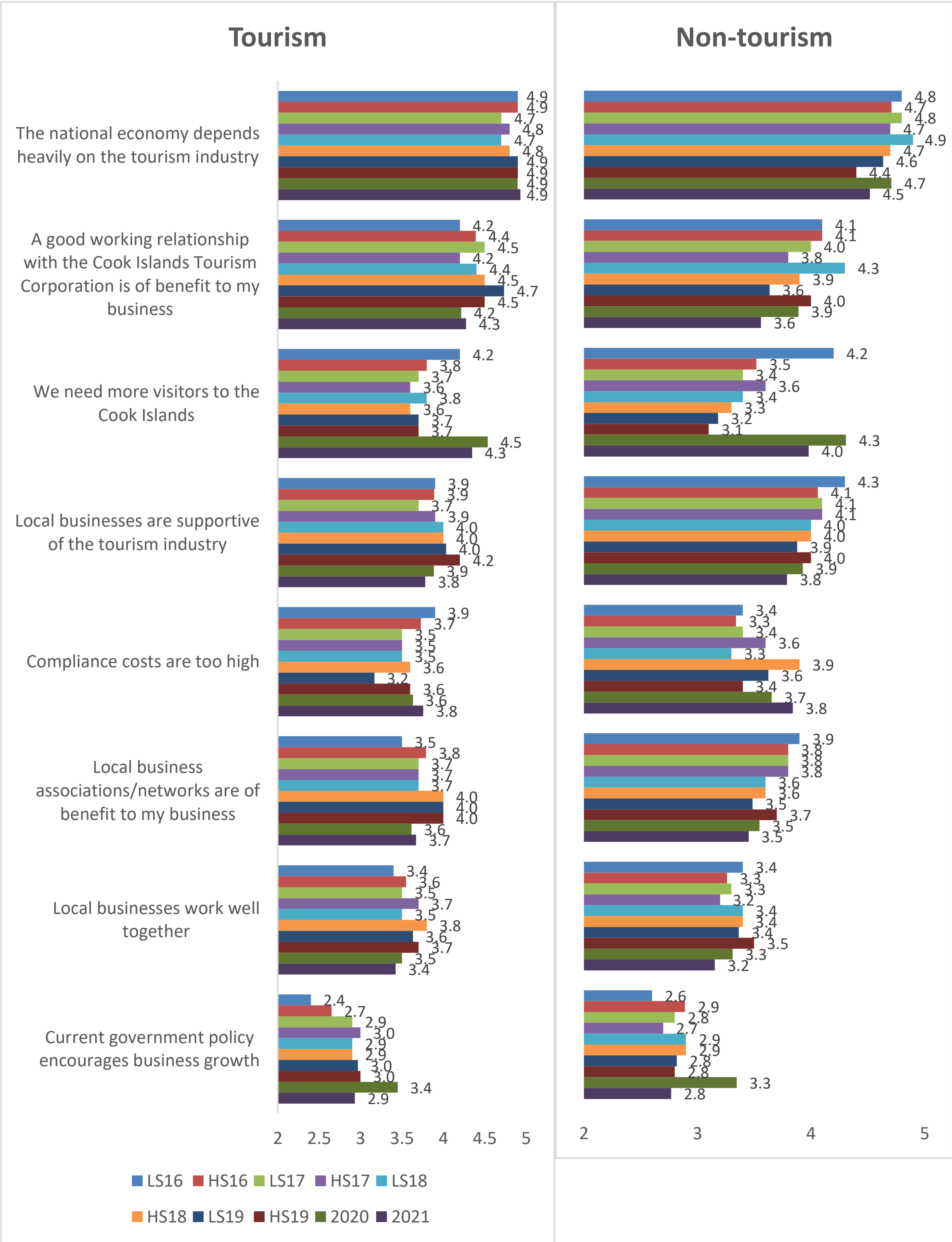


Figure 52: How important are the following to the Cook Islands?

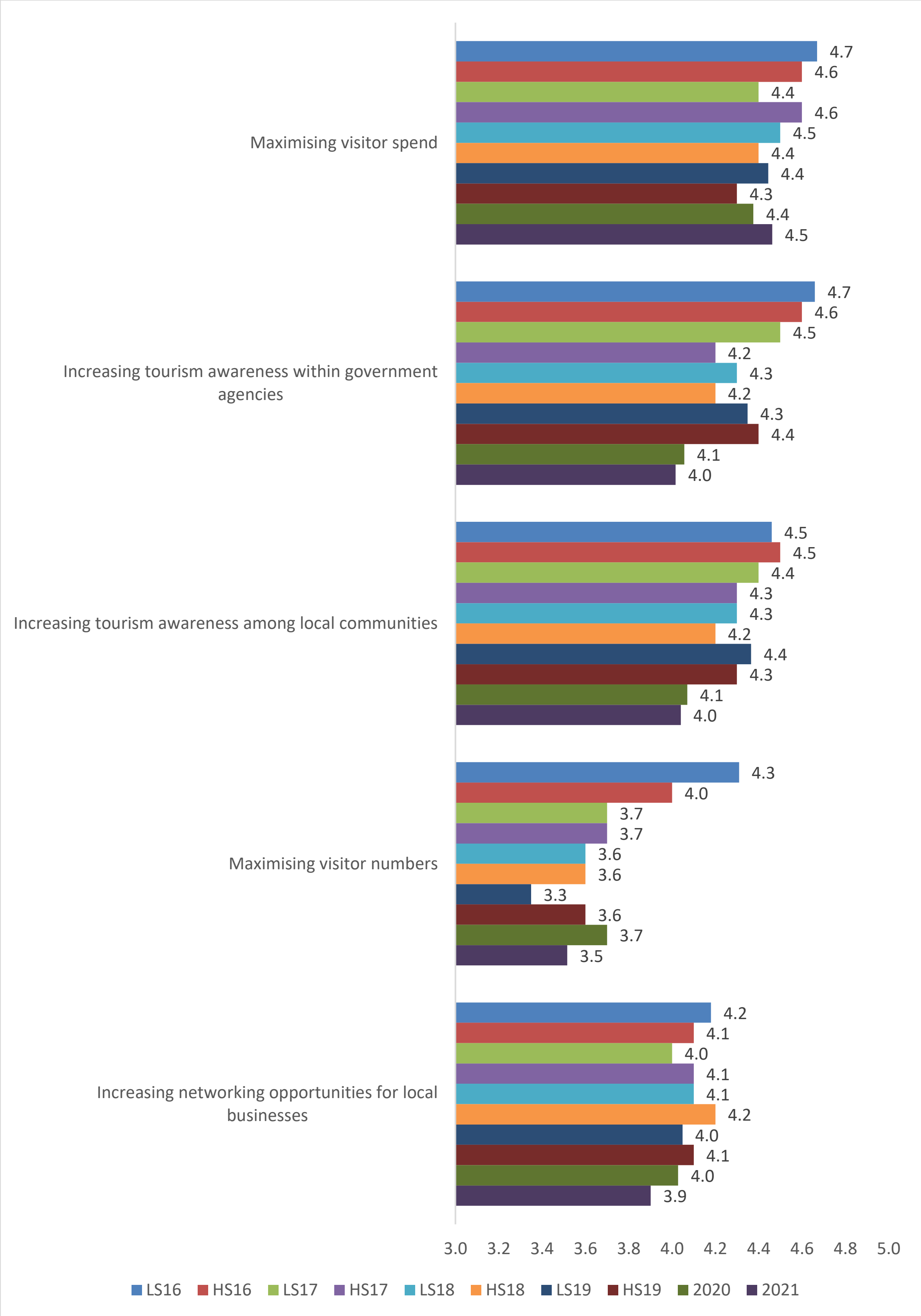


Figure 53: How important are the following to the Cook Islands (tourism and non-tourism)?

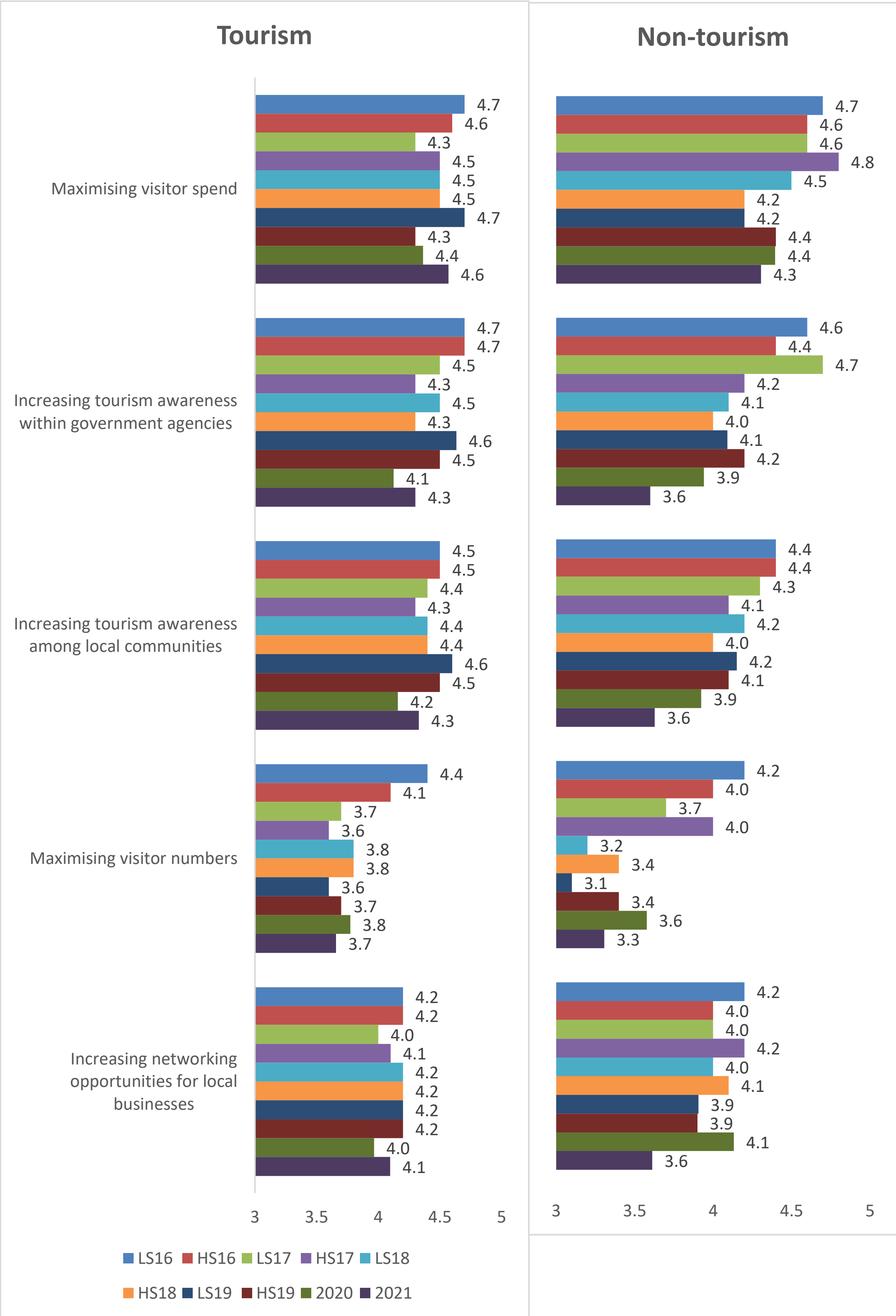
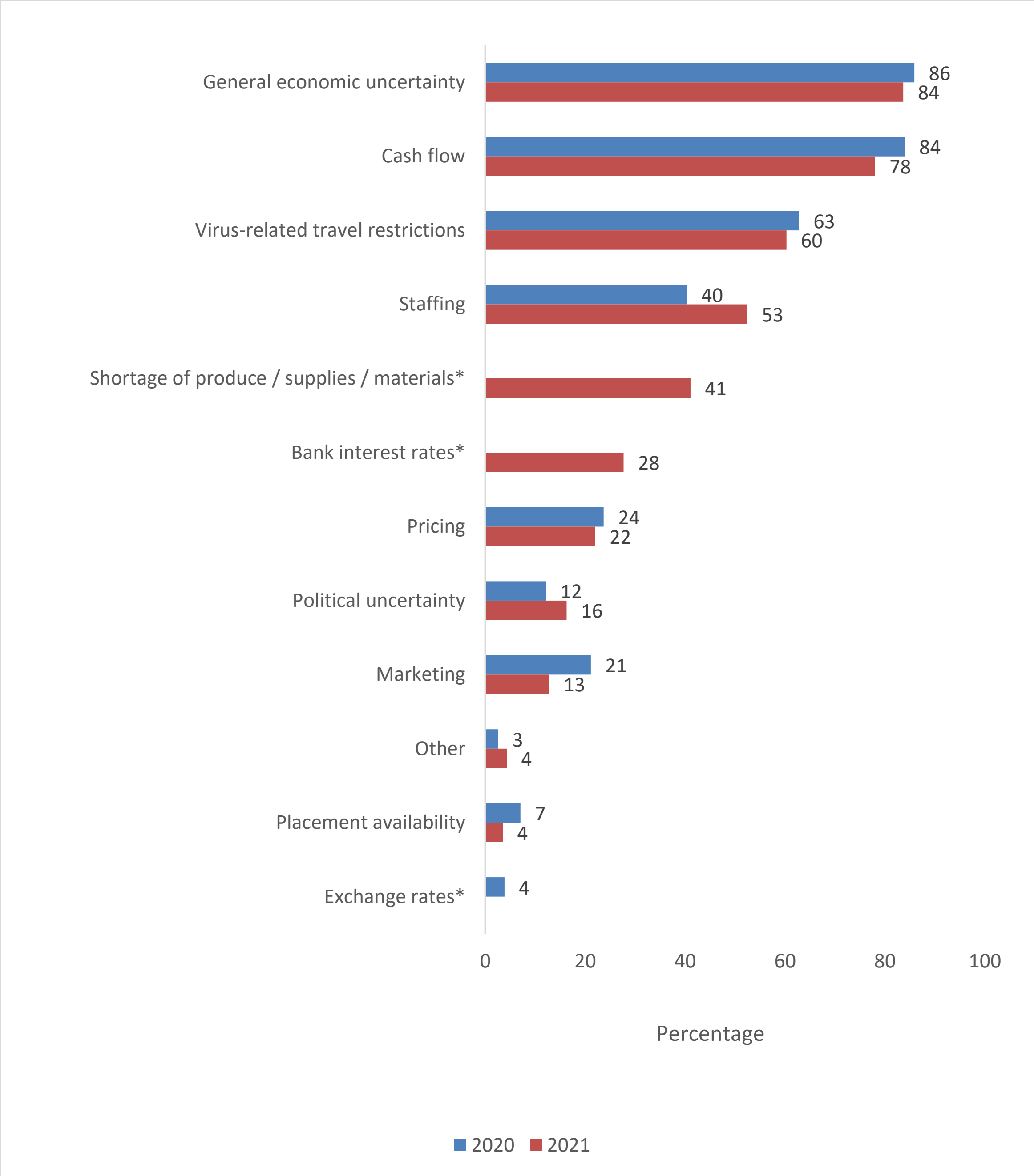
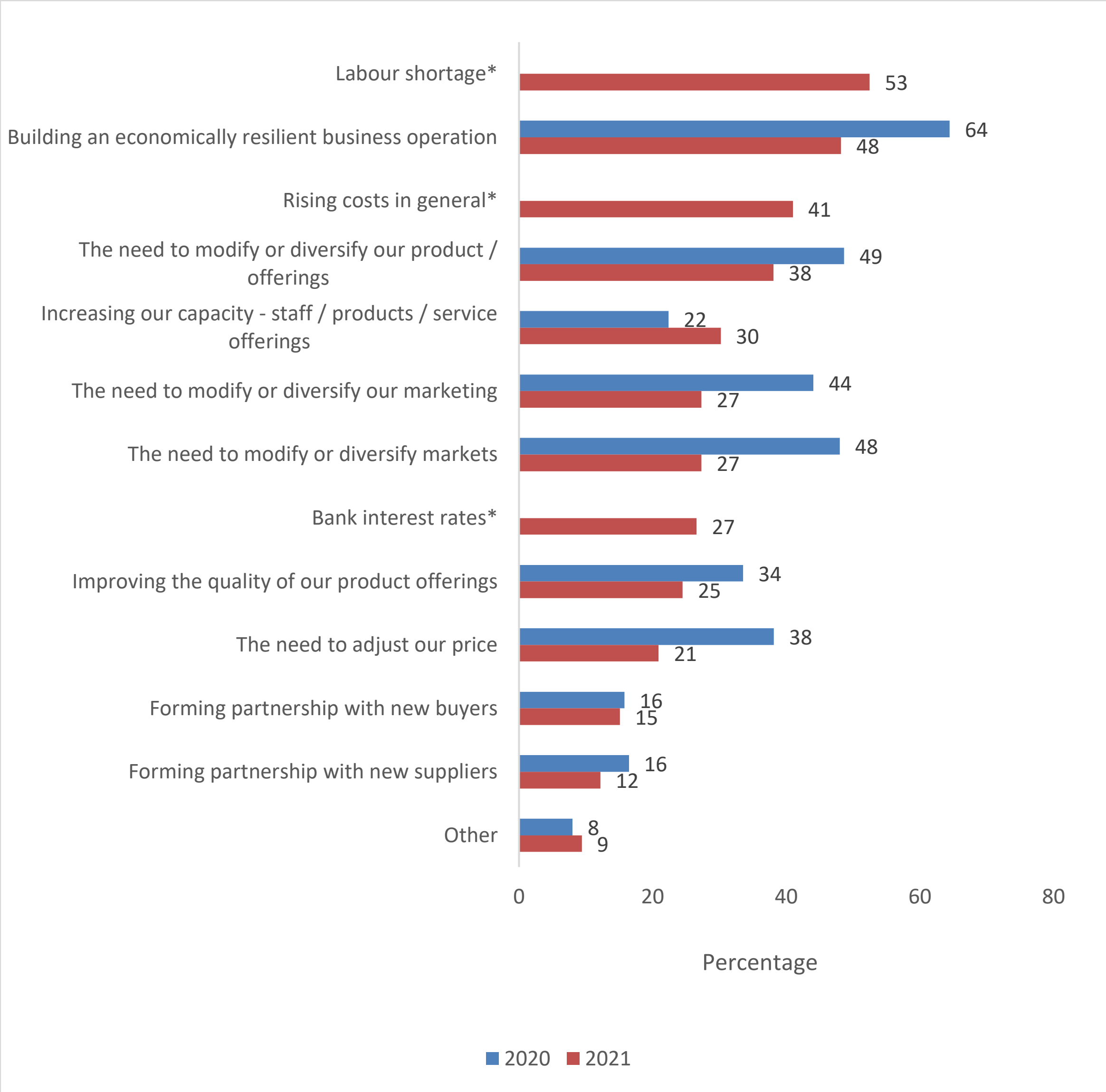


Figure 54: Key short-term concerns relating to COVID-19



Respondents could give more than one answer, so total does not add up to 100%.
* New or removed statements.

Figure 55: Key long-term concerns relating to COVID-19



Respondents could give more than one answer, so total does not add up to 100%.
* New statements added in Phase 10.