Cook Islands Business Confidence Index Report

2022 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 September to October 2022. Over this survey period, 342 businesses were contacted, and 127 completed surveys received - a conversion rate of 37%. 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 eleventh 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). The BCI was run once a year during the border closure period and had an added emphasis on assessing the state of the industry in relation to COVID-19. Now that borders are open again, the survey will shift back to six monthly reporting. In addition to the regular reporting on the period covered by the survey, there is a supplementary set of figures presented in the Appendix that highlight key time series trends over the six years that the BCI has run.

Nearly two thirds (60%) of survey respondents are Cook Islanders, and nearly all (96%) respondents are owners, operators, or managers. Nearly three quarters (73%) respondents have been in their current role under ten years. Over half (52%) of businesses have been operating for more than 10 years.

Over half (52%) of businesses surveyed noted “accommodation provider” as their primary focus, and another 10% focused on “water tours” or “land tours”. Businesses surveyed are mainly located in Rarotonga (85%), with a smaller number of businesses located in Aitutaki (11%), Atiu (2%) and other islands (2%).

Nearly two thirds of the businesses surveyed (63%) reported an annual turnover of less than NZ$150,000 in the last financial year. Well over two thirds (70%) of respondents reported their annual turnover had increased compared to the same period last year. Over half (55%) of the businesses surveyed attribute more than 90% of their annual turnover directly to the tourism industry. Most businesses covered in the survey indicated that their key short-term concerns are general economic uncertainty (73%) and cash flow (61%). In terms of long-term concerns, nearly three quarters (74%) of businesses say they are concerned about rising costs.

Nearly two thirds (60%) of the businesses noted that they employed a higher number of people compared with last year. Twelve percent of businesses employ over 16 Cook Islands Māori staff, with 11% of businesses indicating none of their staff are Cook Islands Māori. The top training needs identified by businesses are: social and digital marketing (57%), general sales and promotions (44%), customer service (42%), and accounting or finance skills (41%).

A majority of respondents indicated they are members of either the Cook Islands Tourism Industry Council (78%) or the Cook Islands Chamber of Commerce (55%). Over half (53%) of businesses indicate their involvement with these organisations has helped to improve the marketing of the business. A clear majority (89%) of businesses indicated that they are aware of the “Kia Orana Values” programme.

Most tourism and non-tourism respondents feel that their business did not perform well in the last year and there remains some uncertainty over what the coming year will bring. On the other hand, tourism and non-tourism businesses also show rising levels of confidence in terms of the year ahead, with levels starting to return to those seen before COVID.

When asked about challenges to their business, over a third (38%) of respondents indicate that high inflation and rising costs are significant challenges for their businesses. Over a third (34%) 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, nearly half (47%) of business are optimistic about the future, a figure that is again returning to pre-COVID levels.

The timeseries series figures presented in the Appendix of the report clearly show the impact of the COVID-19 pandemic and aftermath on Cook Islands businesses (both tourism and non-tourism). Respondents continue to “strongly agree” with the statement that “the national economy depends heavily on the tourism industry” (4.7 out of 5). These levels have remained relatively consistent with figures prior to COVID. While there was a significant increase in levels of agreement with the statement: “we need more visitors to the Cook Islands” during the border lock-down period, this has now fallen back to levels seen prior to COVID.

In terms of the Cook Islands focus on sustainable and regenerative tourism development it is positive to note that “Maximising visitor spend” continues to rank as a higher priority than increasing visitor numbers. It is worrying, however, to see that environmental dimensions do not currently feature highly in future business development plans.

Table of Contents

Figures

Tables

Introduction

This report focuses on the Cook Islands Business Confidence Index (BCI) Survey. The BCI 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 September to October 2022. Over this period, 342 businesses were contacted, and 127 completed surveys received - a conversion rate of 37%. Over half (51%) of respondents noted they had participated in the previous Cook Islands Business Confidence Index Survey. This Business Confidence Index (BCI) report is the eleventh to have been produced since 2016. Previous BCI surveys have been conducted at approximately six-month intervals (to 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 now that visitors flows are consistent 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.

Businesses are divided into 'tourism' and 'non-tourism' based on their response to Question 6: *What is the primary (main) focus of your business?* In previous reports we have used the following **Core** categories to identify 'tourism' (Table 1). In this current report it was decided that three new sectors should be added to the Tourism business grouping (what we refer to below as the **Broader** grouping) to align with the categories used by the Cook Islands Quality Assurance program (Table 1). In this report we present both core and broader based categories to allow for comparisons to be made both with previous reports, and to highlight the outcomes of the new categorisation.

Table 1: List of tourism businesses per category

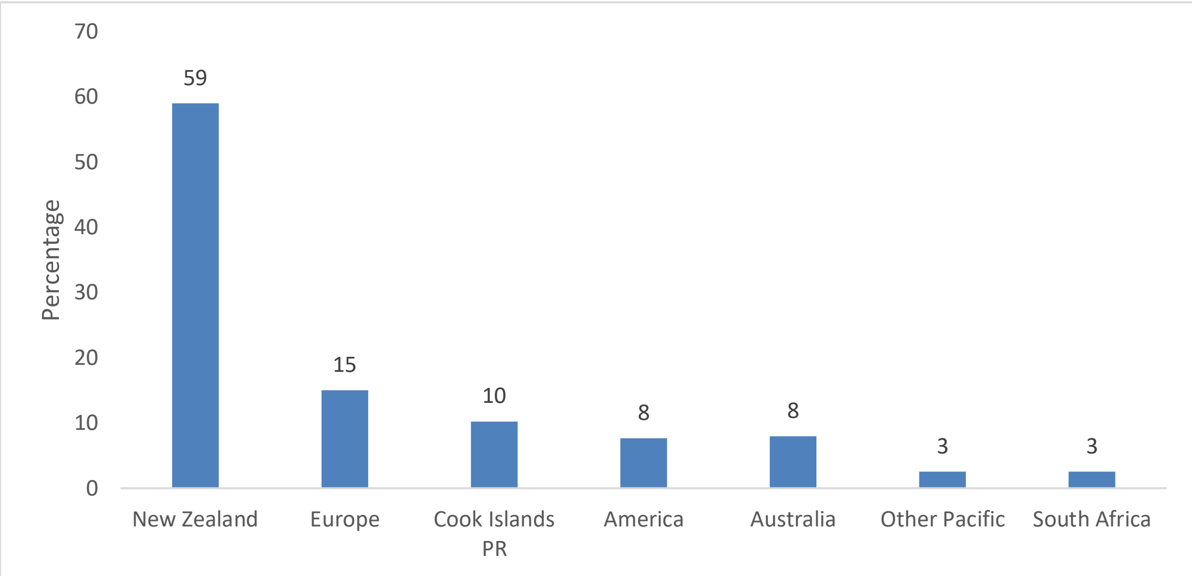
Core	Broader
• Accommodation	• Accommodation
• Water tours	• Water tours
• Land tours	• Land tours
• Wedding and events	• Wedding and events
	• Food and beverage
	• Transportation
	• Health and beauty

The 2022 BCI represents an important baseline from which to understand post-COVID recovery. In addition to the regular reporting, there is supplementary information presented in the Appendix that highlights key time series trends over the six years that the BCI has run.

Business Respondent Profile

The majority (60%) of respondents are Cook Islanders. Of those identifying as non-Cook Islanders, 59% are New Zealanders, a further 15% identified themselves as European (Figure 1).

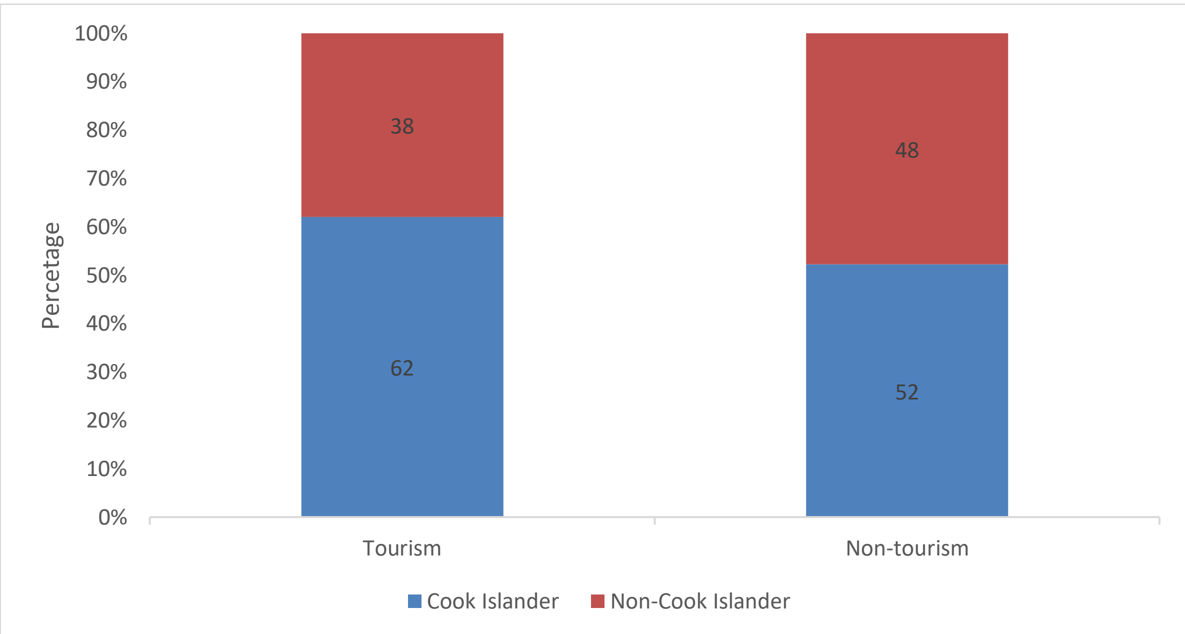
Figure 1: Which of the following best describes you – Non-Cook Islander



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

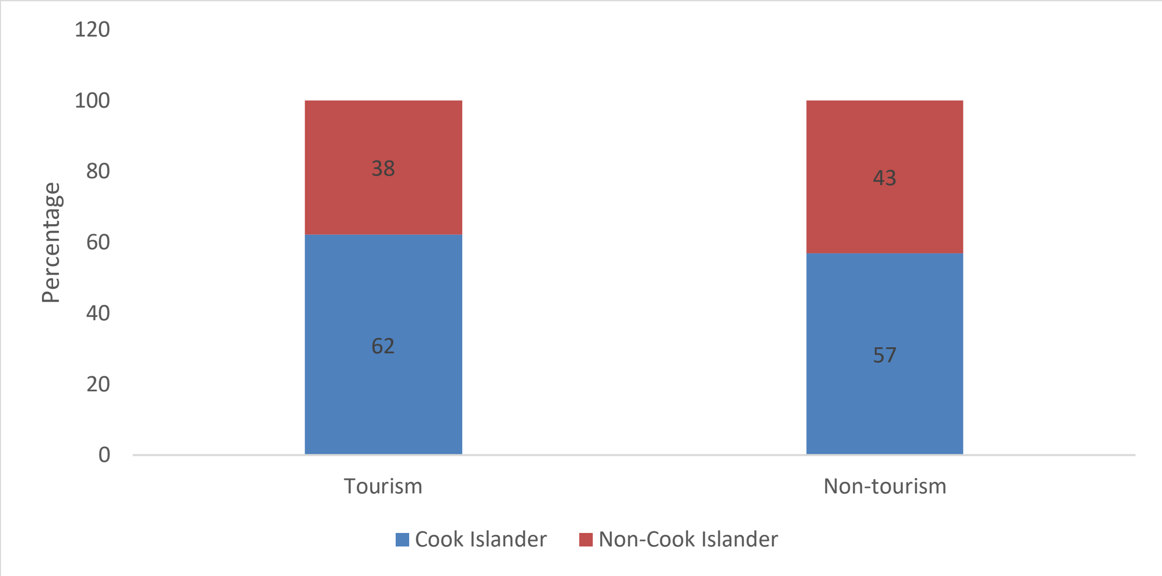
Survey respondents from tourism businesses are more likely to be Cook Islanders (62%). The representation of Cook Island Māori is stronger in the non-tourism sector (Figure 2).

Figure 2: Which of the following best describes you? (core tourism categorisation)



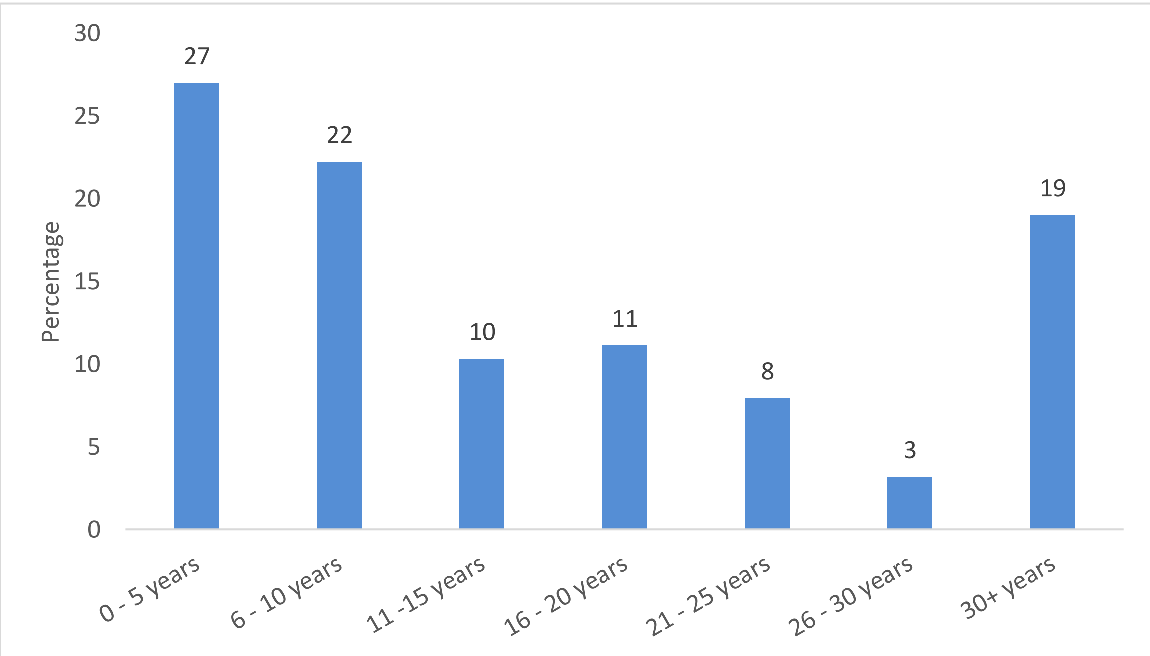
Survey respondents from tourism businesses are more likely to be Cook Islanders (62%) when comparing the core category. The representation of Cook Island Māori is also stronger in the non-tourism sector (Figure 3).

Figure 3: Which of the following best describes you? (broader tourism categorisation)



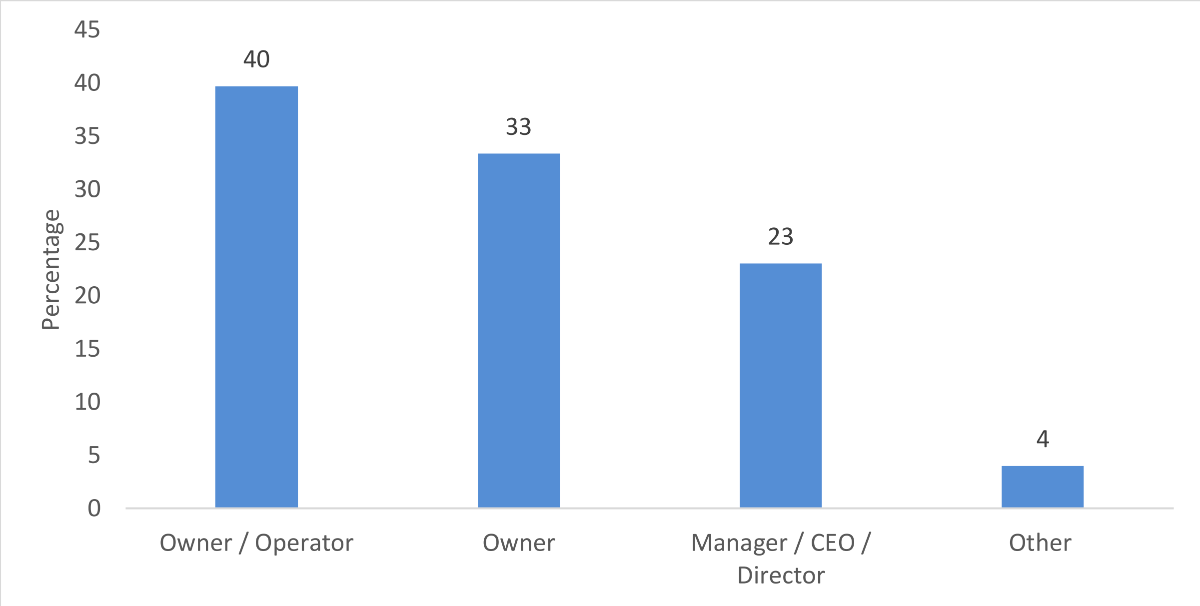
Over half of responding businesses (51%) have been in operation for more than 10 years (Figure 4). A significant number of businesses (19%) have been operating for more than 30 years.

Figure 4: How long has your business been operating in the Cook Islands



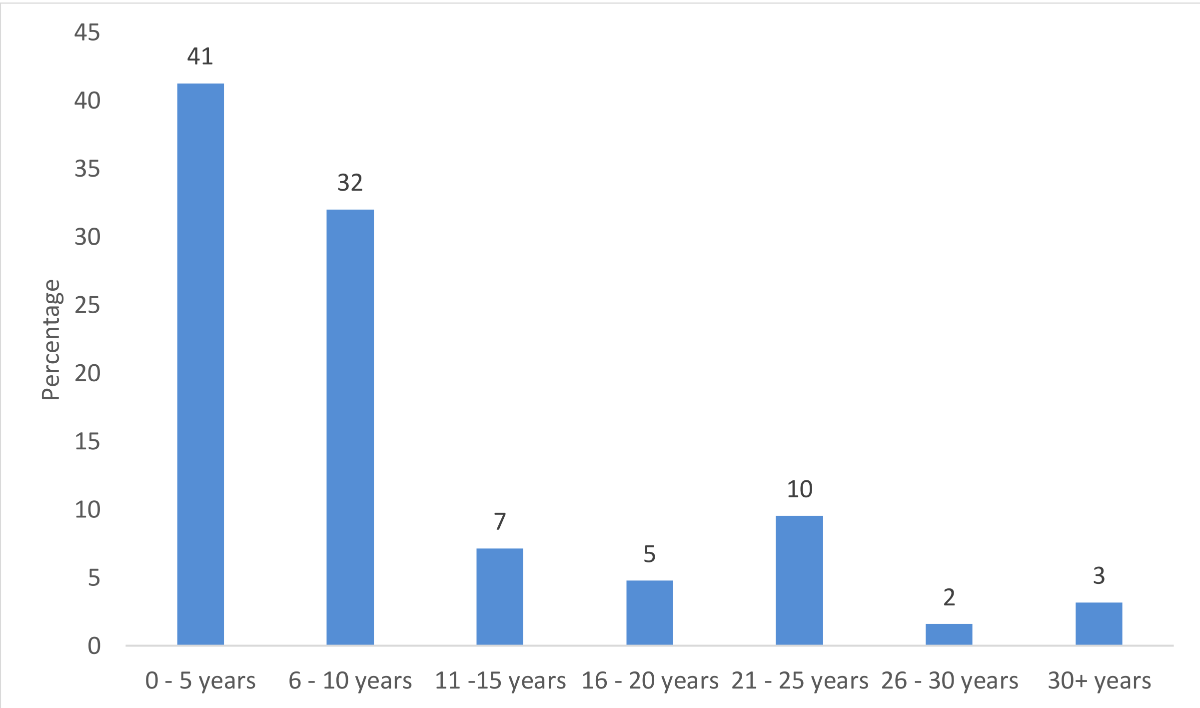
Most business respondents are either owner/operators (40%), owners (33%), or managers/CEOs/directors (23%) (Figure 5). Over half (57%) of business respondents are women.

Figure 5: What is your role in this business



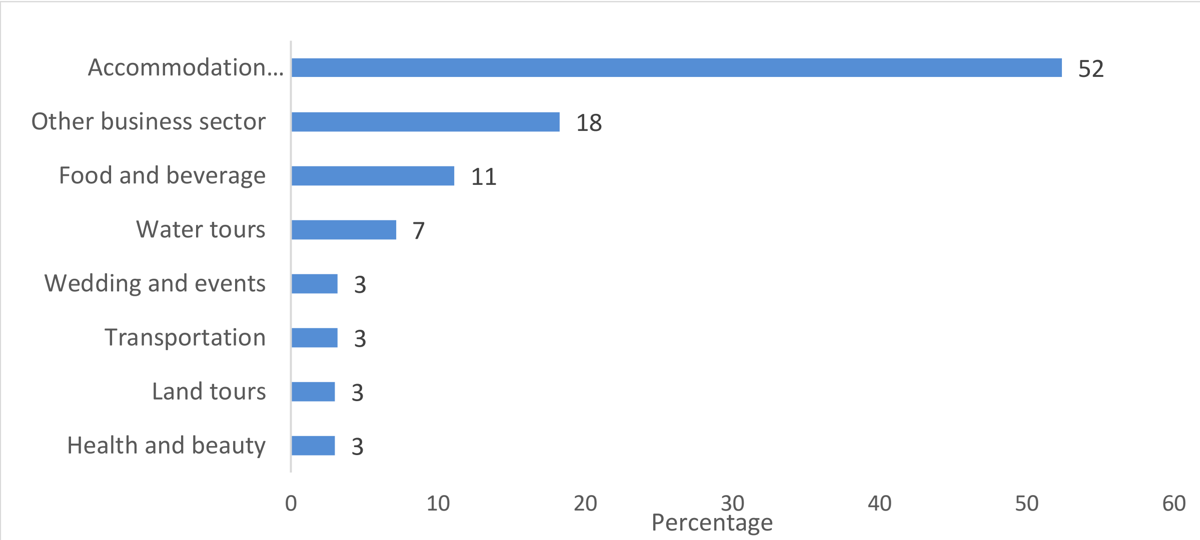
Nearly three quarters (73%) of respondents have been in their current role for 10 or fewer years (Figure 6). There are 14% of those surveyed who have been in their role for over 20 years.

Figure 6: How long have you been in this role



Over half (52%) of businesses surveyed noted 'accommodation provider' as their primary focus, and a further 10% are focused on 'water tours' or 'land tours' (Figure 7).

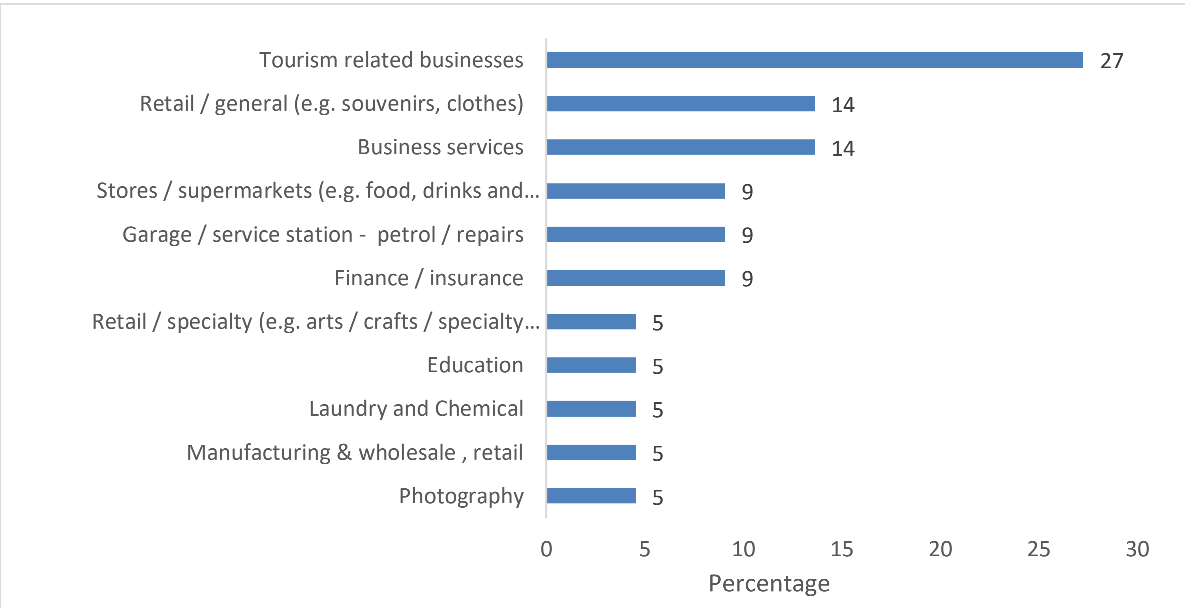
Figure 7: What is the primary focus on your business



A third (33%) of those who indicated accommodation as their primary focus classify their business as being a hotel/resort. Other types of accommodation providers include holiday homes, bungalow, bed & Breakfast, unit, apartment, condo, or villa. Over half (56%) of operators offering "water tours" offer a motorised experience.

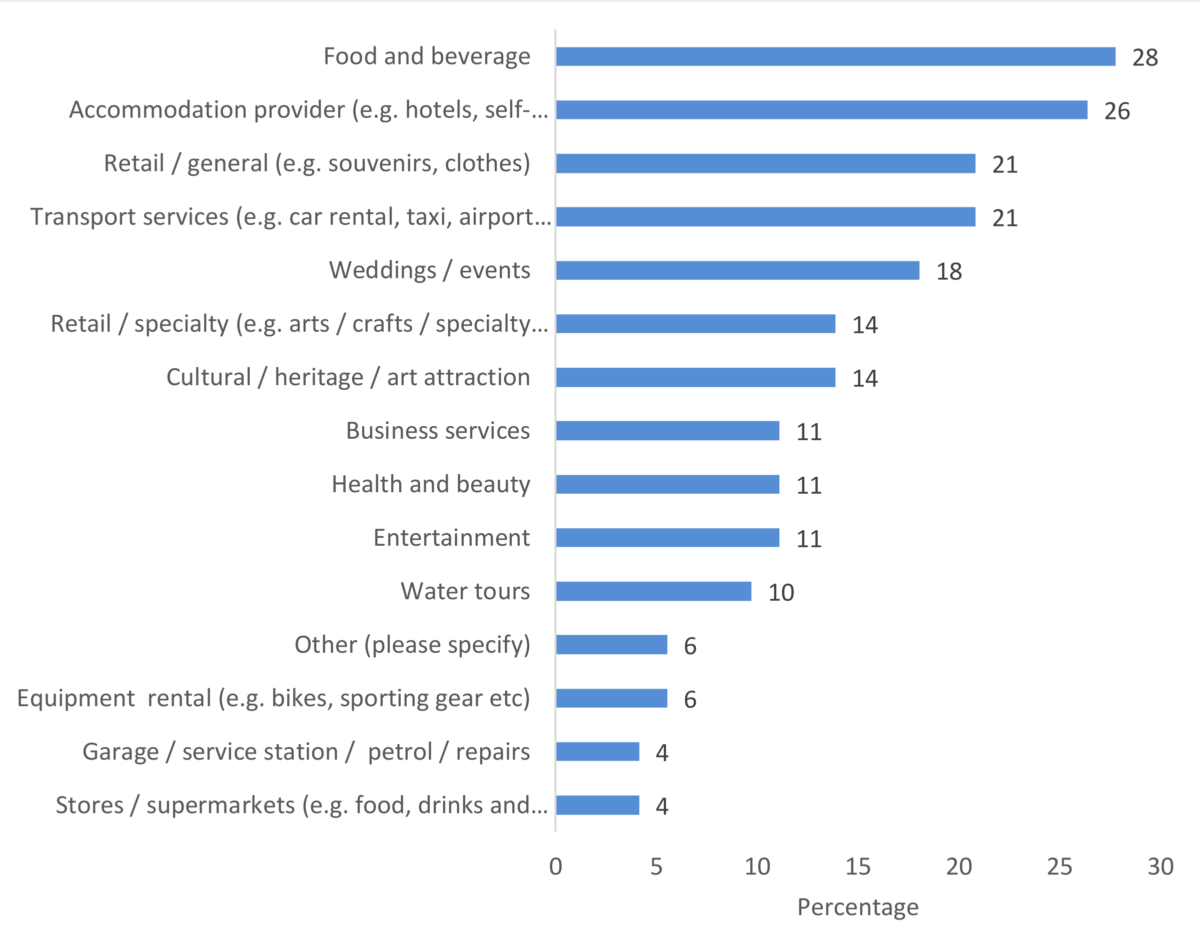
Over a quarter (27%) businesses in 'other business sectors' are tourism related businesses including airline, tourism publication, and cultural venues, followed by retail / general and business services (14% respectively) (Figure 8).

Figure 8: Other business sectors: main focus of business



Respondents were also asked to indicate whether they operate secondary activities in addition to their primary business. Over half (57%) of respondents indicated their business had a secondary focus. Secondary activities mainly focused on food and beverage (28%), accommodation (26%), retail / general (e.g. souvenirs, clothes) (21%), transport services (21%), and weddings or events (18%). Other activities included retail / specialty (e.g., arts / crafts / specialty foodstuffs / antiques / collectables) (14%), cultural / heritage / art attraction (14%), followed by business services, health and beauty, and entertainment at 11% respectively (Figure 9).

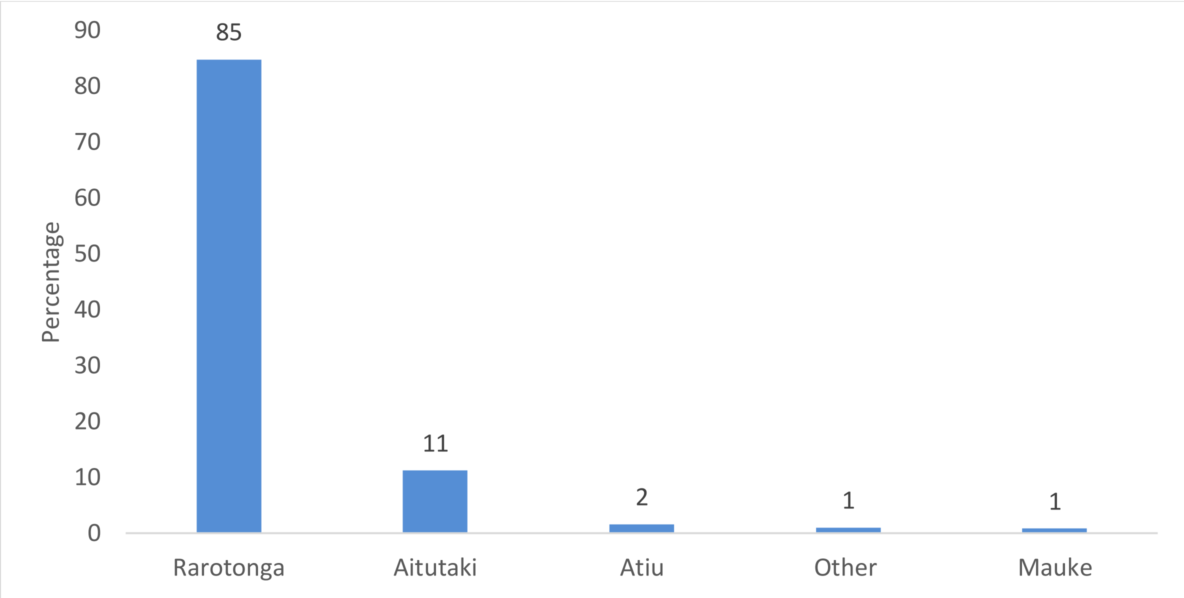
Figure 9: Secondary focus of business



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

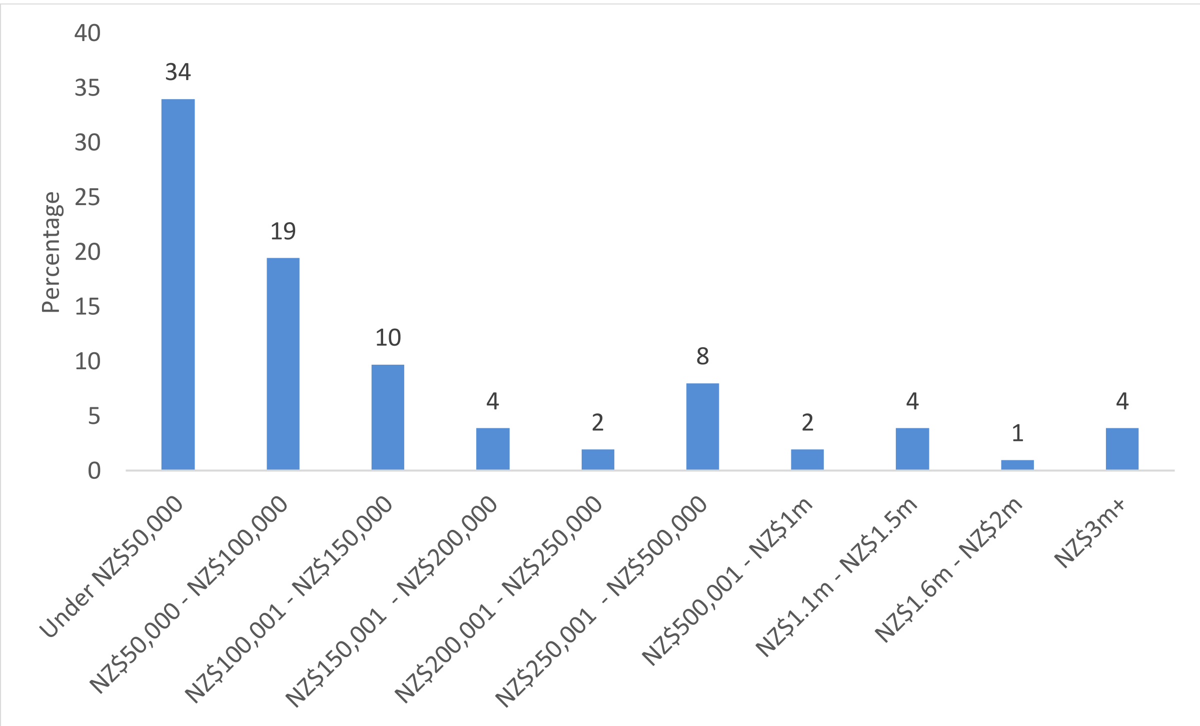
Most primary businesses covered by the survey are based in Rarotonga (85%), with a smaller percentage located in Aitutaki (11%), and Atiu (2%) (Figure 10).

Figure 10: Where is your primary business located?



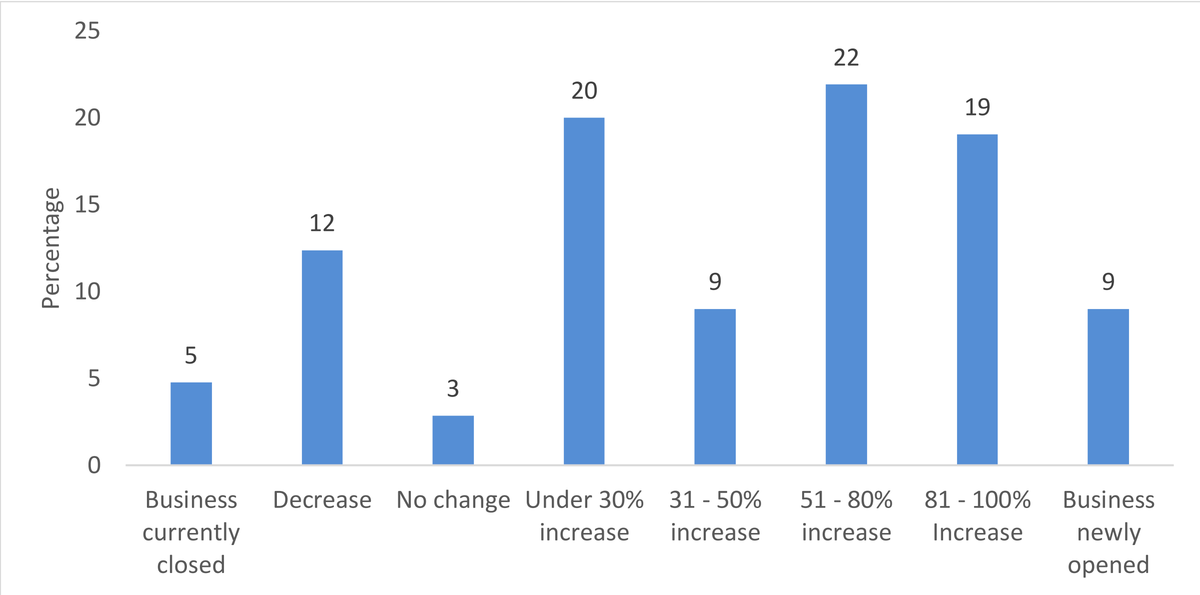
Nearly two thirds (63%) of businesses surveyed reported an annual turnover of less than NZ$150,000 in the last financial year (Figure 11). A further 16% of businesses generated between $150,001and NZ$1 million in revenue. Less than 5% of businesses reported an annual turnover of NZ$3+ million.

Figure 11: Approximate annual turnover in the last financial year (VAT exclusive)



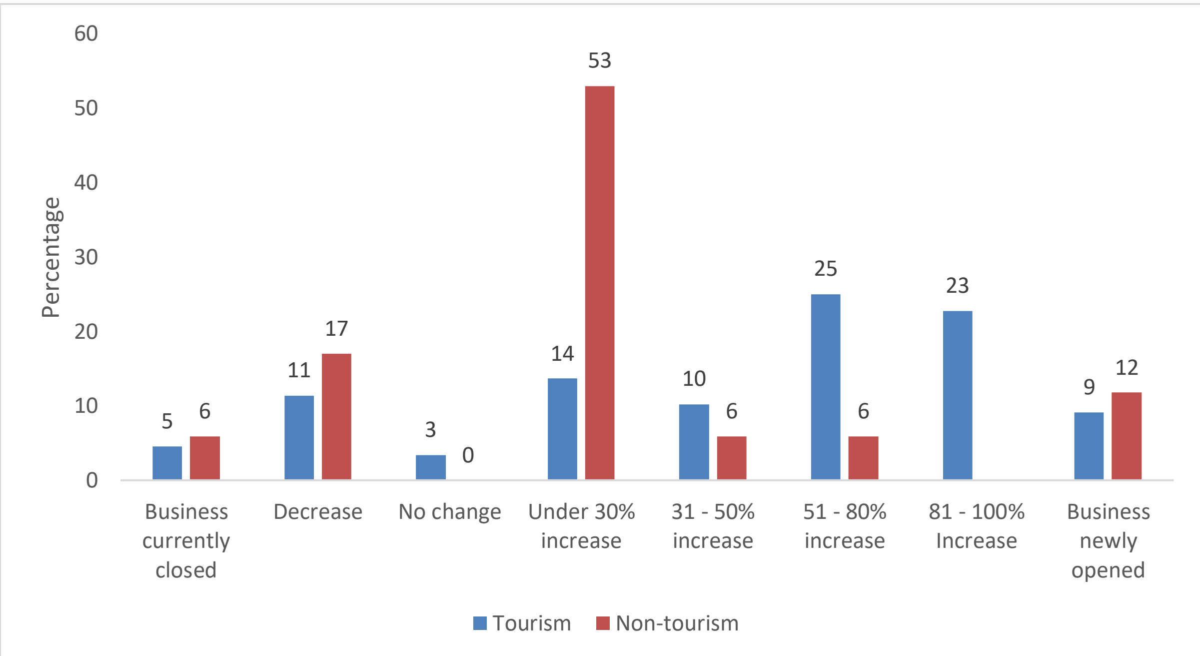
When comparing the annual turnover from May to August 2022 to 2021 over two thirds (70%) of businesses indicated a higher turnover for 2022 (Figure 12). A small number of businesses (12%) noted their turnover had decreased in comparison with the same period last year. An additional five percent were currently closed for business, and nine percent were newly opened at the time of the survey.

Figure 12: May to August 2022 turnover compared to the same period last year



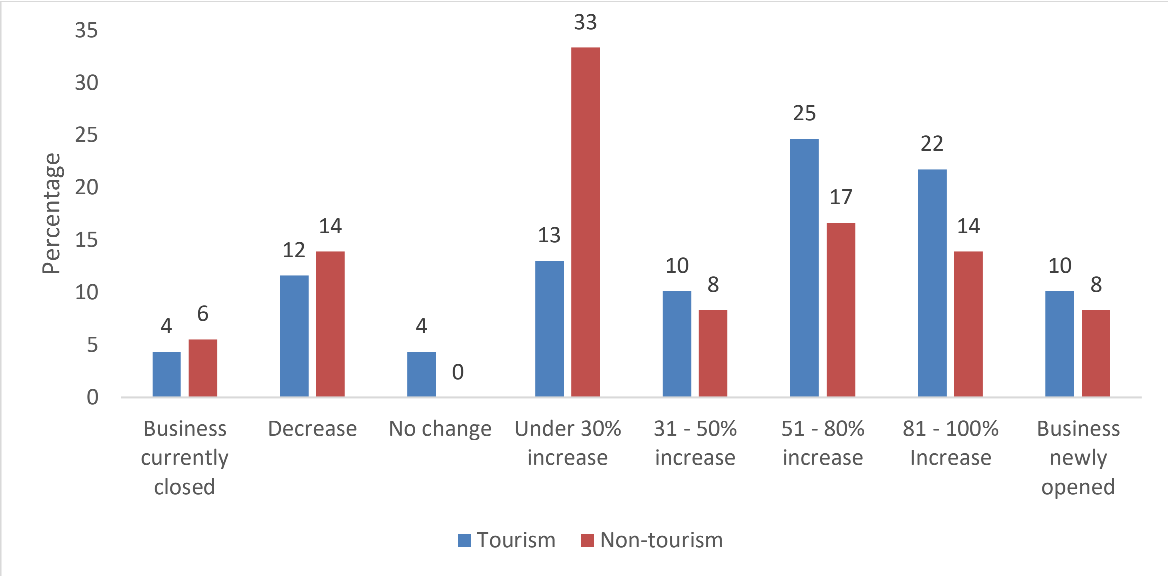
Nearly half (48%) tourism businesses experienced an increase in their turnover of between 51-100% compared with the same period last year. Over half (53%) of non-tourism businesses indicated their increase in turnover was under 30% (Figure 13).

Figure 13: Turnover compared to the same period last year (May to August 2021) (broader tourism categorisation)



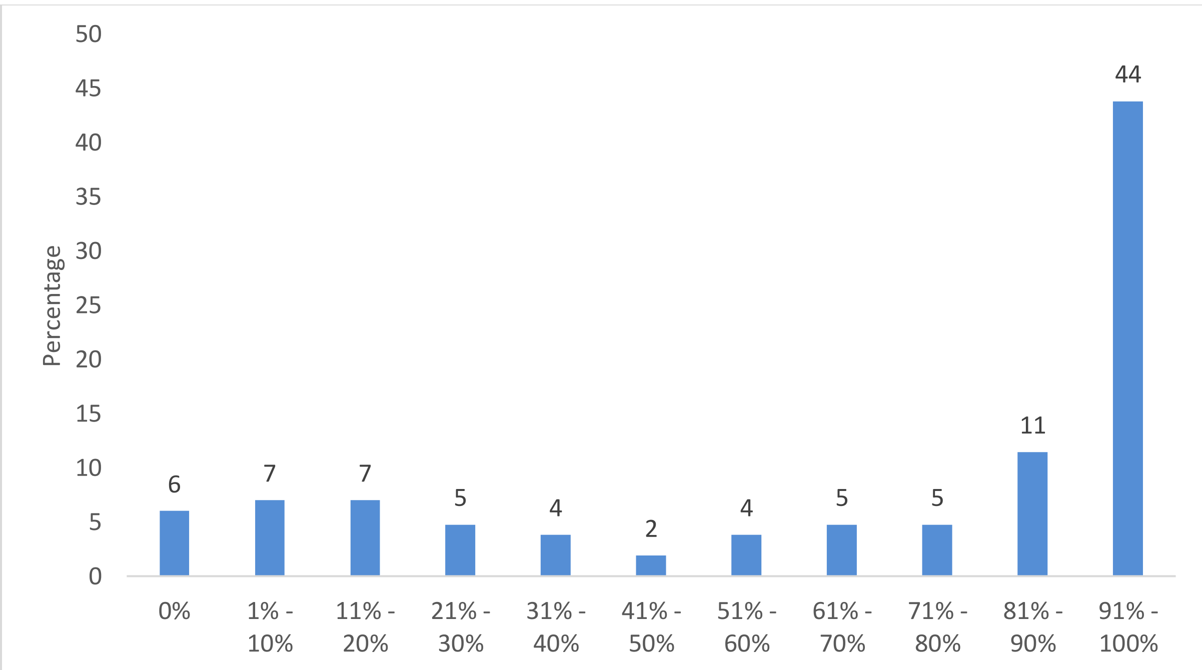
Nearly half (47%) of tourism businesses (core categorisation) experienced an increase in turnover of between 51-100% compared with the same period last year for exclusive comparison. A third (33%) of non-tourism businesses said they had an increase in turnover of under 30% (Figure 14).

Figure 14: Turnover compared to the same period last year (core tourism categorisation)



Nearly half (44%) of the businesses surveyed attribute more than 90% of their annual turnover directly to tourism (Figure 15). Around one in five (13%) businesses indicated that 10% or less of their turnover is generated directly from the tourism sector.

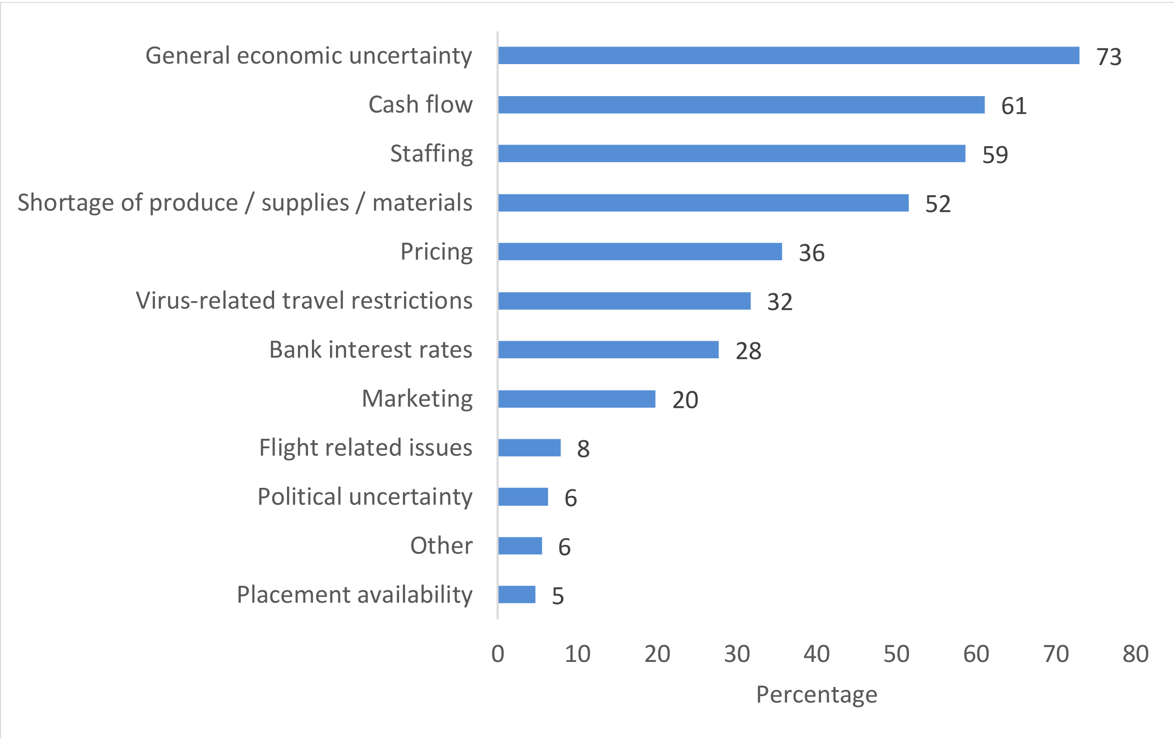
Figure 15: Approximate annual turnover estimated to come directly from tourism



COVID-19 impacts

Most businesses responding to the survey indicated that their key short-term concerns relating to COVID-19 revolve around general economic uncertainty (73%) and cash flow challenges (61%) (Figure 16). A further 59% of respondents state that staffing is the key short-term concern. Other major concerns include shortages of produce, supplies, or materials (52%), increases in pricing (36%), virus-related travel restrictions (32%), bank interest rates (28%), and marketing (20%).

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



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

Using the broader tourism categorisation, tourism businesses are more likely to have short-term concerns about the general economic uncertainty, their cash flow, staffing, and a shortage of supplies (Figure 17). Non-tourism businesses mostly share similar short-term concerns to their tourism counterparts. As a group they are far more likely to highlight pricing, political uncertainty, and flight related issues (shortage of airline seats and higher airfares).

Tourism businesses are more likely to have short-term concerns about the general economic uncertainty, and their cash flow. Staffing and shortages of supplies are also of concern for over half of the respondents (Figure 18). Non-tourism businesses are far more likely to highlight staffing issues and pricing'.

Figure 17: Key short-term concerns relating to COVID-19 (broader tourism categorisation)

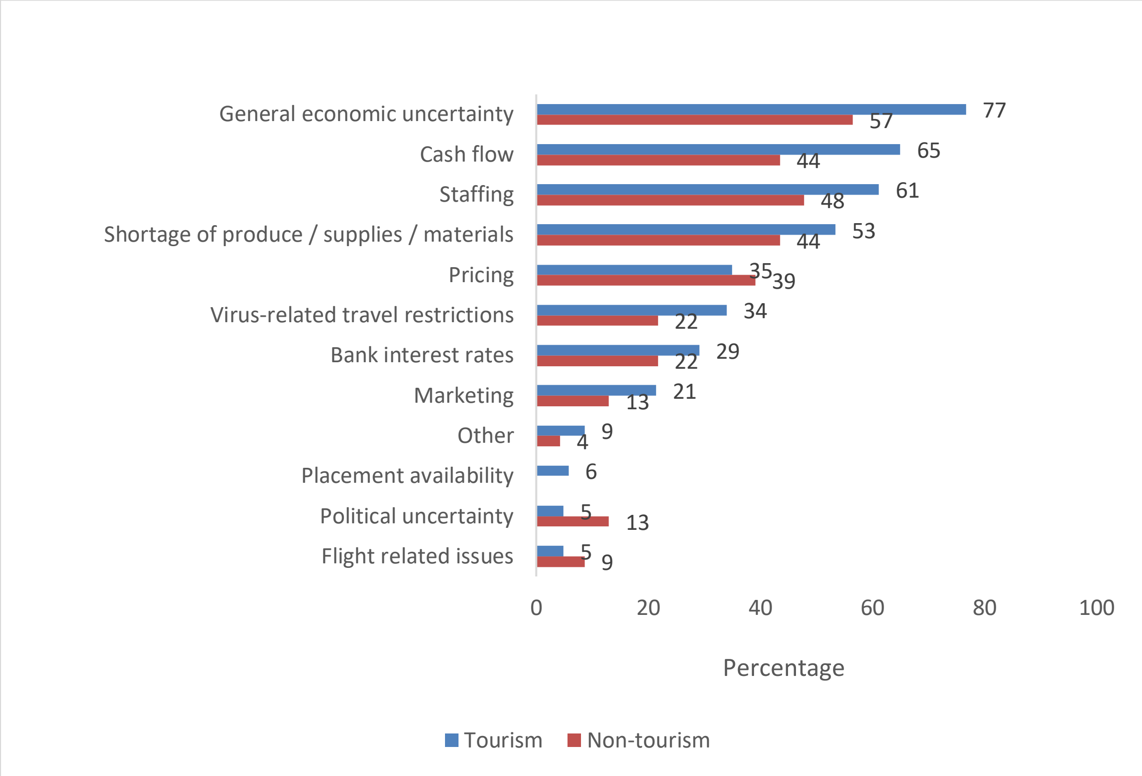
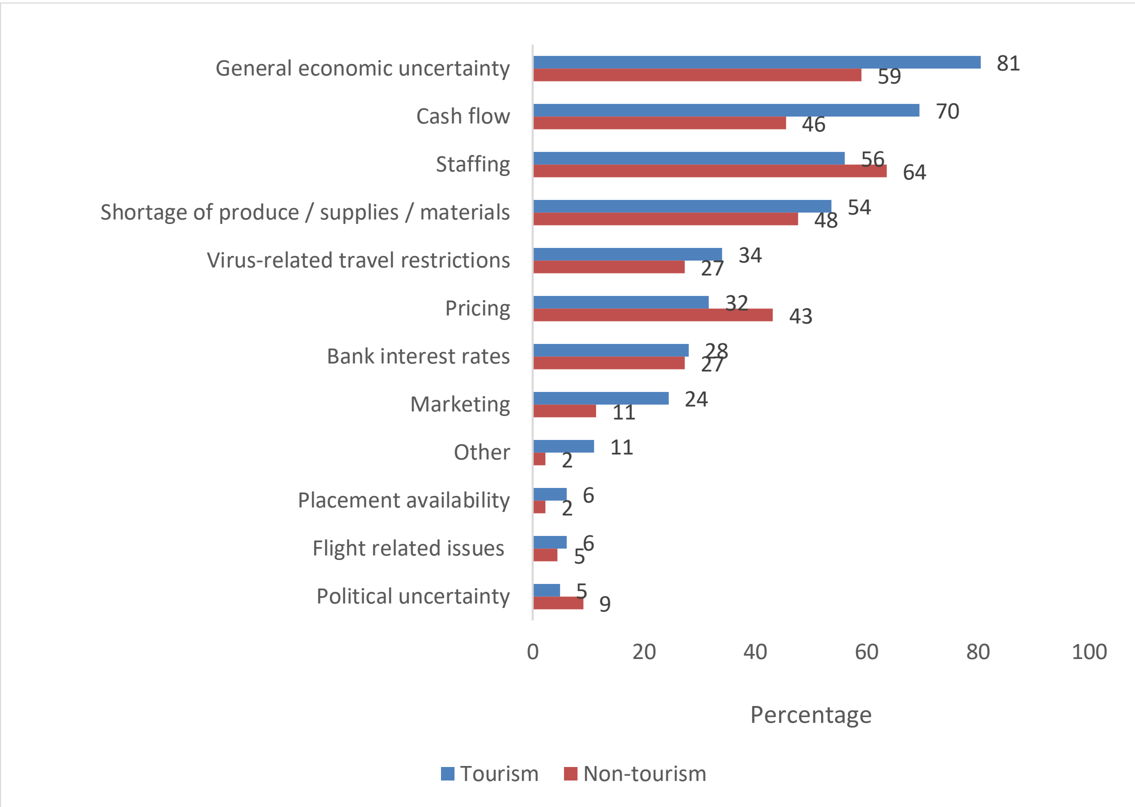


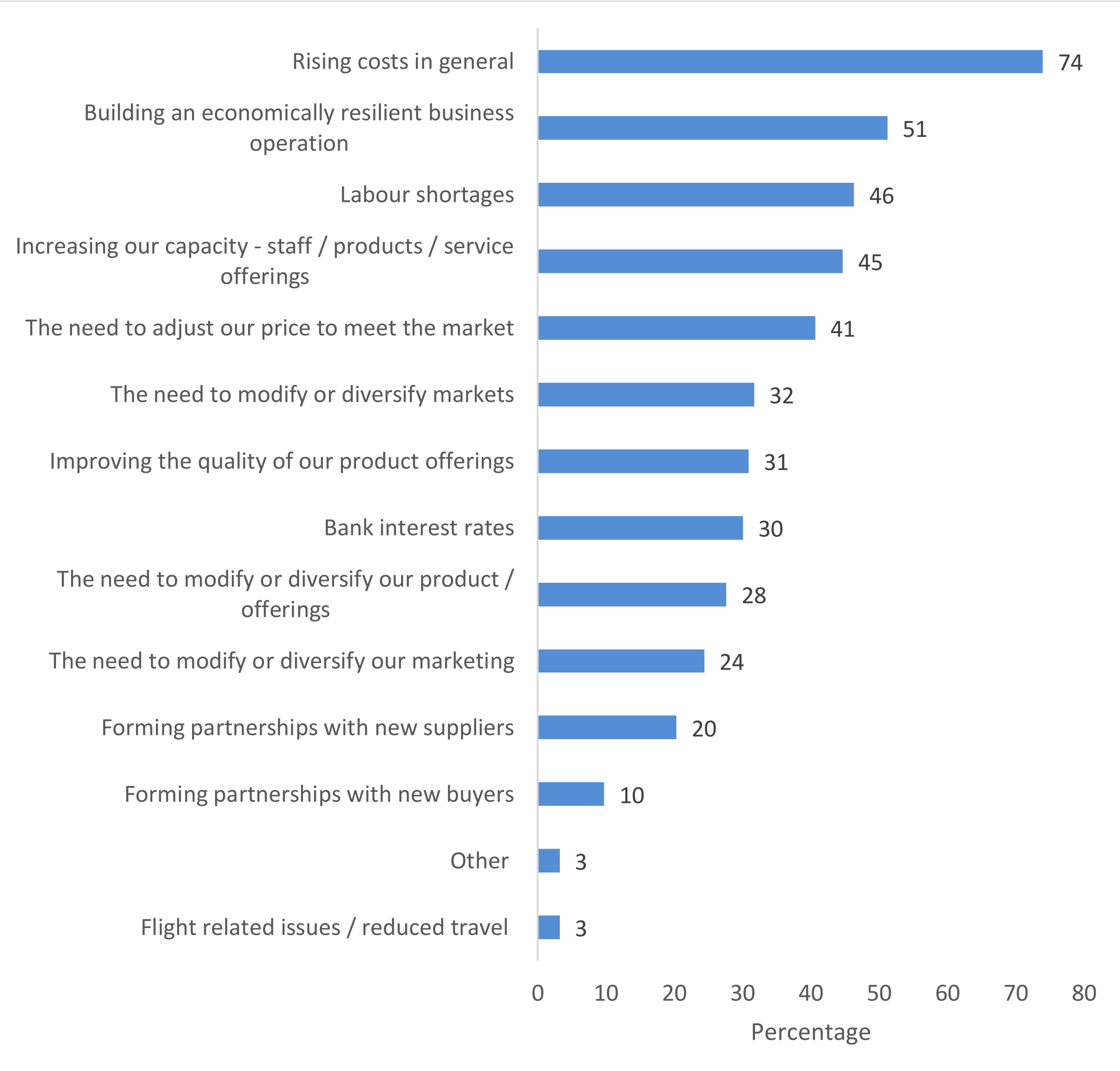
Figure 18: Key short-term concerns relating to COVID-19 (core tourism categorisation)



When asked about longer-term concerns relating to COVID-19, nearly three quarters (74%) of businesses mentioned they are concerned about rising costs in general (Figure 19). Over half (51%) of respondents also mentioned the ongoing challenge of (re)building an economically resilient business operation.

Other key long-term concerns focused on labour shortage (46%), increasing capacity – staff/products/service offerings (45%), and the need to adjust price to reflect economic realities (41%). Businesses also recognised the need to modify or diversify markets (32%), to improve the quality of product offerings (31%) and to modify or diversify product/offerings (28%).

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



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

Key long-term concerns relating to COVID-19 for the broad categorisation of tourism operators include: labour shortages, building an economically resilience business, flight related issues, increasing capacity, adjusting their pricing, and rising costs in general (Figure 20). Tourism businesses also expressed concerns about their products offerings including modifying or diversify their markets, improving the quality and diversity of their products, along with marketing their products.

Non-tourism businesses also highlighted similar challenges around labour shortages, building economically resilient businesses, flight related issues and increasing their capacity (Figure 20). Compared to their tourism counterparts these businesses are less concerned about the rising costs in general, and the need to modify or diversify their products or marketing.

Figure 20: Key long-term concerns relating to COVID-19 (broader tourism categorisation)

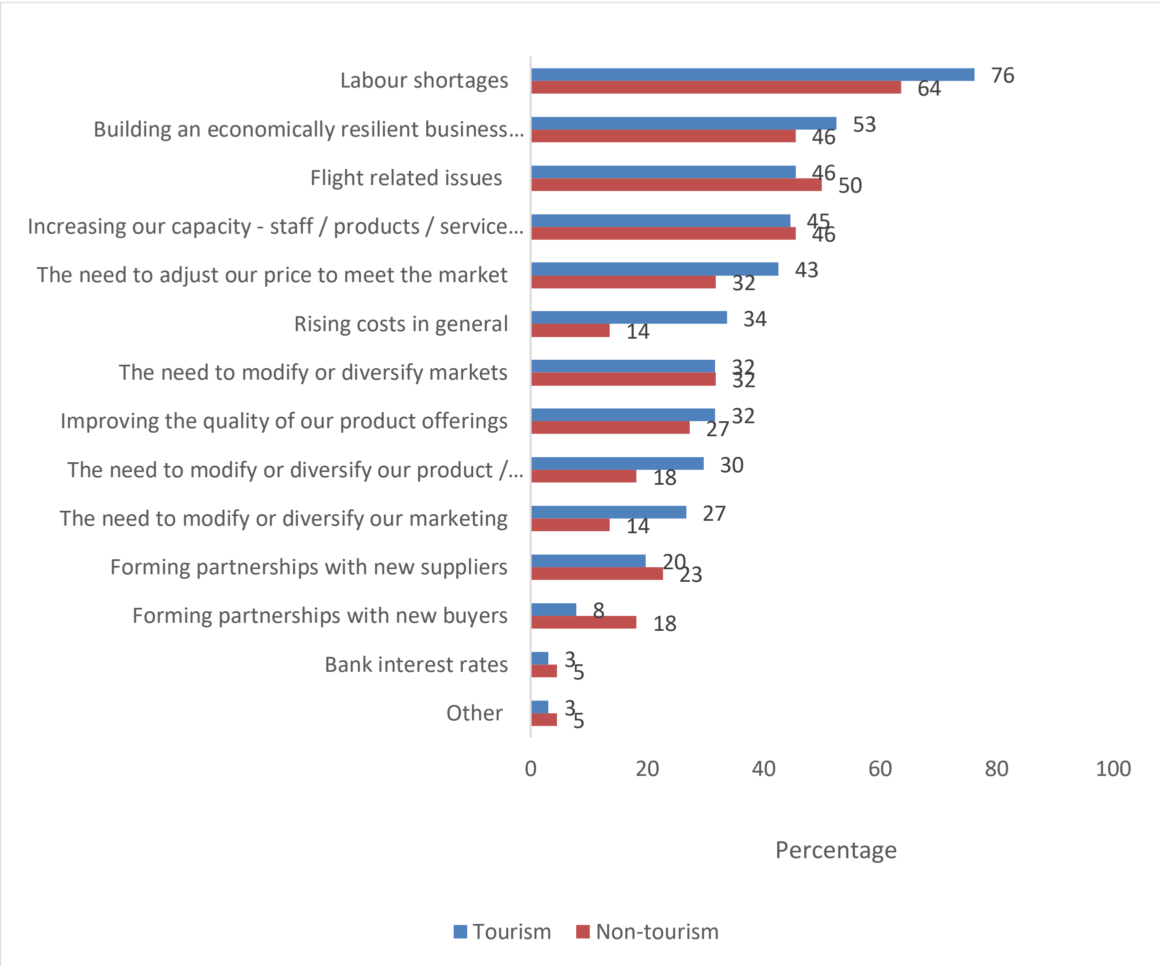
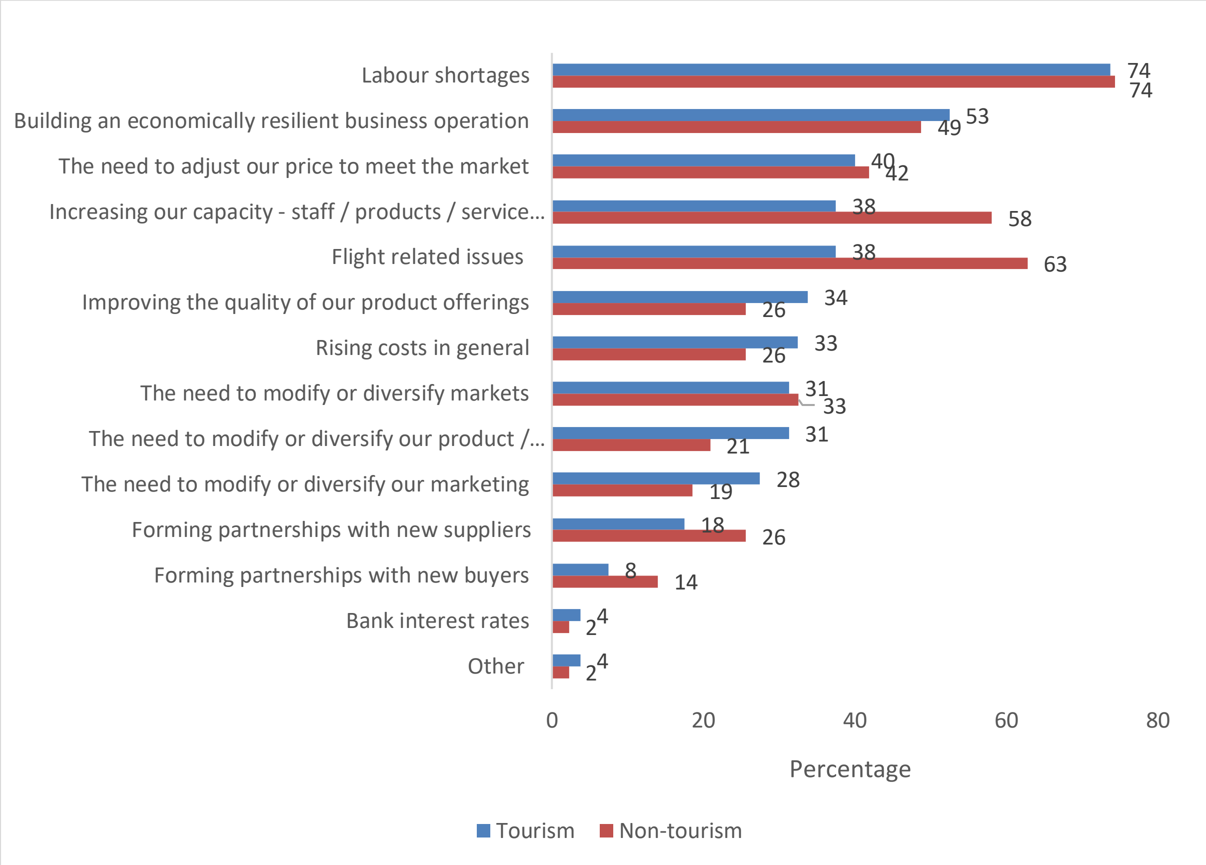


Figure 21 shows the core tourism group comparison. Tourism operators are more likely to express concerns over labour shortages, building an economically resilience business, and rising costs in general. The need to improve the quality of product offerings, and modify or diversify product offerings and markets are also key long-term concerns.

Non-tourism businesses also highlight the challenges around labour shortages along with increasing their capacity, and flight related issues. The need to adjust their pricing, modify or diversify markets, and forming partnerships with new suppliers and new buyers also featured.

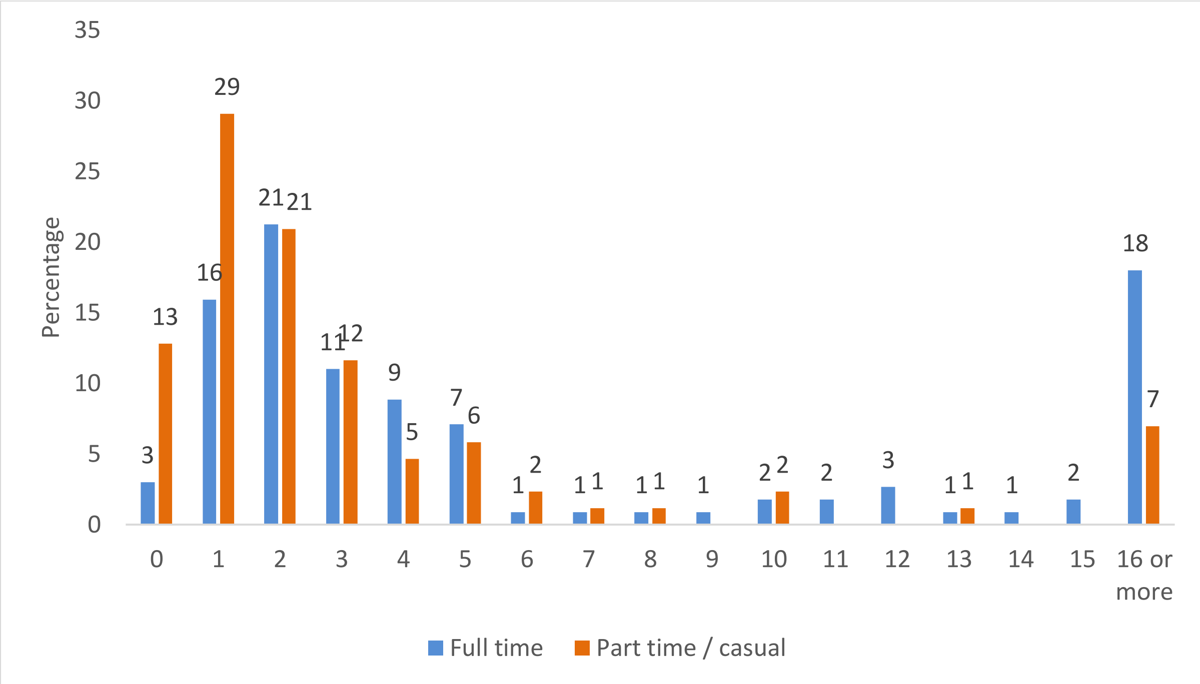
Figure 21: Key long-term concerns relating to COVID-19 (core tourism categorisation)



Staffing

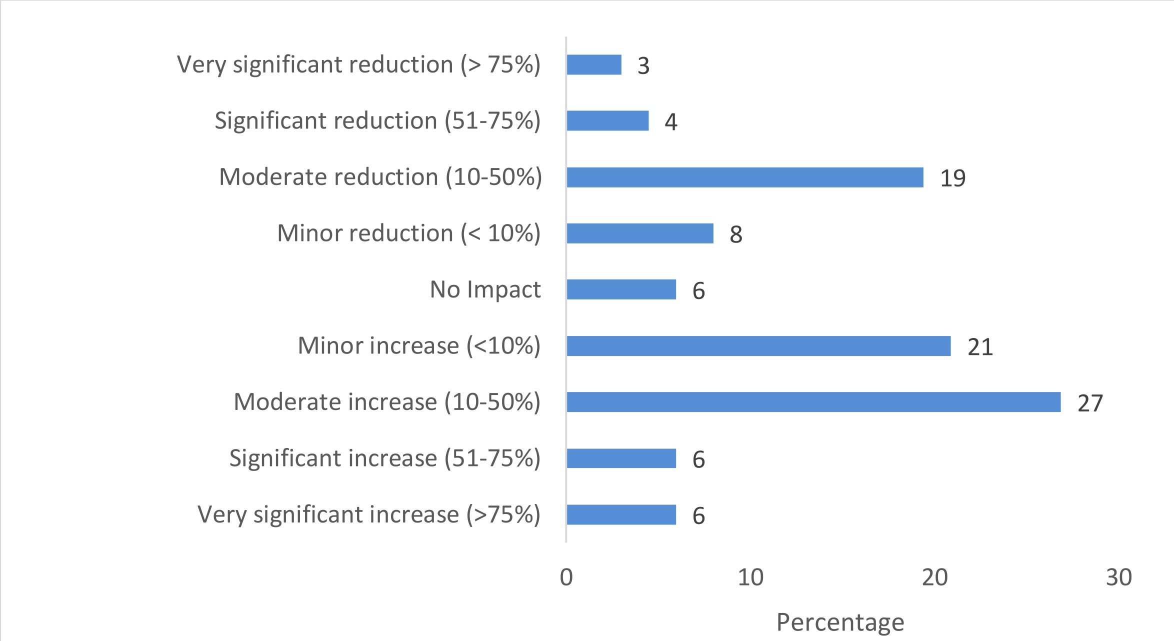
Nearly all (97%) of the businesses that participated in the survey employ at least one full time staff member (Figure 22). Around 48% of businesses have 1-3 full time staff. Nearly a fifth (18%) of respondents employ 16 or more full-time staff. Nearly two thirds (62%) of businesses employ 1-3 part-time staff.

Figure 22: Average number of full-time and part-time staff employed



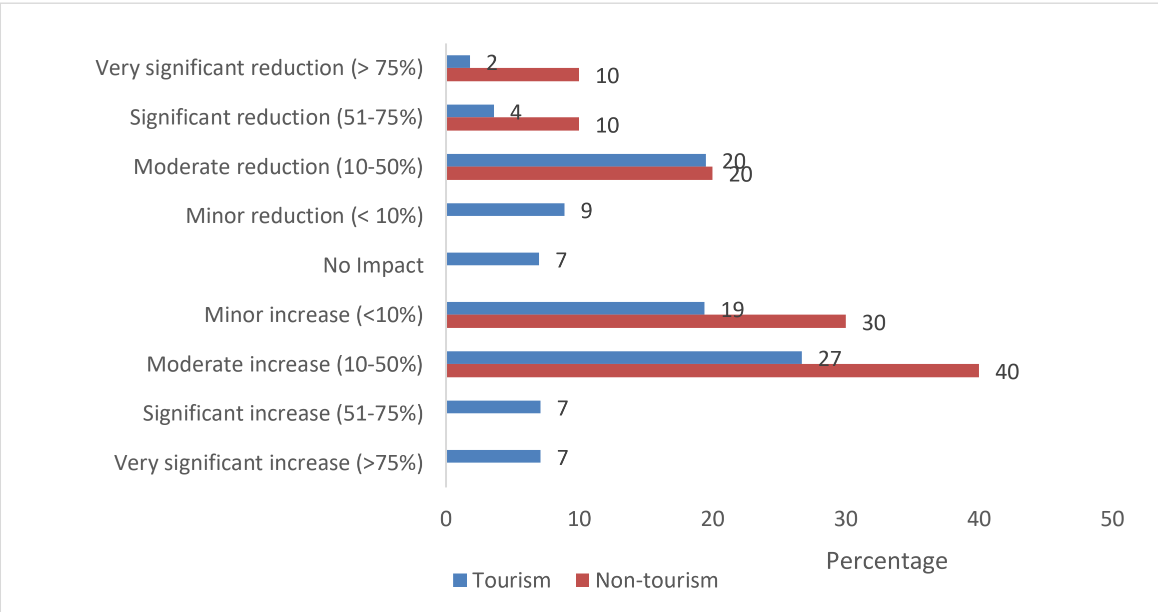
Respondents were asked to compare the number of staff they employed in July 2022 to those in July 2021. Nearly two thirds (60%) of businesses indicated they employed more staff in 2022 (Figure 23). A further 35% of businesses indicated a reduction in staffing levels, with only 6% of businesses noting no impact on staff numbers.

Figure 23: How does your total staffing in July 2022 compare to July 2021?



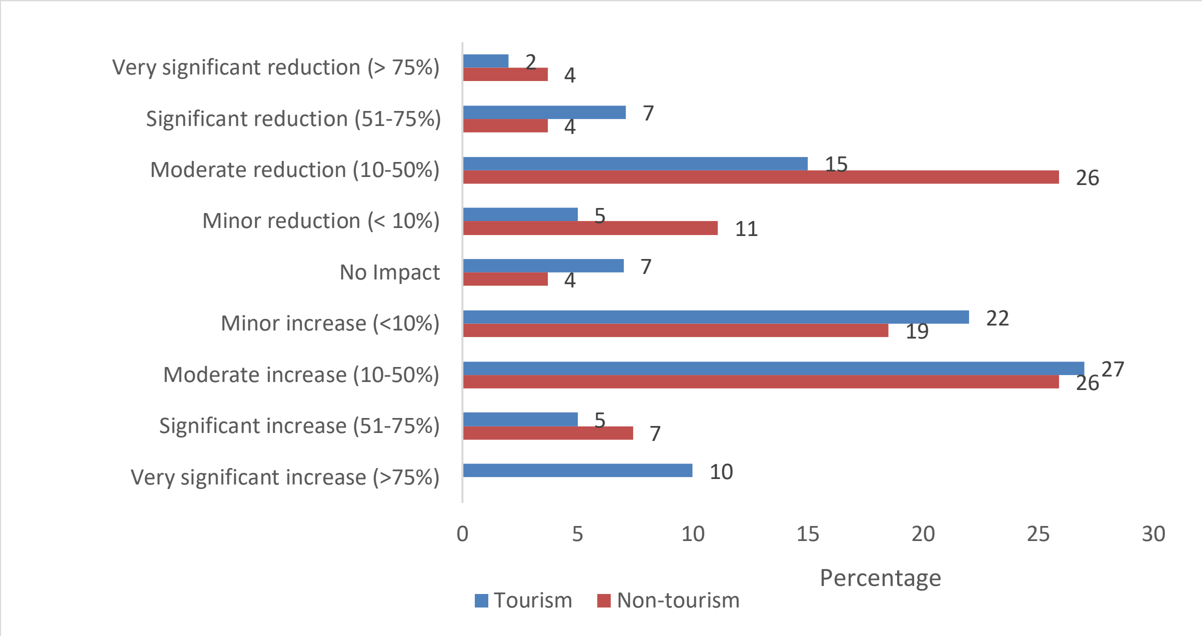
Tourism businesses were most likely to see an increase in staffing levels when compared to non-tourism businesses (Figure 24). Fourteen percent of tourism businesses noted a significant (>50%) increase in staffing with a further 27% noting a moderate increase between 10-50%). For 40% of non-tourism businesses the increase in total staffing numbers was moderate (10-50%).

Figure 24: How does your total staffing compare to July 2021 (broader tourism categorisation)



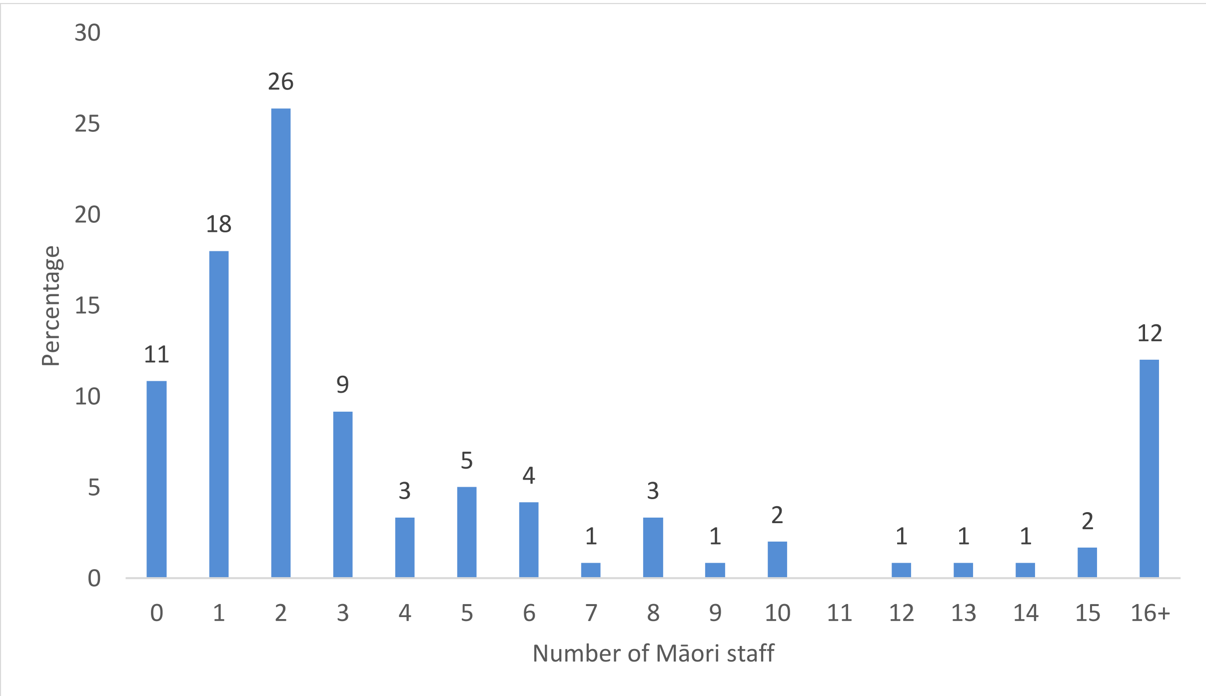
Using the core tourism categorisation, ten percent of tourism businesses noted a very significant (>75%) increase in staffing. For non-tourism businesses nearly 30% indicated a more moderate increase between 10 to 50%. (Figure 25).

Figure 25: How does your total staffing compare to July 2021 (core tourism categorisation)



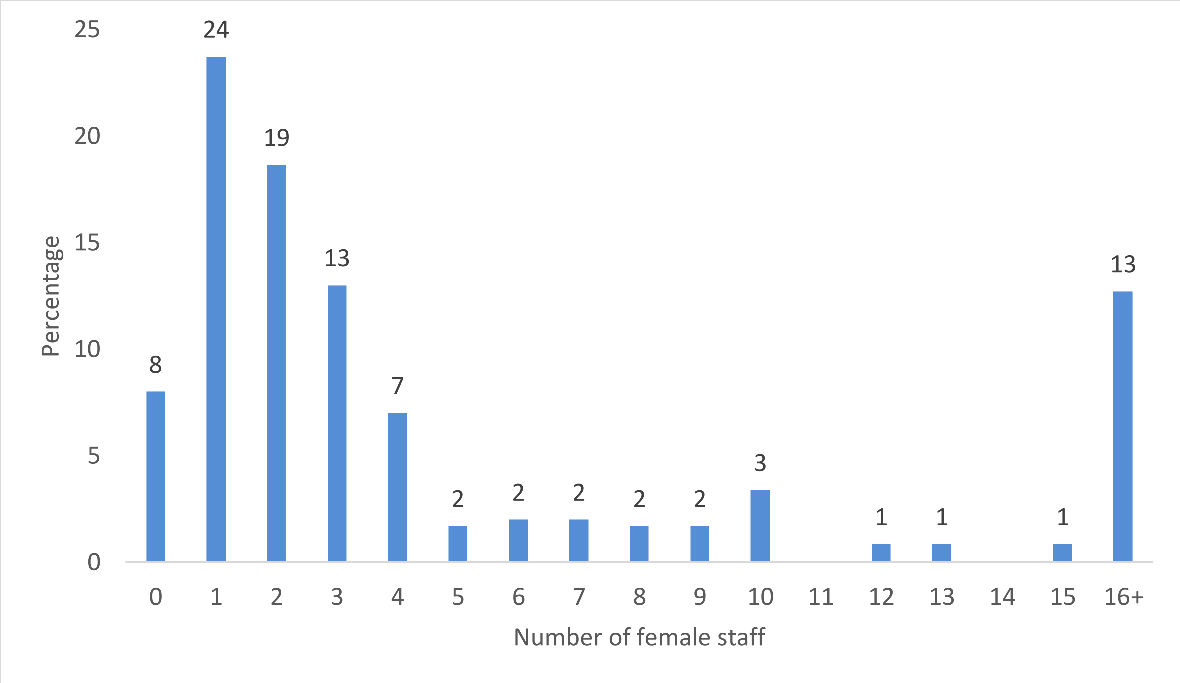
Over 50% of businesses employ between one to three Cook Islands Māori staff (Figure 26). Twelve percent of businesses employ 16 or more Cook Islands Māori staff, with 11% not employing any. The average number of Cook Islands Māori staff employed per business is 5 (the median value is 2).

Figure 26: Number of Cook Islands Māori staff



Nearly two thirds (63%) of businesses hire between one and four women. Thirteen percent of businesses hire over 16 female employees (Figure 27). The average female staff number is 5 (the median value is 3).

Figure 27: Number of staff that are women



Over half (57%) of respondents identified the top business training need for their staff as being social and digital marketing skills (Table 1). Other top business training needs include general sales and promotions (44%), customer service (42%), accounting and financial skills (41%), general hospitality and tourism skills (35%), and information and communication technology skills (32%),

Table 2: Business training needs

Training needs	Share of respondents
Social and digital marketing	57%
General sales and promotions	44%
Customer service	42%
Accounting / finance	41%
General hospitality / tourism skills	35%
Information and communication technology skills	32%
Kia Orana values and cultural understanding	31%
Management skills	30%
Health and safety / COVID practice	27%
Workplace ethics training	23%
Mental wellbeing	23%
Content development	12%

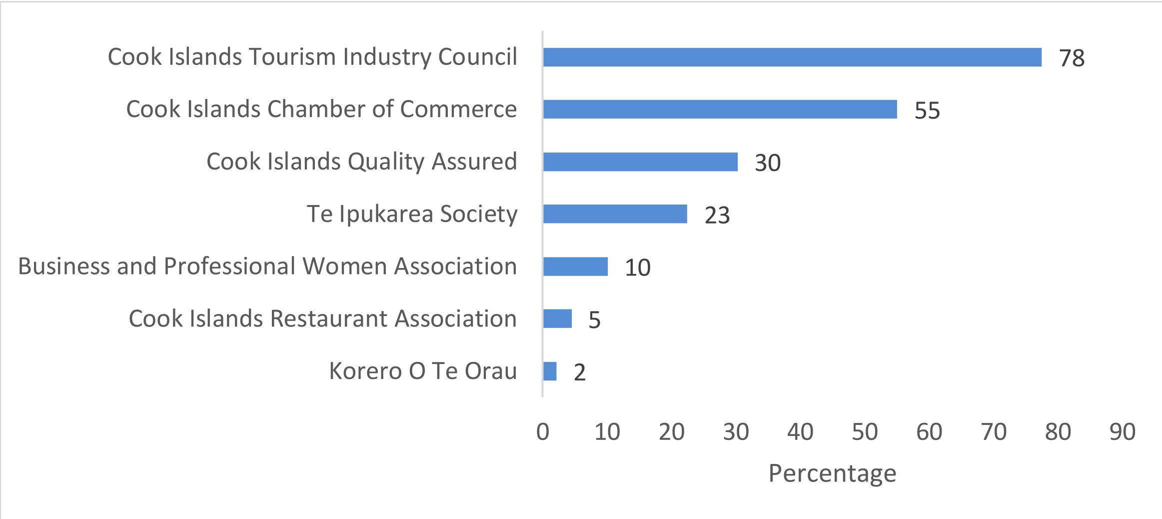
Other	4%

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

Membership and Government programmes

When asked to list any local business/organisations they belonged to, over three quarters (78%) of respondents indicated they are members of the Cook Islands Tourism Industry Council., Over half (55%) also indicating they are members of the Cook Island Chamber of Commerce. Nearly a third (30%) of the businesses indicated they are members of the Cook Islands Quality Assured accreditation programme (Figure 28).

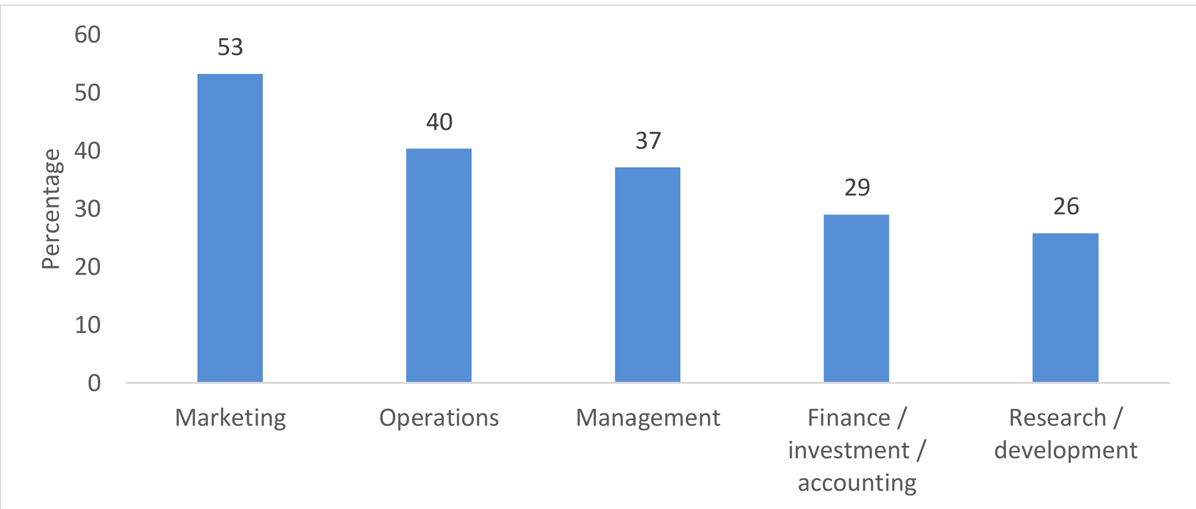
Figure 28: Local business or industry organisations operators belong to



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

Nearly half (53%) of businesses indicate that membership of local business or industry organisations has assisted them in improving how they market their businesses (Figure 29). Other main areas that membership of these organisations has helped include improvements in both operations (40%) and management (37%).

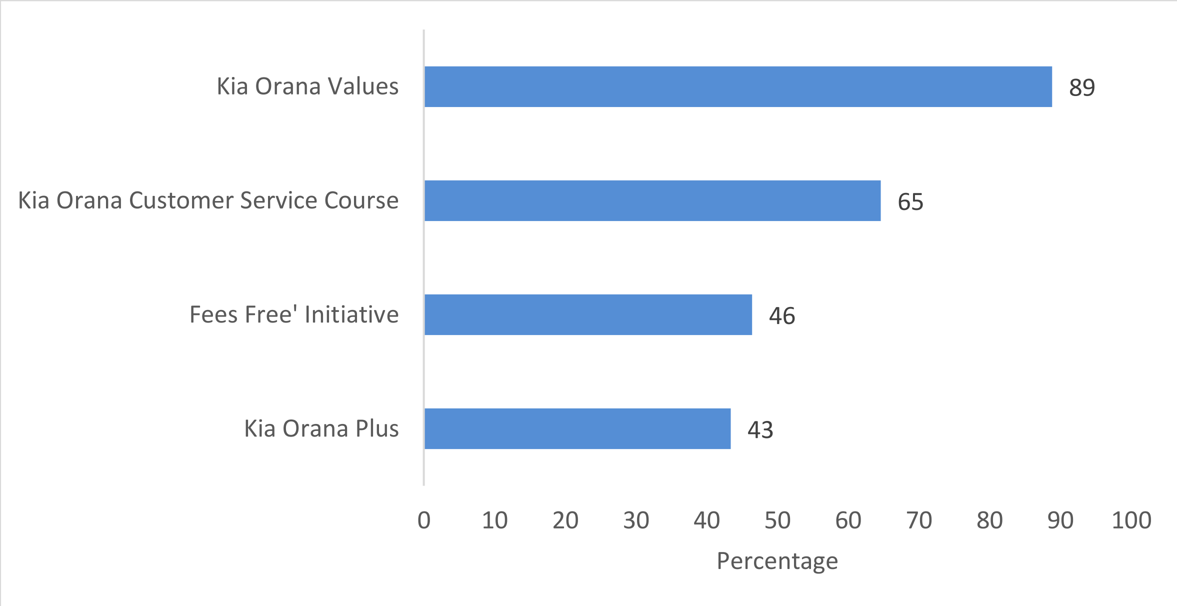
Figure 29: Has your involvement with any of these organisations helped to improve the following areas of your business



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

The majority (89%) of businesses indicated that they are aware of the 'Kia Orana Values' programme provided by the Government, with a further two thirds (65%) of respondents aware of the 'Kia Orana Customer Service Course' initiative programme (Figure 30).

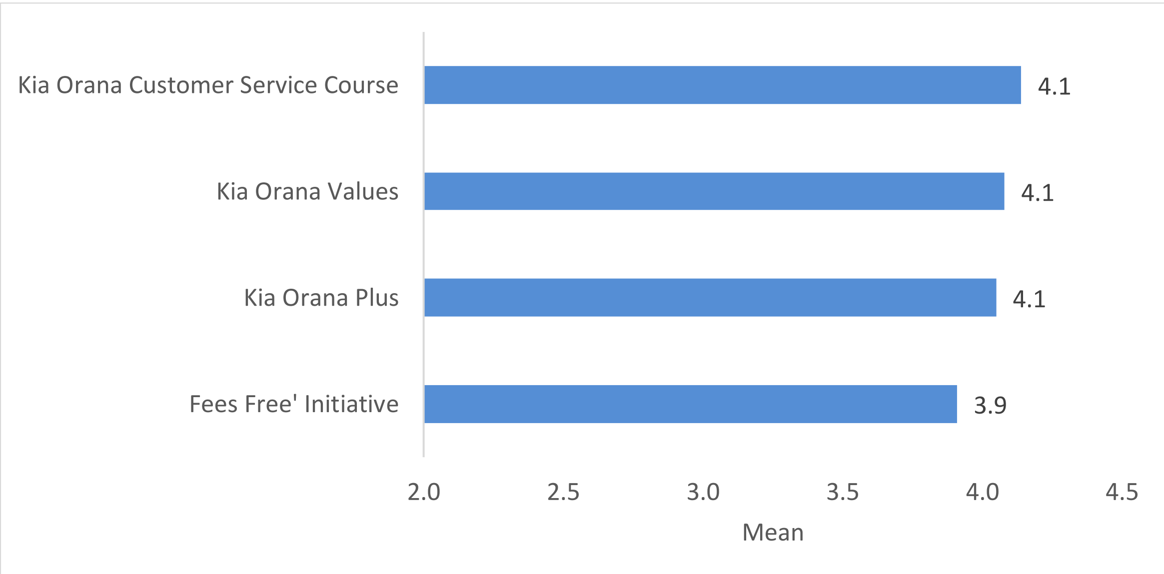
Figure 30: Programmes provided by the Government



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 Customer Service Course', 'Kia Orana Values', and 'Kia Orana Plus' all rated highly (4.1 out of 5), following by the 'Fees Free' initiative (3.9) (Figure 31).

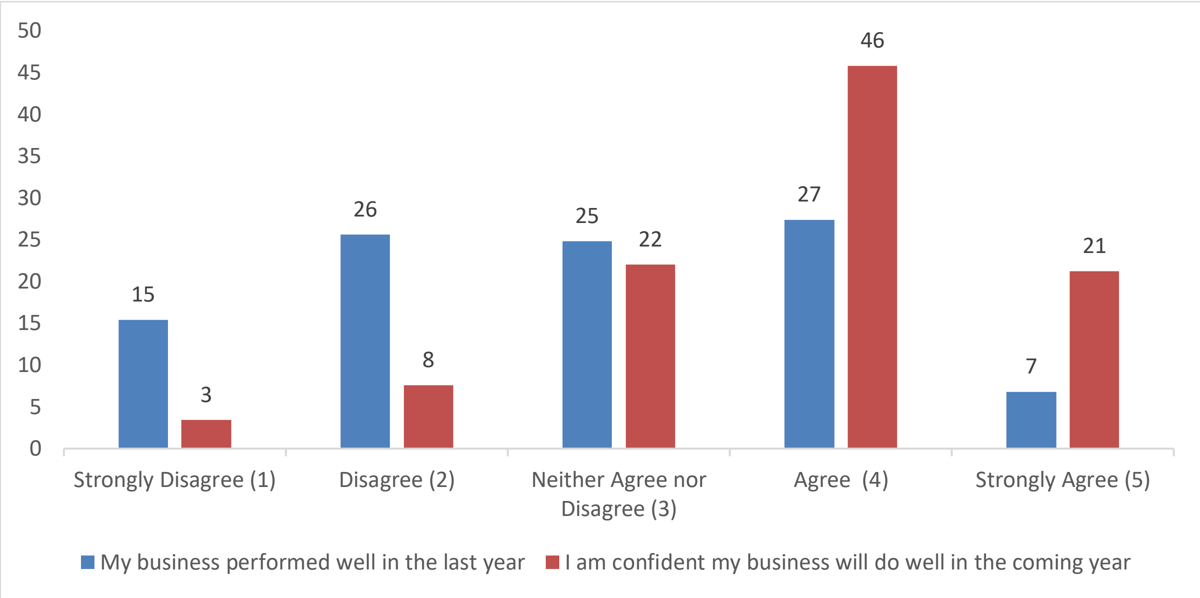
Figure 31: Satisfaction level with programmes provided by the Government



The business climate

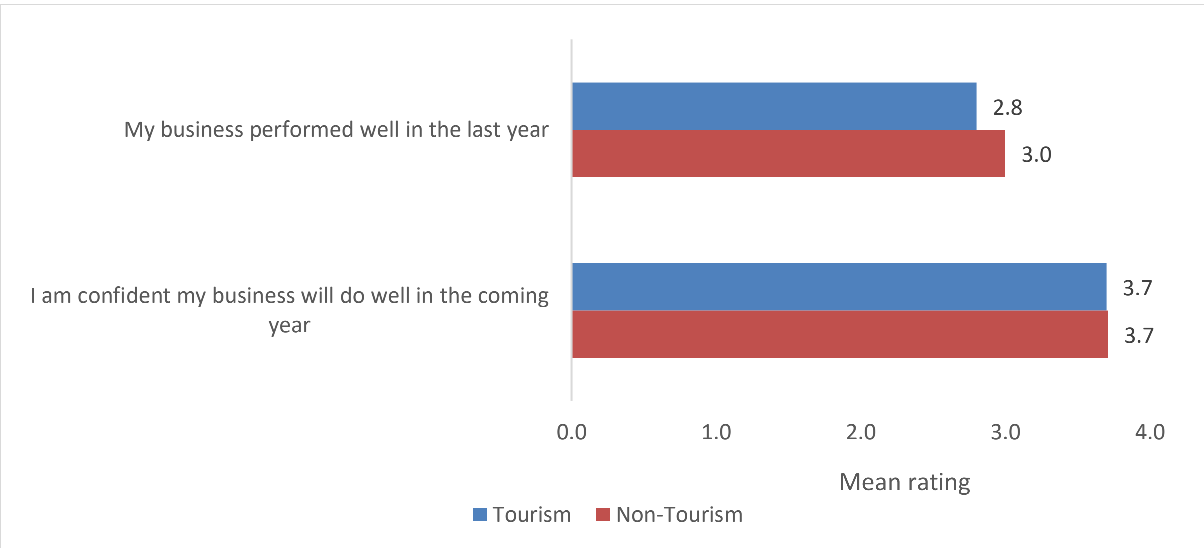
Respondents were asked to indicate their level of agreement with statements related to their business performance over the last year, and for the coming year (Figure 32). Only a third (34%) of respondents agree that their business performed well in the last year. In contrast, over two thirds (67%) of respondents agree with the statement that their "business will do well in the coming year".

Figure 32: Please indicate your level of agreement with the following statements (%)



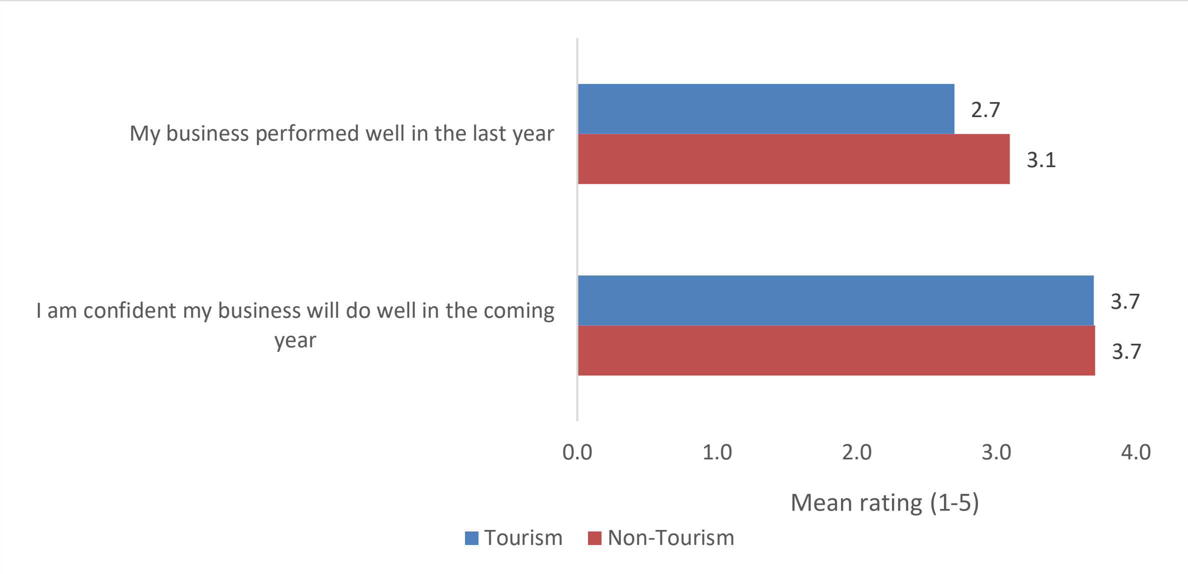
Tourism businesses were less likely than their non-tourism counterparts to feel that their business performed well in the last year. However, tourism businesses and their non-tourism counterparts showed a higher level of confidence for the coming year (Figure 33).

Figure 33: Level of confidence (broader tourism categorisation)



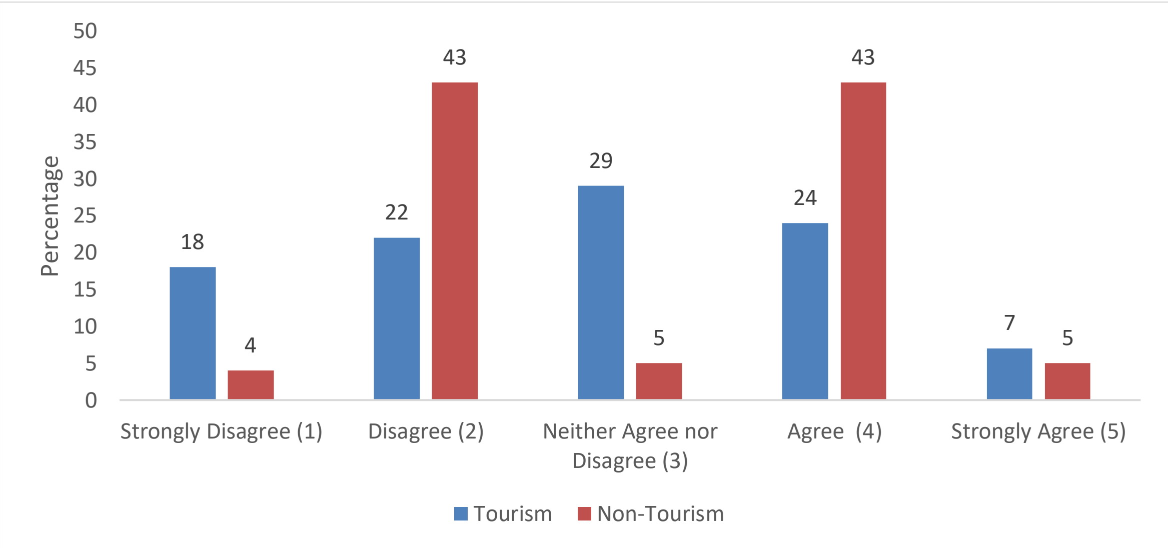
In the core group comparison, tourism businesses were less likely than their non-tourism counterparts to feel that their business performed well in the last year. Both tourism and non-tourism businesses showed a higher level of confidence for the coming year (Figure 34).

Figure 34: Level of confidence (core tourism categorisation)



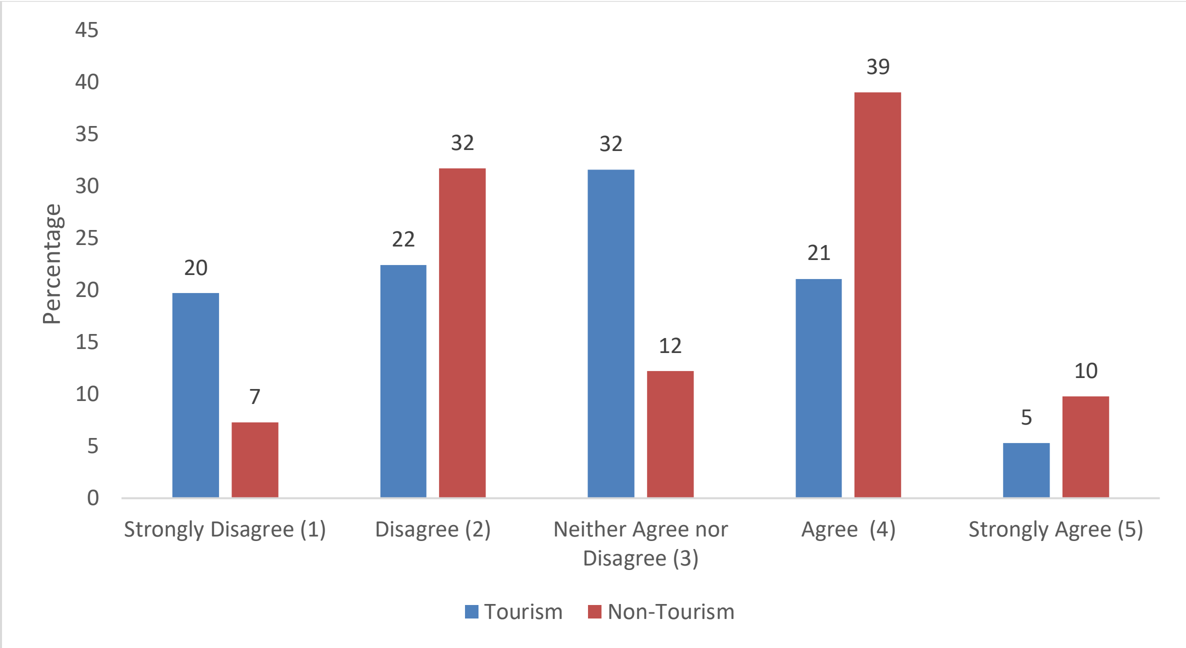
Further break down of the core group's figures reveals that tourism businesses show a lower level of confidence with the statement "my business performed well in the last year" than their non-tourism counterparts (31% strongly agree / agree vs 48%) (Figure 35).

Figure 35: My business performed well in the last year (broader tourism categorisation)



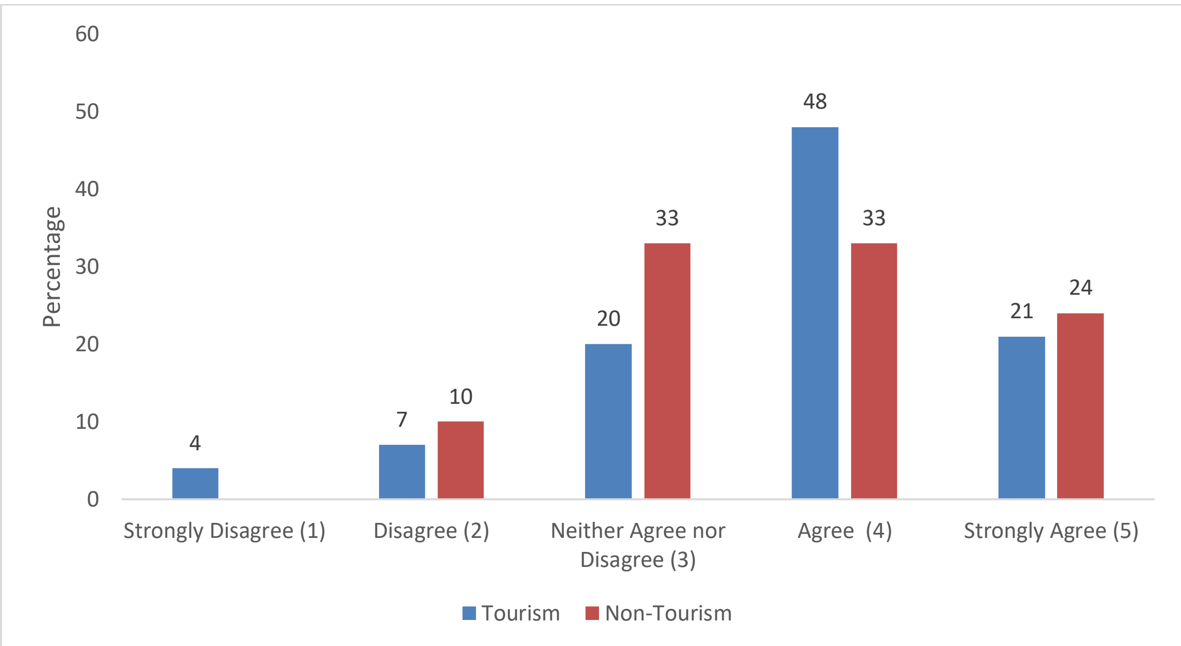
The core group comparison highlights that tourism businesses have a lower level of agreement with the statement "my business performed well in the last year" than their non-tourism counterparts (26% strongly agree / agree vs 49%) (Figure 36).

Figure 36: My business performed well in the last year (core tourism categorisation)



Tourism businesses exhibit a higher level of agreement with the statement "I am confident my business will do well in the coming year" (Figure 37). Close to 70% of tourism businesses "agree" or "strongly agree" with the statement, compared to 57% of their non-tourism counterparts.

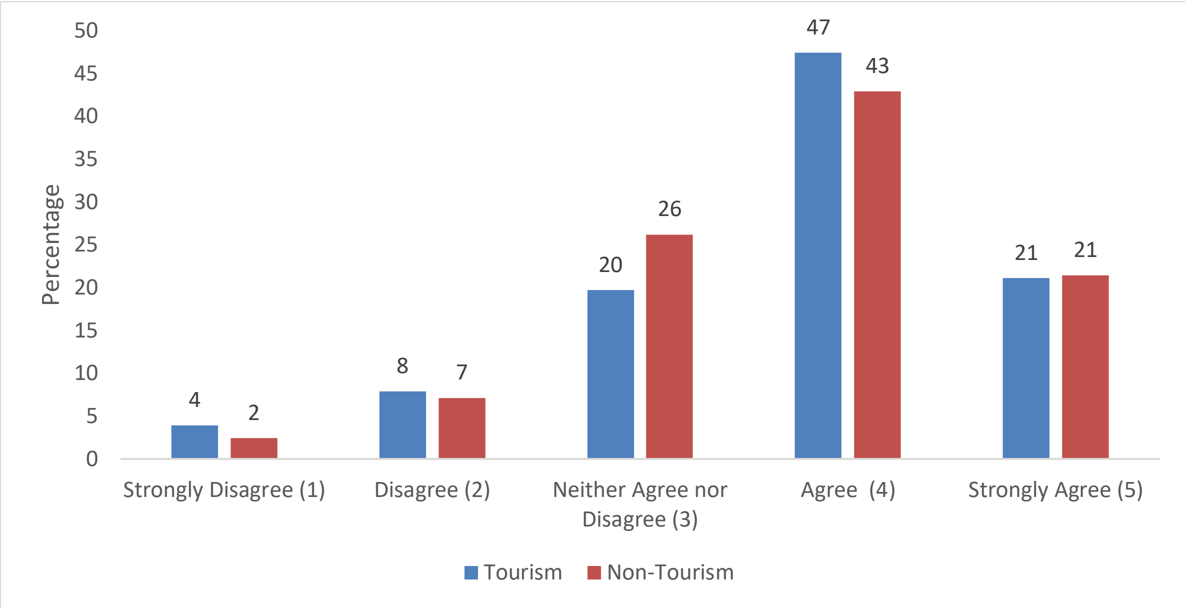
Figure 37: I am confident my business will do well in the coming year (broader tourism categorisation)



For the core group comparison, tourism businesses also exhibit a slightly higher level of agreement with the statement "I am confident my business will do well in the coming year"

(Figure 38). Tourism businesses (68%) are more likely to "agree" or "strongly agree" with the statement than their non-tourism counterparts (64%).

Figure 38: I am confident my business will do well in the coming year (core tourism categorisation)



Respondents were asked: "What do you see as being the major challenges that will face your business in the next five years?". Although only 5% of responses mentioned COVID-19 directly, other challenges stated can be directly related to the global pandemic and it's wake (Table 2). Over one third (38%) of responses mentioned the challenges of high inflation and rising costs, this was followed by human resource issues including staff shortages (35%). Flight related issues along with tourism recovery in general were also highlighted (29% respectively). Other challenges identified included business development (9%), climate change or environmental degradation (8%), plus political issues and regulations (8%).

Table 3: What do you see as being the major challenges that will face your business in next five years?

Theme	Share of responses
Inflation or rising cost	38%
Human resources	35%
Flight related issues	29%
Tourism recovery	29%
Business development	9%
Climate change or environmental degradation	8%
Political issues and regulation	8%
Advertising and marketing	6%
Cash flow or revenue OR loans	6%
Global or local economy	6%
Destination development	5%
COVID-19	5%
Competition from other businesses	4%
Supply shortage	4%
Border closure or travel restrictions	3%
Infrastructure	3%
General concerns on uncertainty	2%

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

Comments included:

> *"Our major challenge for the coming years would definitely be pricing. Not only are we dealing with rising costs of products but also shipping and freight costs to the outer islands. Our products are already priced high enough as it is to cover shipping costs so with the current circumstances this will only get worse."*

> *"Inflationary pressures leading to reduction in tourist numbers/spending and also increase in cost of doing business."*

> *"Cost of doing business is rapidly rising but we are unable to raise our rates. It is a buyers' market. Tourists have a lot of options to choose from. I am very pessimistic for the future."*

> *"Ongoing labour shortages/declining local population."*

> *"Lack of tourist numbers visiting the island due to staffing shortages and NZ Government policies."*

> *"With only NZ and Australia being able to travel at present, until borders open up worldwide, we will struggle."*

“No Northern Hemisphere clients coming to us - no Europeans. We just have the NZ market which is very small. War in Europe may spread. No European or UK market like before.”

“Enticing Northern Hemisphere and Aussie customers to travel despite poor accessibility, global economic recession.”

“No disruption to international travel. Increase direct flights from Aussie and North America.”

“Re-establishing air links between key markets and getting some surety over pricing.”

“Climate change, beach front properties need some assistance from Government to protect our properties from Natural disasters.”

“Too much accommodation being built for very small overseas market at this time.”

“Government failing to make it easy to do business with duplicated requirements from different departments and manual processes.”

“Government not assisting small business and imposing unrealistic restrictions.”

“Covid related travel issues such as border closures, isolation requirements etc.”

“Paying off mortgage and additional loans taken to get through covid.”

“Improving the port state control performance of ships that fly the Cook Islands flag.”

“More holiday homes which makes it more challenging.”

“Adjusting to normal life once again as it was pre-COVID. Realising since COVID how impactful social media can be for a business, and learning to use it more effectively to promote my business.”

“We are a new business, having refurbished and rebranded an old product, then opened at the beginning of Covid-19. Our challenge is to get exposure, generate a good rating, make up for the loss during the lockdowns, get staff which has been impossible and afford to improve our product over the coming years.”

Those surveyed were asked: “What do you see as being the major opportunities for your business in the next five years?” Over a third (34%) of responses mentioned opportunities to grow the business that involved diversification and adaptation (Table 3). Other opportunities mentioned included: product or service development (17%), tourism growth (14%), targeted market segments (11%), and new marketing strategies (7%).

Table 4: What do you see as being the major opportunities for your business in the next five years?

Theme	Share of responses
Growing business or adapting and diversifying	34%
Product OR service development	17%
Tourism growth	14%
Target market segments	11%
Marketing	7%
Being more environmentally friendly	5%
Financially sustainable	5%
Greater collaboration	5%
Improved flights	5%
Border open or no quarantine	4%
No opportunities	4%
Rising price OR Pricing	3%
Staffing	3%
Investment	2%
Government support	2%

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

Comments included:

> *"Major opportunity is to grow our business, extend on what we have to offer already such as marketing ourselves as a wedding venue, ideal retreat location, etc."*
>
> *"Maybe branching out to something other than tourism."*
>
> *"Further growth in digital offerings and reducing manual transactions."*
>
> *"Managed growth with personal customers and diversification of business customer base."*
>
> *"Focusing on providing a product that has great value for money."*
>
> *"Building and expanding our range of products to meet the supply and demands of the island community."*
>
> *"Increase direct bookings either through CIT website or own or reaching out for repeat guests (bypass the OTAs)."*
>
> *"I see things coming back to normal, such as regular flights, consistent inflow of tourists into the country as opportunities for my business to have some consistency and growth."*
>
> *"Increase in airlines to the country will boost tourism."*

"Building on the New Zealand tourists who visited the Cook Islands for the first time after lockdown."

"Visitors seeking a unique experience or chance to travel to less well-known destinations. The opportunity to attract travellers who haven't traditionally holidayed in the Cook Islands."

"Promoting the authenticity of our product as a point of difference."

"A shift of visitors seeking environmentally conscious countries and accommodators."

"Opening of borders to other countries."

"Joint collaboration with like-minded businesses."

"Making things more accessible for our pa enua but at an affordable price."

"Improve more airlines to come into the country instead just relying on Air NZ."

"From February 2023, staffing and capacity increases of 50% and 75% respectively."

"How can we invest in mineral mining? Shouldn't Cook Islands businesses have first right to invest?"

Some responses did express a level of uncertainty about what the future holds:

"Not certain of where the business is going? because of uncertainty in tourism and cost of living."

"I can't see any opportunities for my business, until world/hostilities end & pricing settles back to normal."

When respondents were asked: "How do you see your business developing in the next five years", nearly half (47%) of responses indicated optimism about the prospects for solid and steady growth, a further 11% predicted slower growth. A number of businesses are struggling during these uncertain times (9%), or indicated the business development depends on the tourism recovery (3%) or the situation of the pandemic (3%). Other responses focused on the product enhancement (12%), marketing or sales strategies (11%), the need to adapt and diversify product offerings (9%), service improvement (9%), upgrading facilities (6%), and seeking technology or online solutions (5%). Only two percent of responses highlighted improving environmental responsibility as an area for development – this latter point will need to be kept in mind as regenerative tourism concepts and ideas are communicated to the sector.

Table 5: How do you see your business developing in the next five years?

Theme	Share of responses
Continued growth (solid & steady)	47%
Product enhancement and new dev OR being sold	12%
Marketing or sales strategies for enhancements	11%
Slow growth, gradually returning to pre Covid level	11%
Staffing challenges	10%
Service improvement	9%
Diversification or new ideas or areas	9%
Unsure - business survival first	9%
Upgrade facilities	6%
New technology or getting online	5%
Depends on tourism development	3%
Higher profit	3%
Uncertainty, dependent on Covid and borders opening	3%
Environment commitment and concerns	2%
Higher occupancy	2%
Government support policies	1%

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

Comments included:

> *"Further capital investment to increase our capacity and income stream."*

> *"Having only operated for approx. a year, our reviews and feedback plus booking have signified our product has the potential to generate good business as we become known and gaining confidence and an excellent reputation."*

> *"I believe it will increase sales provided no interruptions with natural disasters or pandemics."*

> *"As visitors return there is opportunity to fine tune the offered experience which, in turn, means a higher value product."*

> *"Not much; but that's OK if tourism businesses recover and are able to spend more on marketing."*

> *"I'm aiming to return to pre-Covid occupancy and am not intending to plan any further development until then."*

> *"Less capital investment in expensive renovations and furnishings, more in standard maintenance and replacement of linens etc."*

> *"Planning to develop one more bungalow and complete a budget studio to increase capacity potential at a safe and steady pace without committing to loaning during uncertain times."*

“Cannot see any development unless the staffing issues are sorted out. My staff are very happy and well looked after however we cannot compete with the minimum wage in New Zealand and the government is not doing anything about forcing foreign workers back to their country of origin at the end of their contract. Hence they leave for NZ quite easily. My business will not be able to grow until this issue is sorted out and we have some security with the staff we have, train and pay huge amounts to get here.”

“Our point of difference is being small and offering personal service to our guests. WE hope this will result in our guests recommending us to others, word of mouth the best advertisement.”

“Reducing our carbon footprint.”

“Improve product and service and better yield.”

“We have plans to expand which have been on hold due to Covid do we will revisit that.”

“Focus on reducing the cost to serve through enhanced digital offerings and automation.”

“We are already struggling to get goods out to the pa enua not only because there is a shortage of goods in Raro but also with the increased price of shipping.”

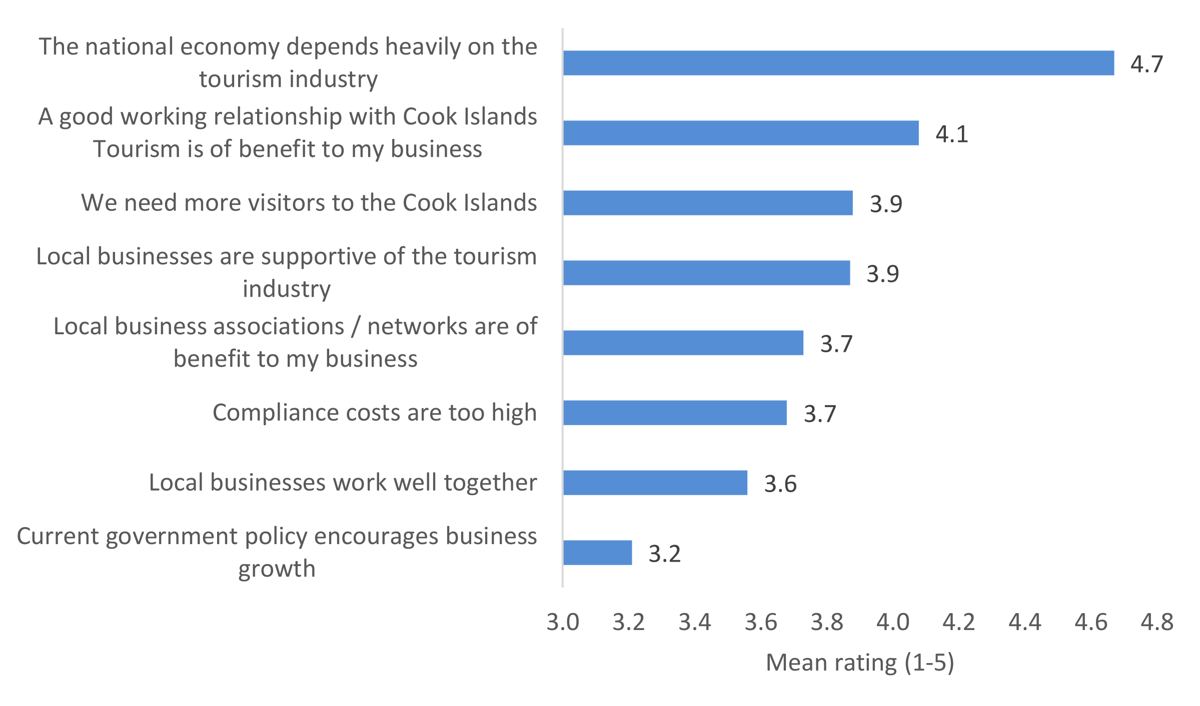
“It won't. It’s going to be a battle for survival. Hand to mouth is the best we can hope for. Going belly up is more likely.”

“I can’t see our business developing at all...rising cost will deter locals from luxury items...”

“The growth of my business depends on the number of visitors.”

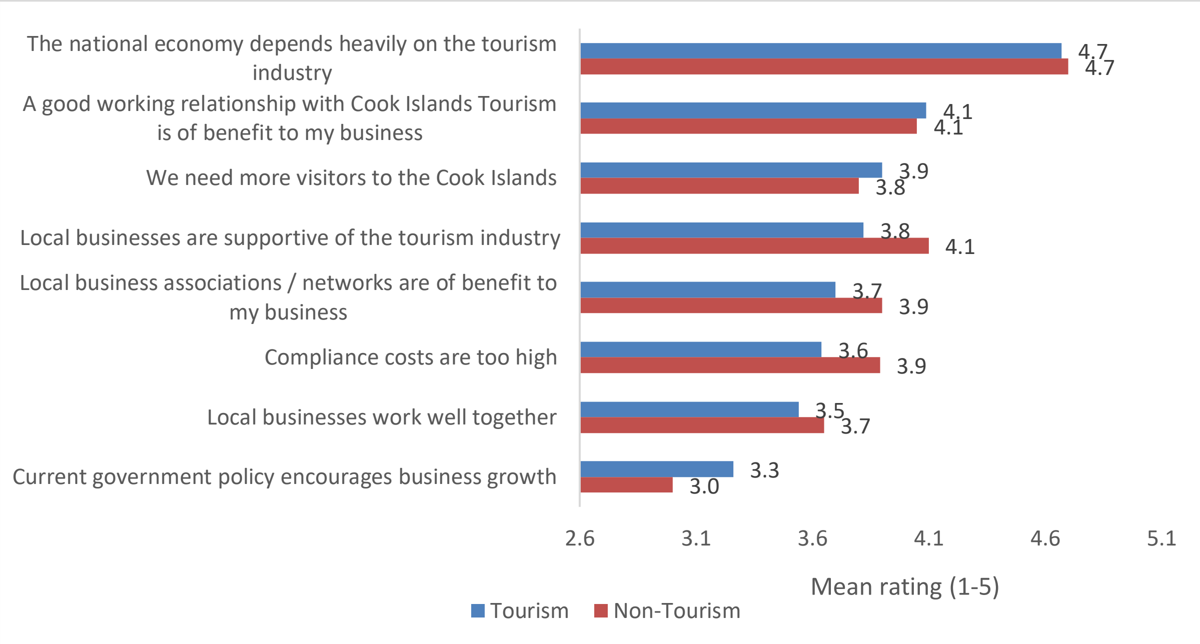
Respondents were asked to rate their agreement with a range of statements about tourism, the economy, and government policy (Figure 39). The statement “the national economy depends heavily on the tourism industry” received the highest level of agreement (4.7 out of 5). Notably, “a good working relationship with Cook Islands Tourism is of benefit to my business” also rated highly (4.1). “Local businesses work well together” (3.6) and “current government policy encourages business growth” (3.2) received lower ratings.

Figure 39: Levels of agreement on statements relating to tourism, the economy, and government policy



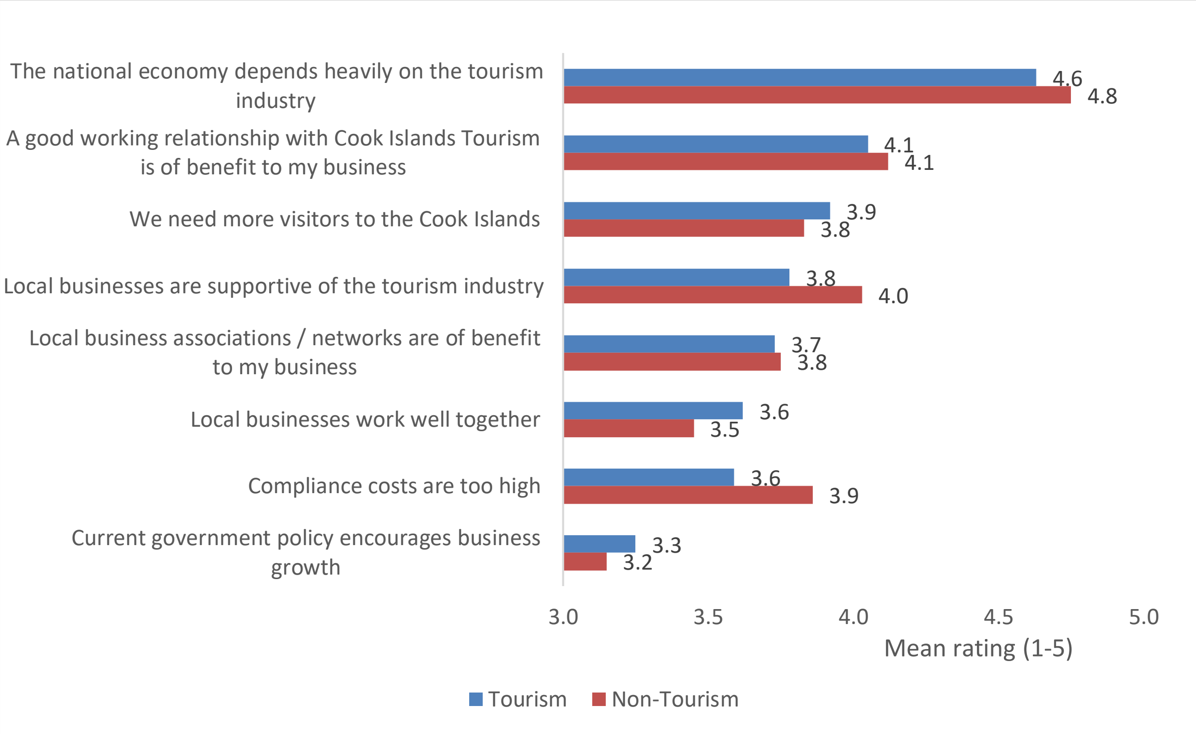
Non-tourism businesses show a higher or similar level of agreement across most statements compared to their tourism counterparts except "we need more visitors to the Cook Islands" and "current government policy encourages business growth" (Figure 40).

Figure 40: Levels of agreement on statements relating to tourism, the economy, and government policy (broader tourism categorisation)



The core group comparison shows a similar trend with non-tourism businesses having a higher or similar level of agreement across most statements compared to their tourism counterparts. The exceptions being “we need more visitors to the Cook Islands” “local businesses work well”, and “current government policy encourages business growth” (Figure 41).

Figure 41: Levels of agreement on statements relating to tourism, the economy, and government policy (core tourism categorisation)



Some respondents provided further comments, including:

> *“Better planning and licencing, no more "unplanned" development.”*

> *“Climate Change is not properly addressed and understood.”*

> *“Compliance is lacking across industries, we need to promote ourselves as best in class, not almost meeting or failing to meet global expectations with regard to quality and safety.”*

> *“Compliance processes are ridiculous. Reforms and simplification of compliance requirements urgently needed. Govt red tape and processes are impeding business growth and expansion.”*

> *“High cost of USD and the resulting inflation and extremely high shipping costs are all big problems for us.”*

> *“I feel like tourists have had the opportunity to experience Aitutaki for the first time during the brief opened borders in 2021, exposing them to Aitutaki’s potential and I*

think this has really increased Aitutaki's exposure and popularity. The next few years will be a good time to develop Aitutaki further."

"Need more financial assistance in the outer islands as we are doing our best to develop but foot traffic is limited compared to Raro."

"Need to open the North America/Europe market for the summer months."

"We need to seriously look at the USA & Europe markets & an easier way to access this market."

"Policies need to be amended for Taxi sector allowing larger van's (Maxi vans) preferably electric and Govt. soft loans."

"The only problem today is, cost for everything is sky rocketing really bad. Tour operators will need to increase in their tours..."

"We need managed tourism numbers - Not just allowing growth to the level that this impacts on the local way of life."

"We need to focus on yield and not tourism numbers."

"We should be capping visitor numbers to ensure that our little piece of paradise is forever preserved and protected."

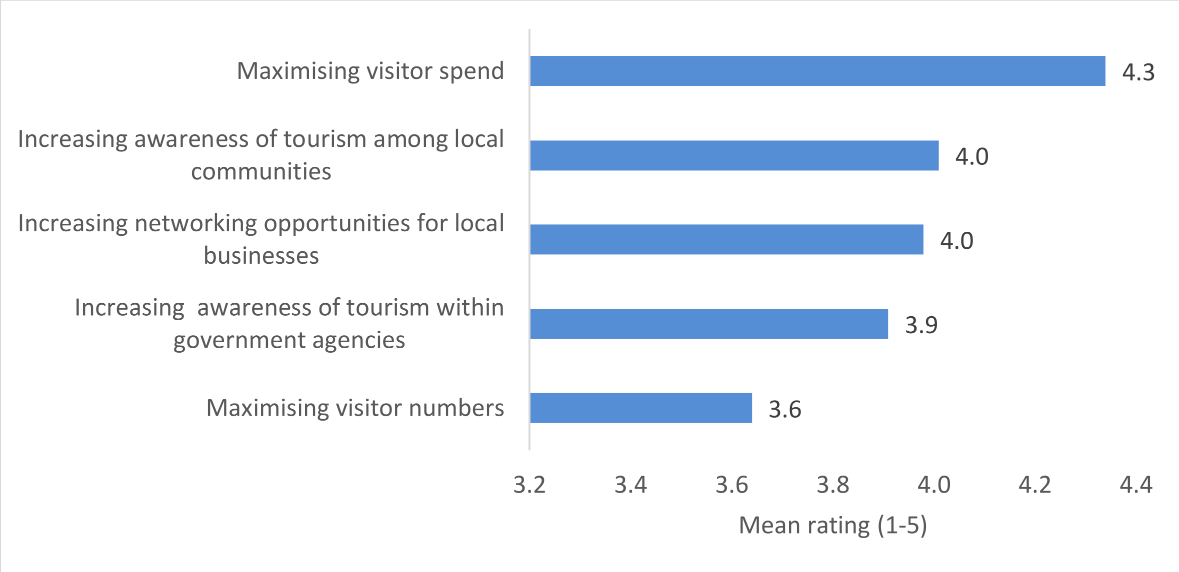
"Would like to see more high end tourists come!"

"Accounting fees and bank systems challenging."

"More assistance for beach front properties to protect their properties."

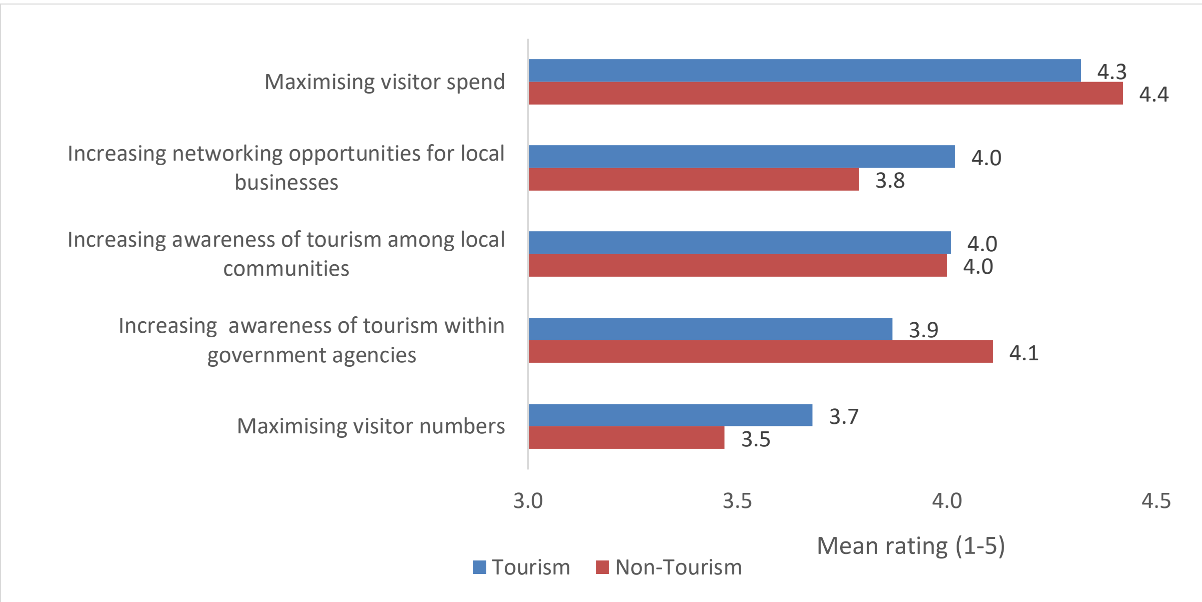
When respondents were asked to rate a series of statements in terms of their importance to the Cook Islands, "maximising visitor spend" rated the highest (4.3 out of 5). "Increasing tourism awareness among local communities" and "increasing networking opportunities for local businesses" also rated highly (4.0 respectively) (Figure 42). "Maximising visitor numbers" received the lowest rated response (3.6).

Figure 42: How important are the following to the Cook Islands?



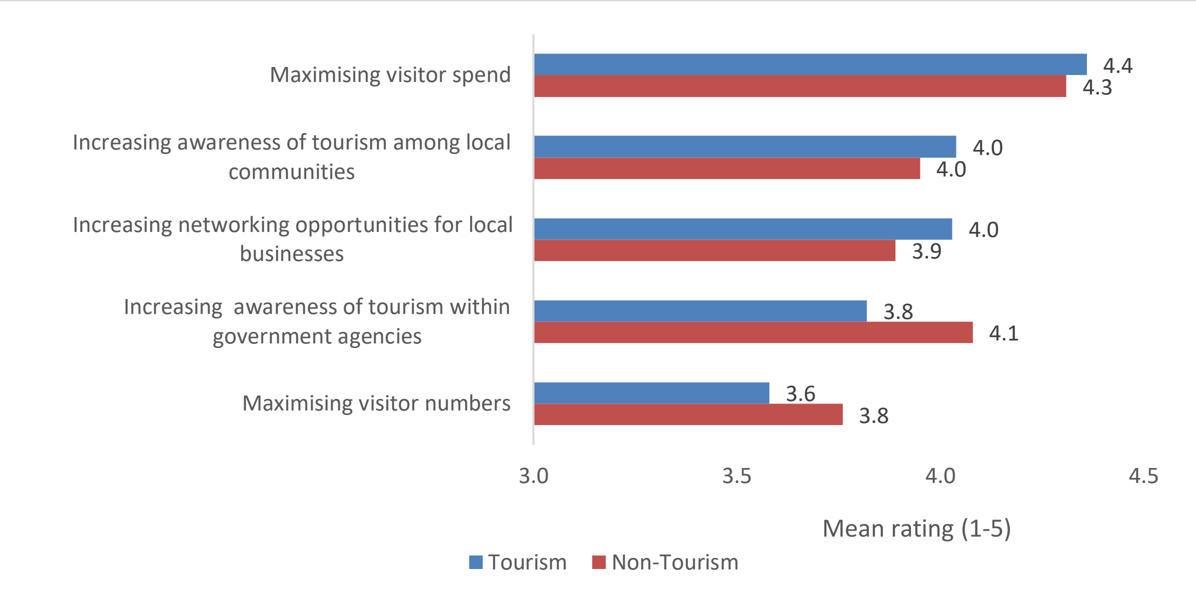
When compared to their non-tourism counterparts, tourism businesses assigned a higher level of importance to "increasing networking opportunities" and "maximising visitor numbers" (Figure 43).

Figure 43: How important are the following to the Cook Islands (broader tourism categorisation)



The core group comparison shows that tourism businesses assign a higher level of importance to “maximising visitor spend” and “increasing networking opportunities” (Figure 44).

Figure 44: How important are the following to the Cook Islands (core tourism categorisation)



Additional comments relating to this question included:

> *“Everyone here knows tourism is our life blood. Diversification is key to ensuring we do not end up like so many other countries that were once beautiful places and are now sad spoiled places where no one wants to visit.”*
>
> *“High end tourist will inject more money into economy.”*
>
> *“Improve product get higher yield need less visitors less negative impact.”*
>
> *“Improving airline connections to Rarotonga is vital for our future success.”*
>
> *“Marketing ourselves as a premium location, rather that cheap. less strain on our infrastructure with similar spending overall.”*
>
> *“The Cook Islands should be advertised as a high-end tourist destination not a South Pacific Bali.”*
>
> *“Tourist numbers to match availability of labour force, resources and how well our environment can be maintained due to increased waste disposal costs etcetera.”*
>
> *“Visitor numbers in low season should be maximised, but this means air-conditioning, disaster risk management strategies (cyclone season) and other factors will become more important.”*
>
> *“We need other agencies to support growth if tourism to pre-Covid numbers with staffing and shortage of vehicles.”*

"While it's always good having more tourists/customers, I think it's better to focus on maximising what each visitor spends rather than more visitors, because sometimes it feels like we're being overwhelmed and making rush decisions to quickly accommodate more tourists, hiring more foreign staff to keep up with demand and can sometimes see the negative changes in locals' attitudes having to deal with increasing enquires."

Conclusions

This report presents results from the Cook Islands Business Confidence Index Survey conducted from September to October 2022, it is the eleventh to have been produced since 2016.

Most tourism and non-tourism respondents feel that their business did not perform well in the last year and there remains uncertainty over what the coming year will bring. On a more positive note, tourism and non-tourism businesses also show rising levels of confidence in terms of the year ahead, with levels starting to return to those seen before COVID.

Respondents indicate that general economic uncertainty and cash flow are their main short-term concerns for business. Long-term concerns mainly focus on high inflation and the rising cost of business operations. Human resource shortages remain a constant challenge facing businesses in the short and long term. Meanwhile, 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 nearly half say they foresee growth.

The importance attached to “maximising visitor spend” has continued to be a focus during this period and the thirst for visitor numbers has dropped back from the COVID shut down period. This points to an awareness of the need to develop a higher yield industry from a potentially lower visitor base. At the same time however the prioritization of environmental dimensions in future business development plans is shown to be at a very low level. This tension between immediate business survival, and resetting existing business models to be more focused on regenerative principles, represents an important future challenge for the Cook Islands.

APPENDIX
SUMMARY OF TIME SERIES TRENDS 2016-2022

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 (Oct to Nov 2020)
2021 (Oct to Nov 2021)
2022 (Sep to Oct 2022)

Table 6: Respondents across eleven phases

	LS16	HS16	LS17	HS17	LS18	HS18	LS19	HS19	2020	2021	2022
Number of responses	128	124	97	106	84	113	68	70	161	145	127
Conversion rate	41%	40%	31%	34%	27%	36%	22%	22%	51%	42%	37%

Figure 45: Which of the following best describes you?

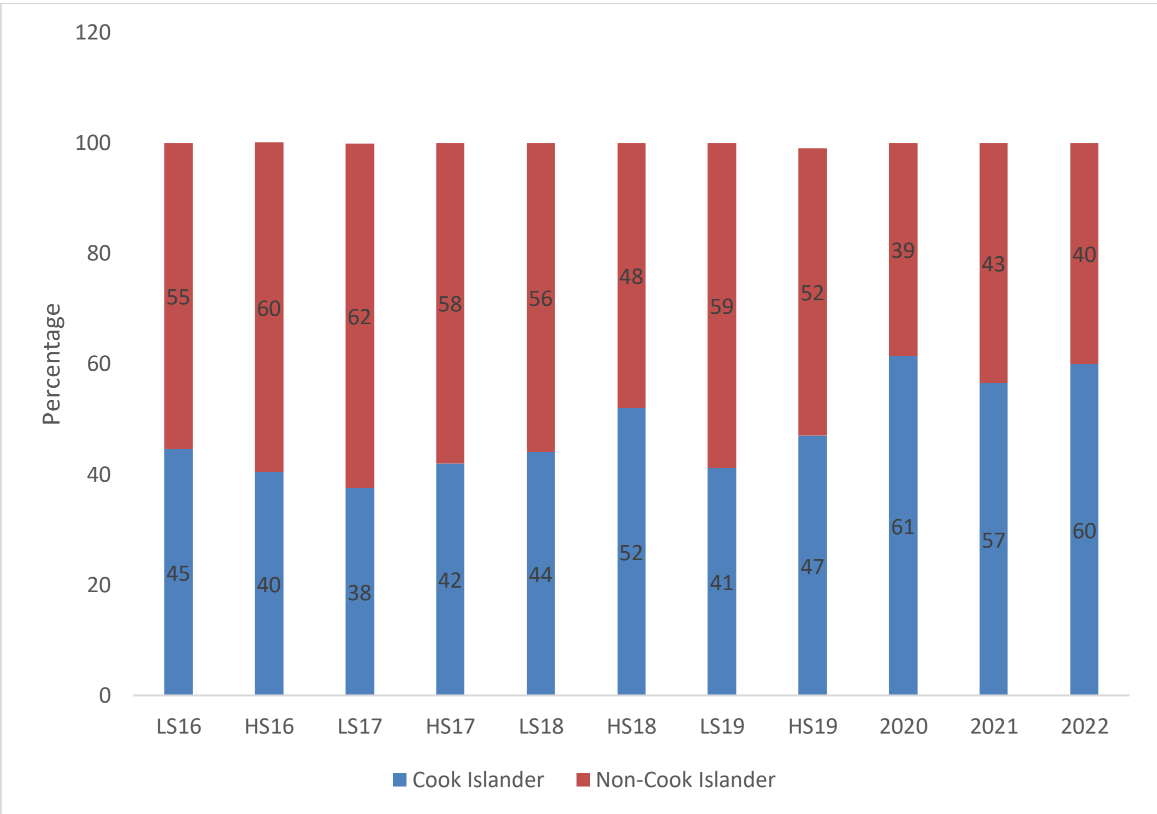


Figure 46: What is the primary focus of your business?

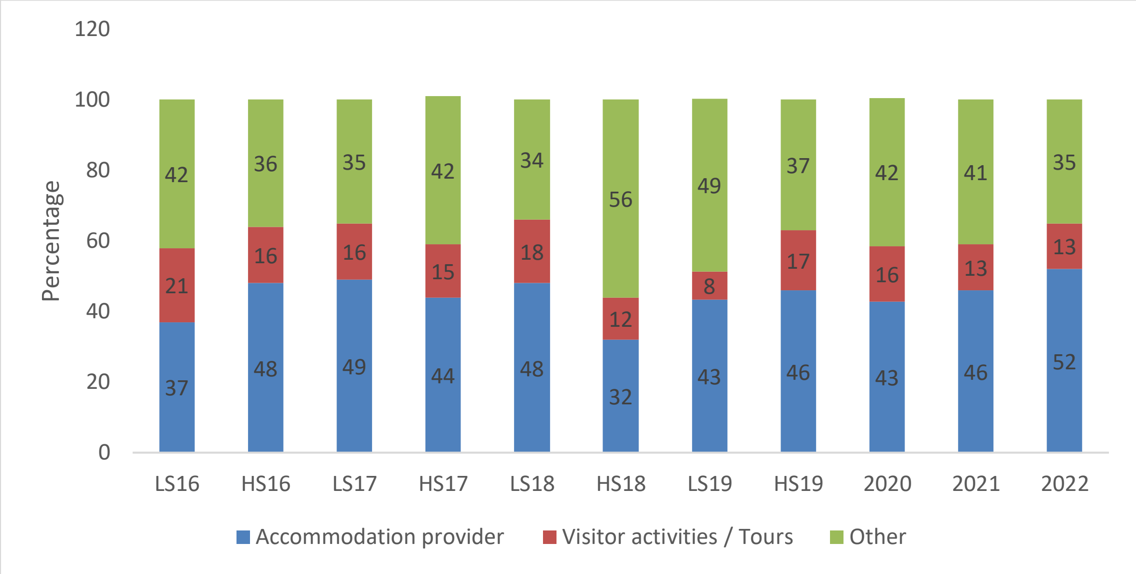


Figure 47: Where is your primary business located?

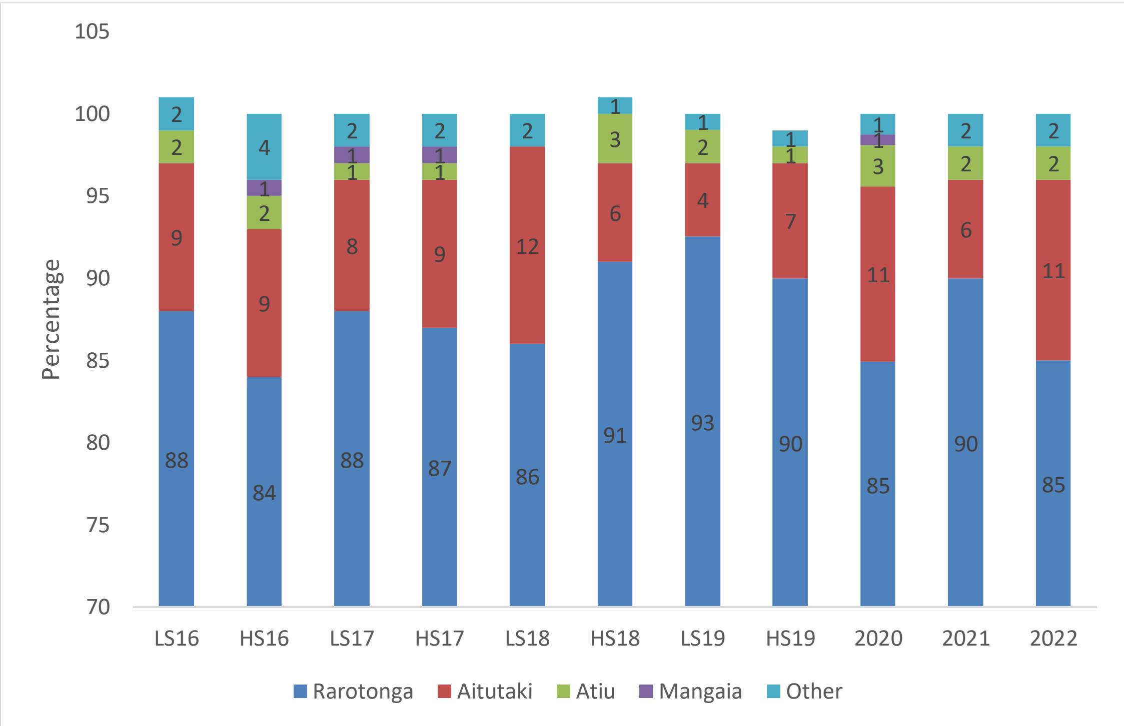


Figure 48: Your level of agreement with the following statements

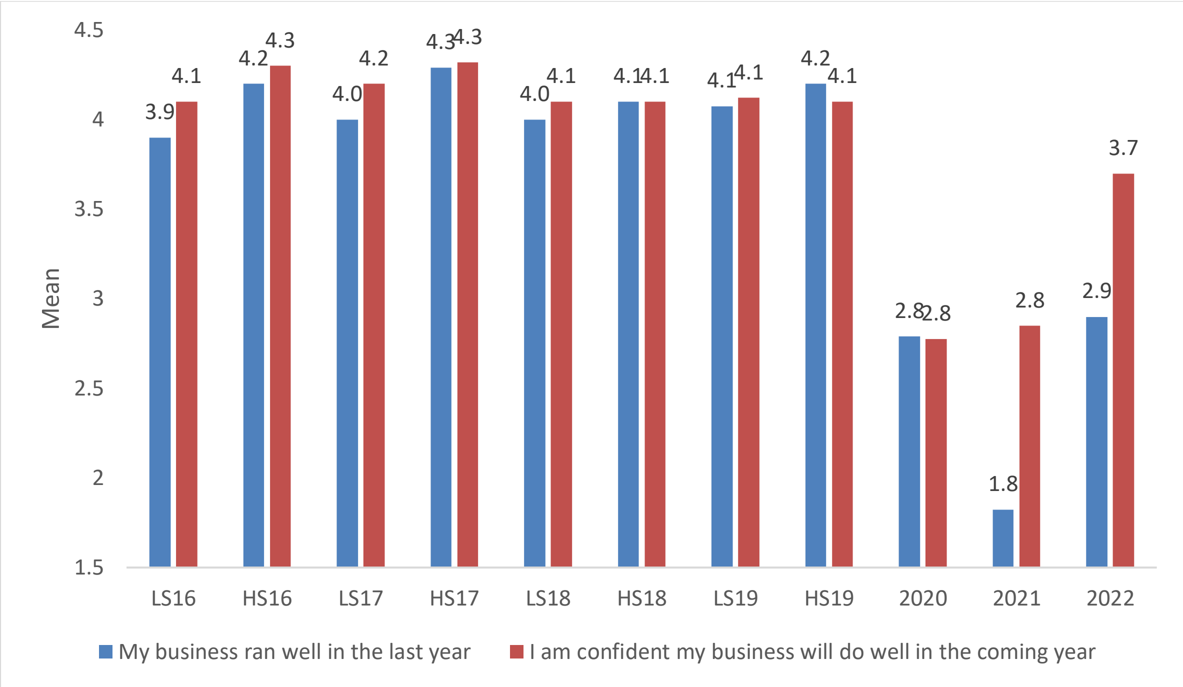


Figure 49: My business performed well in the last year (broader comparison for 2022)

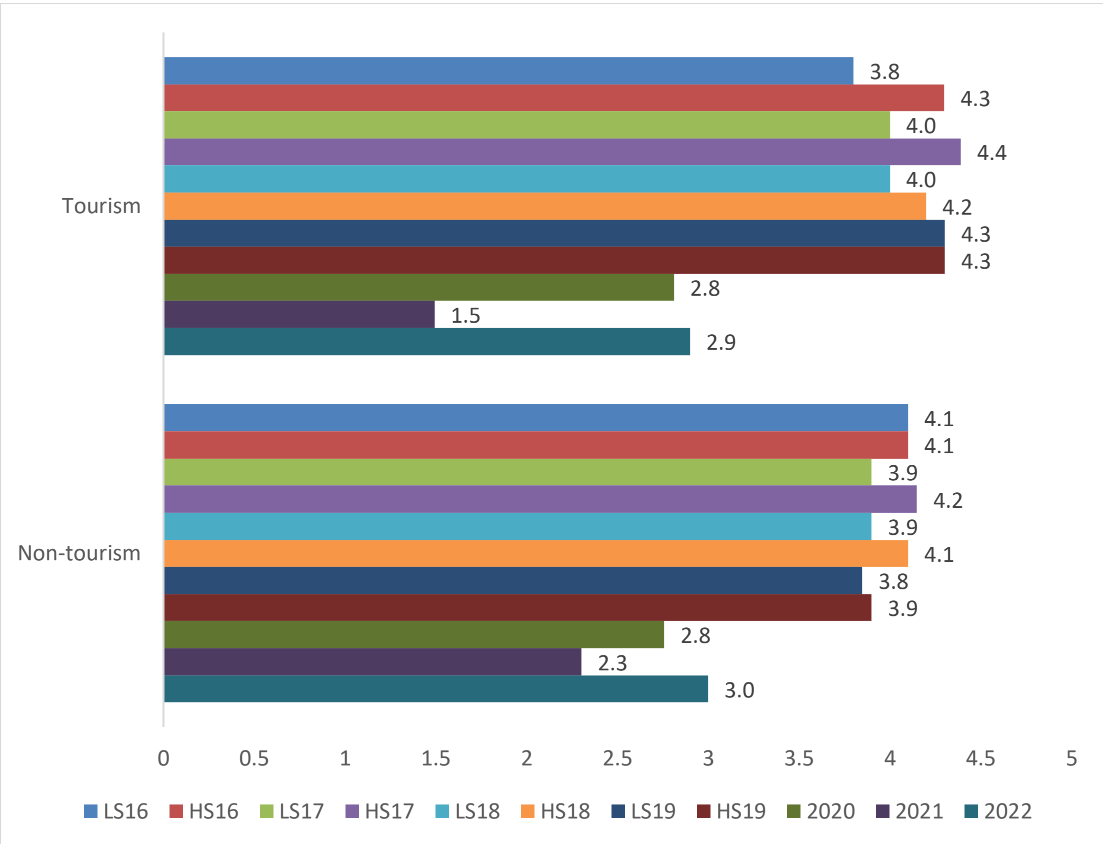


Figure 50: My business performed well in the last year (core comparison for 2022)

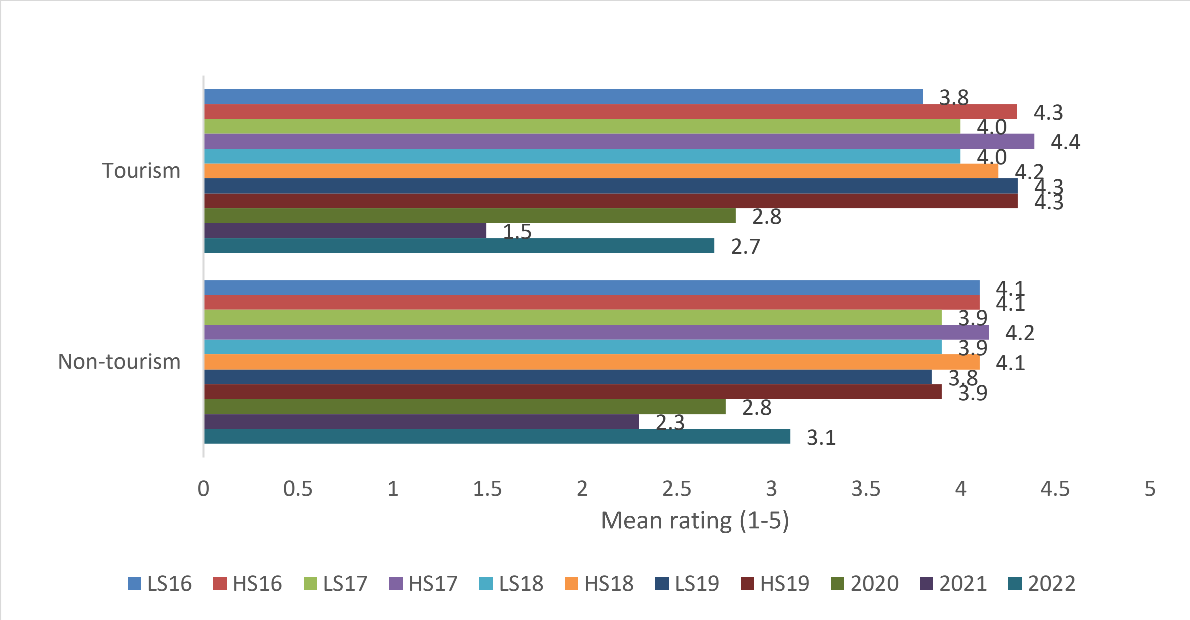


Figure 51: I am confident my business will do well in the coming year (both broader and core comparisons for 2022)

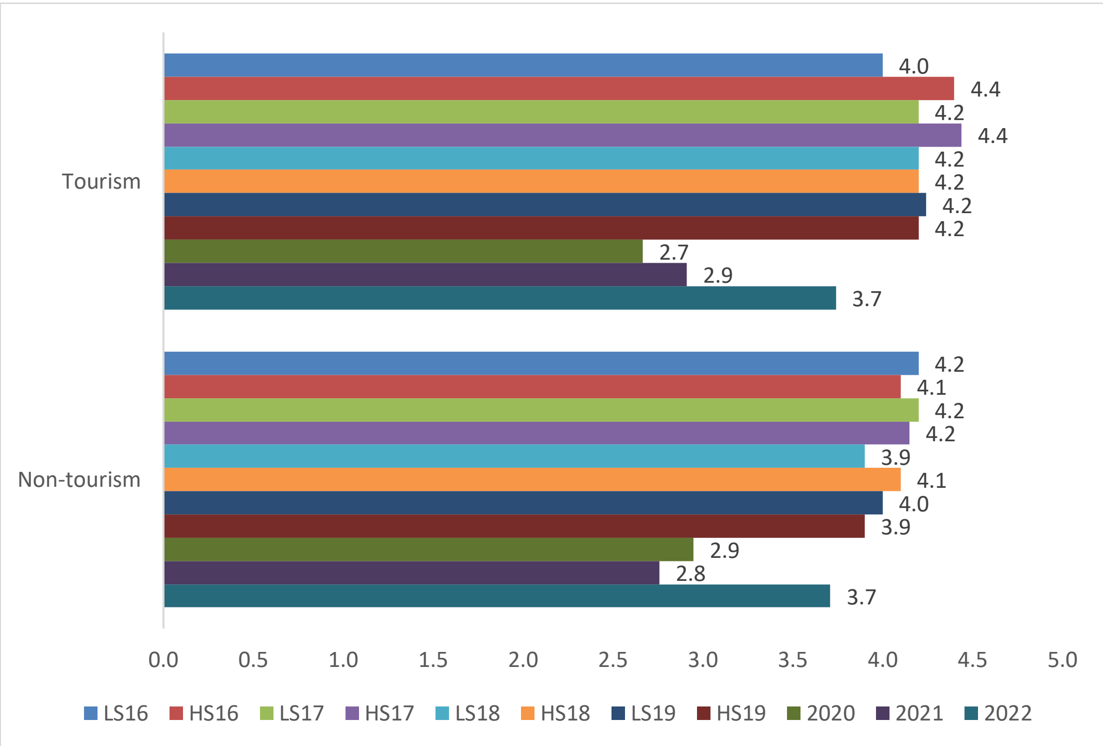


Figure 52: What do you see as being the major challenges that will face your business in next five years? – Part one

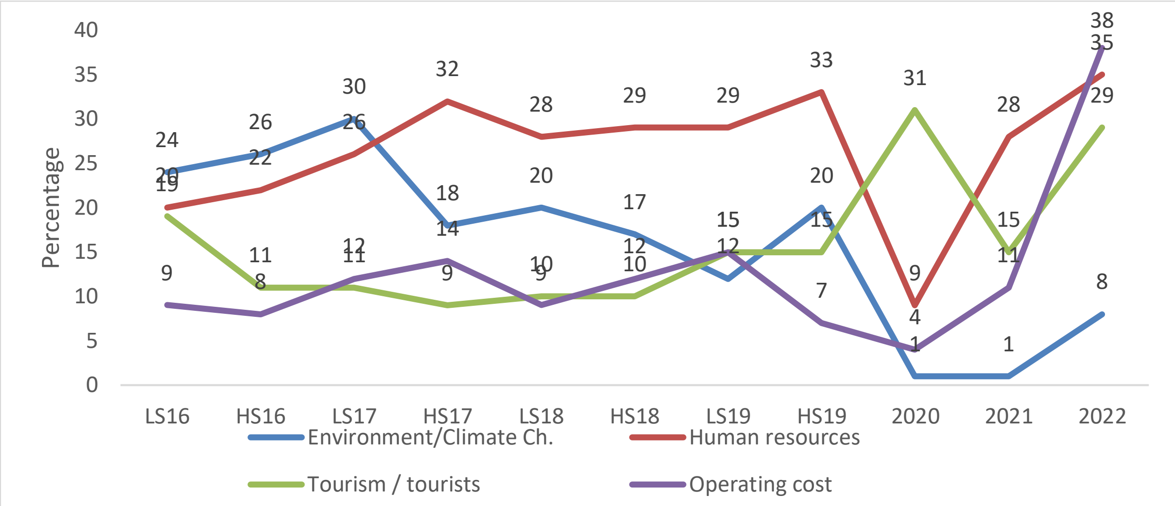
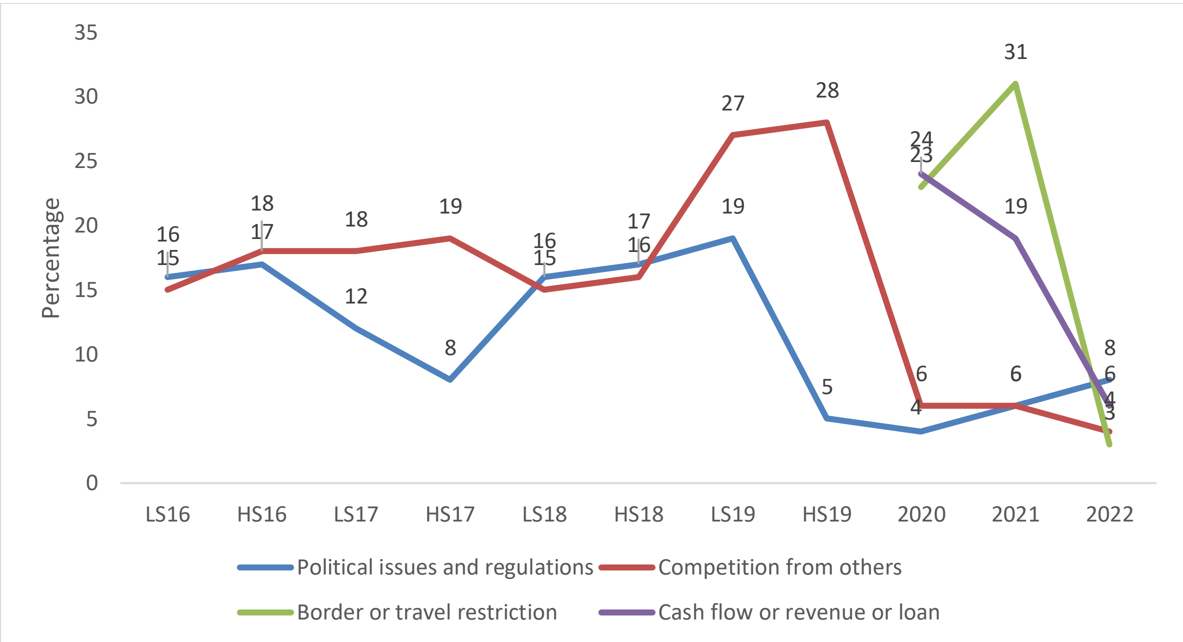


Figure 53: What do you see as being the major challenges that will face your business in next five years?* - Part two



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

Figure 54: What do you see as being the major opportunities for your business in the next five years? - Part one

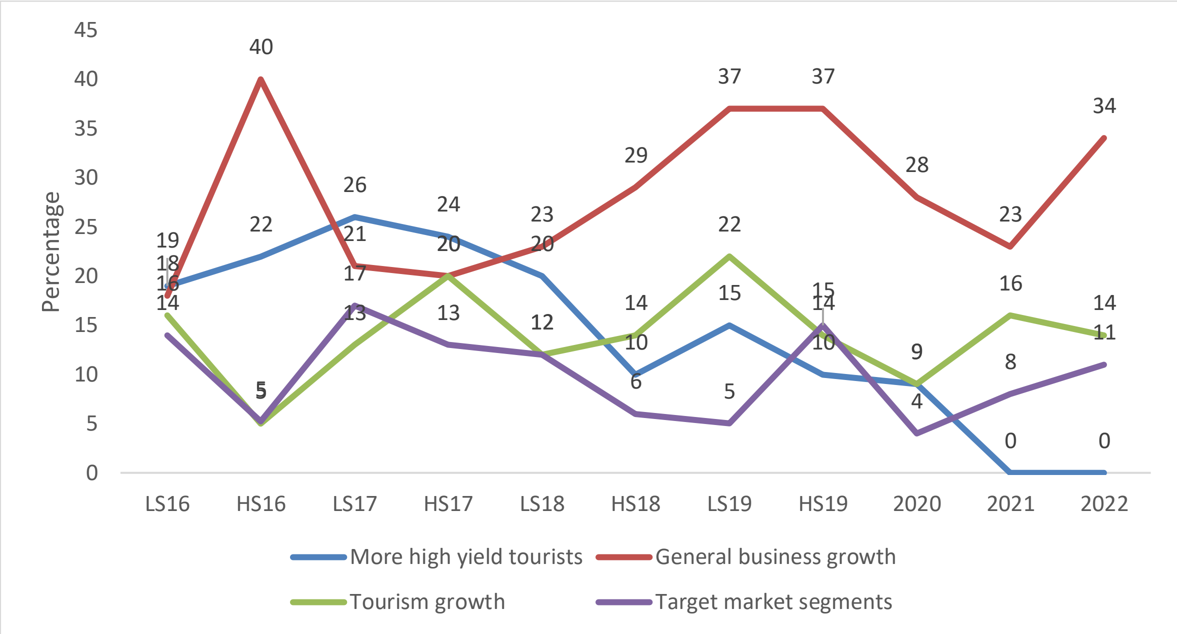
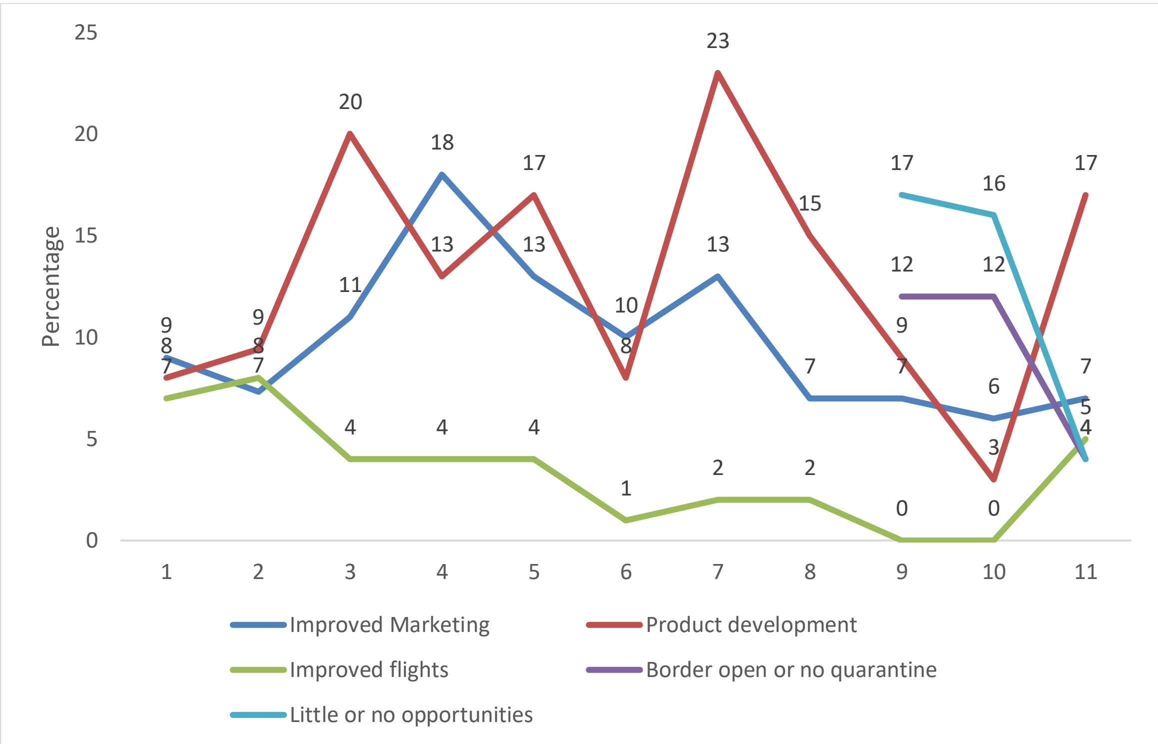


Figure 55: What do you see as being the major opportunities for your business in the next five years?* - Part two



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

Figure 56: How do you see your business developing in next five years? – Part one

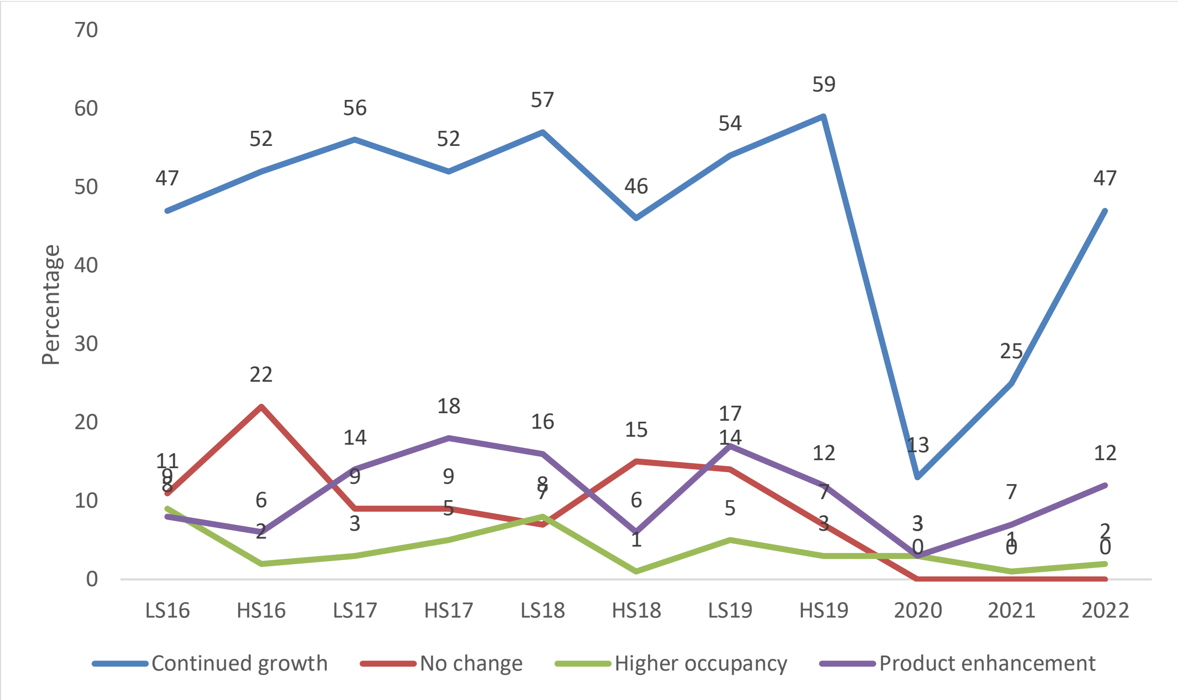
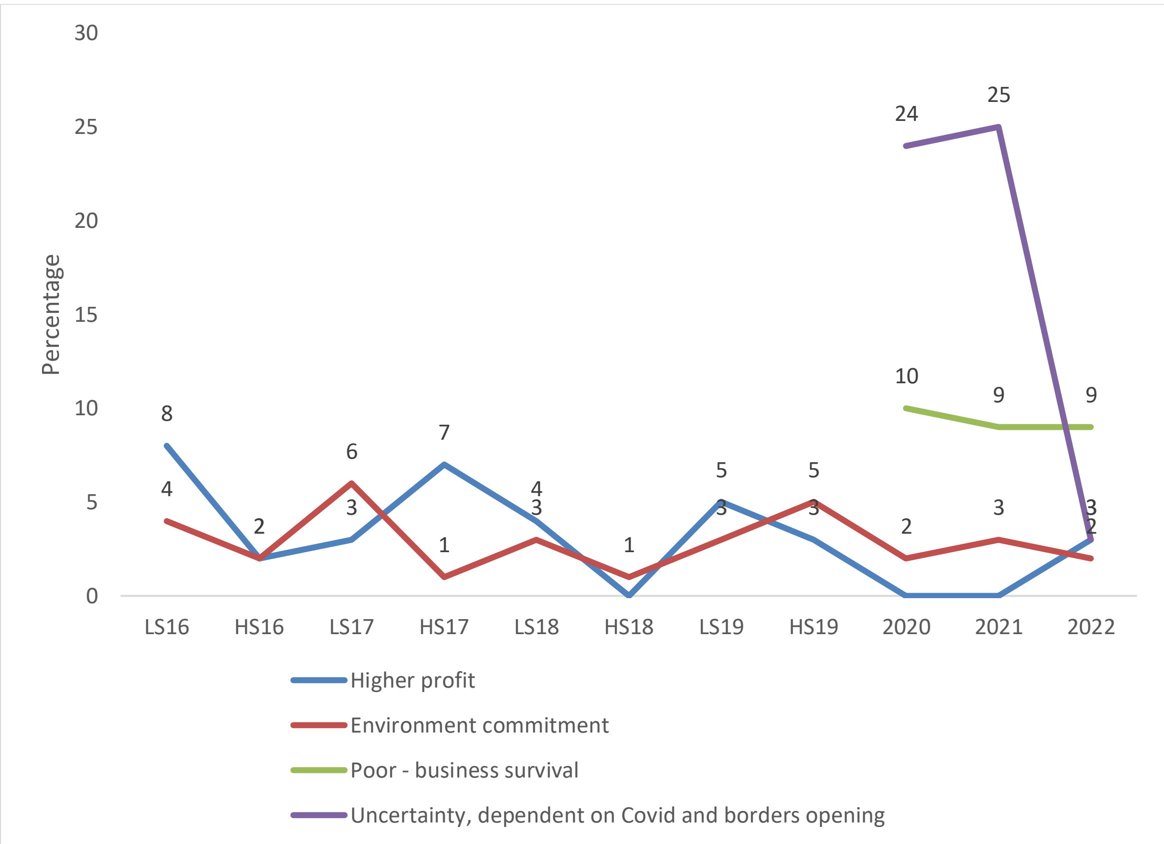


Figure 57: How do you see your business developing in next five years?* – Part two



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

Figure 58: The importance of statements relating to the Cook Islands

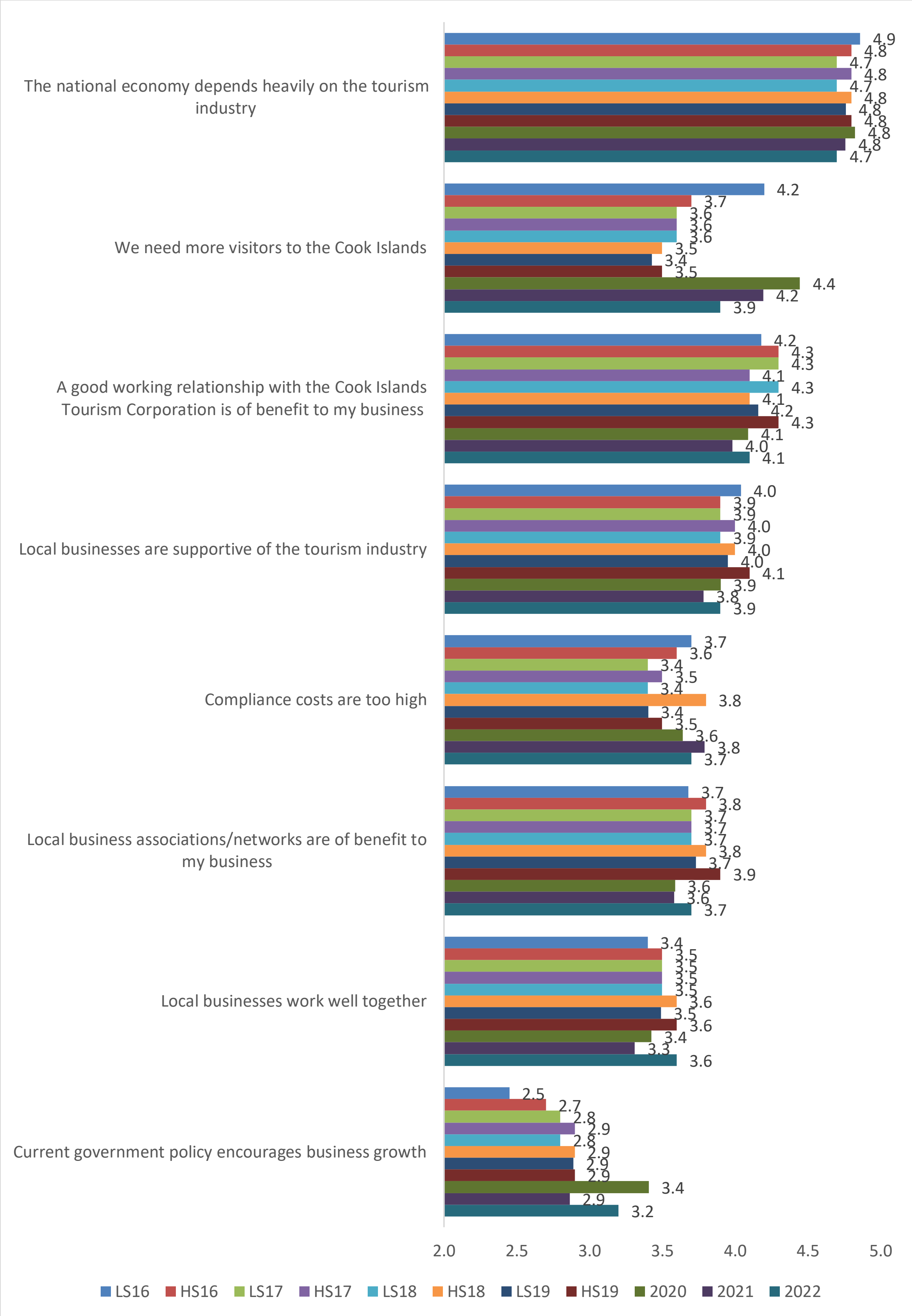


Figure 59: The importance of statements relating to the Cook Islands – broader comparison

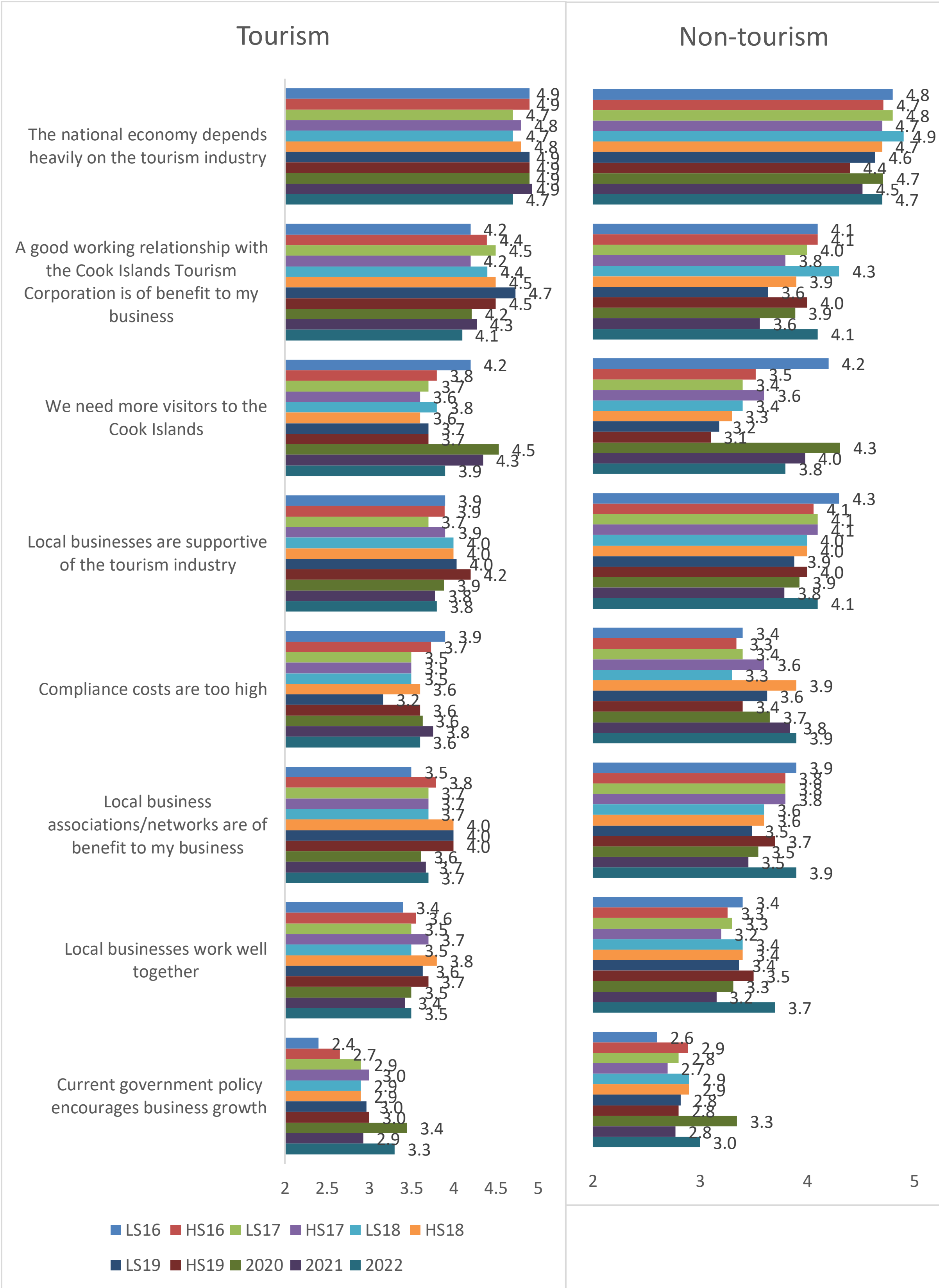


Figure 60: The importance of statements relating to the Cook Islands – core comparison

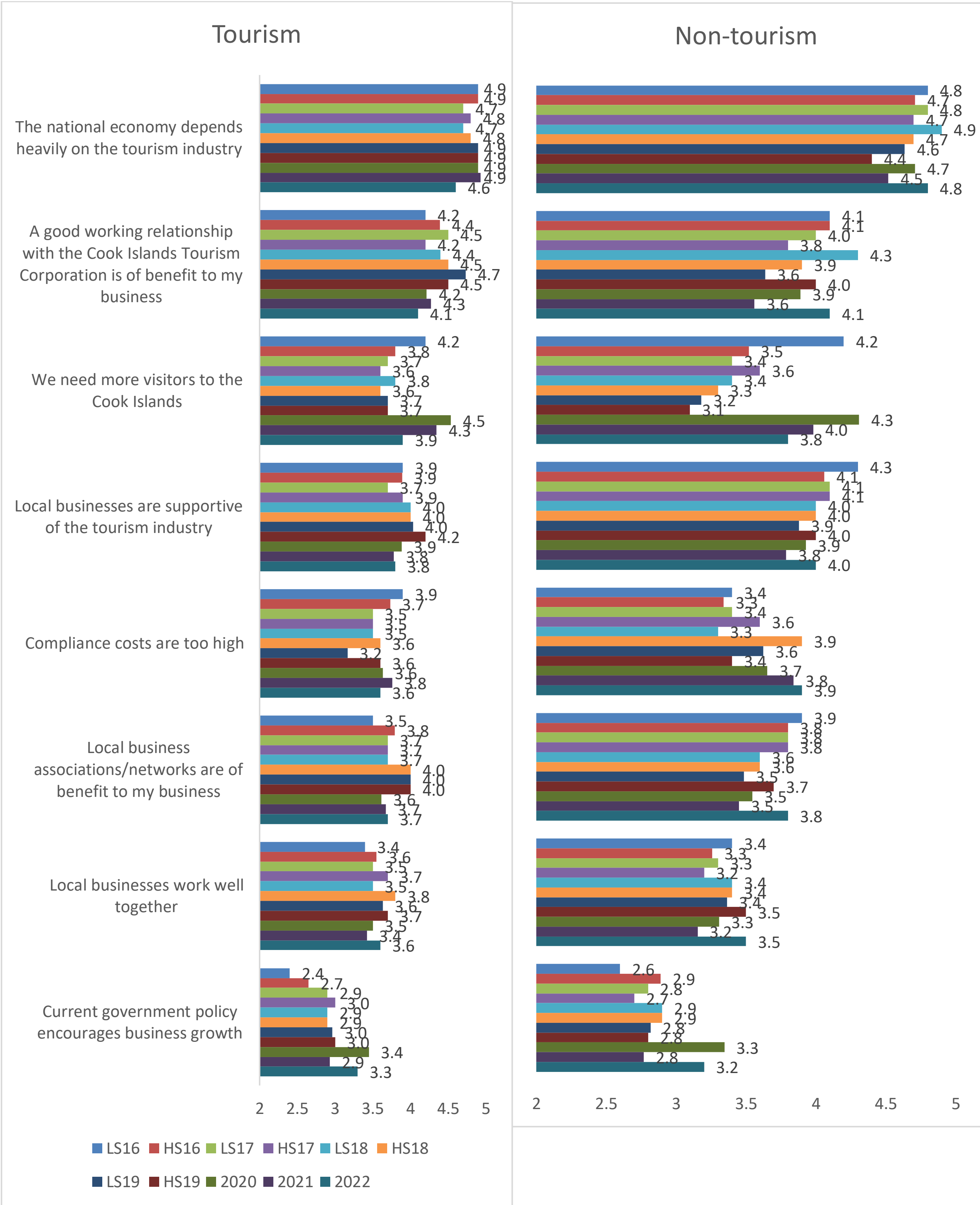


Figure 61: How important are the following to the Cook Islands?

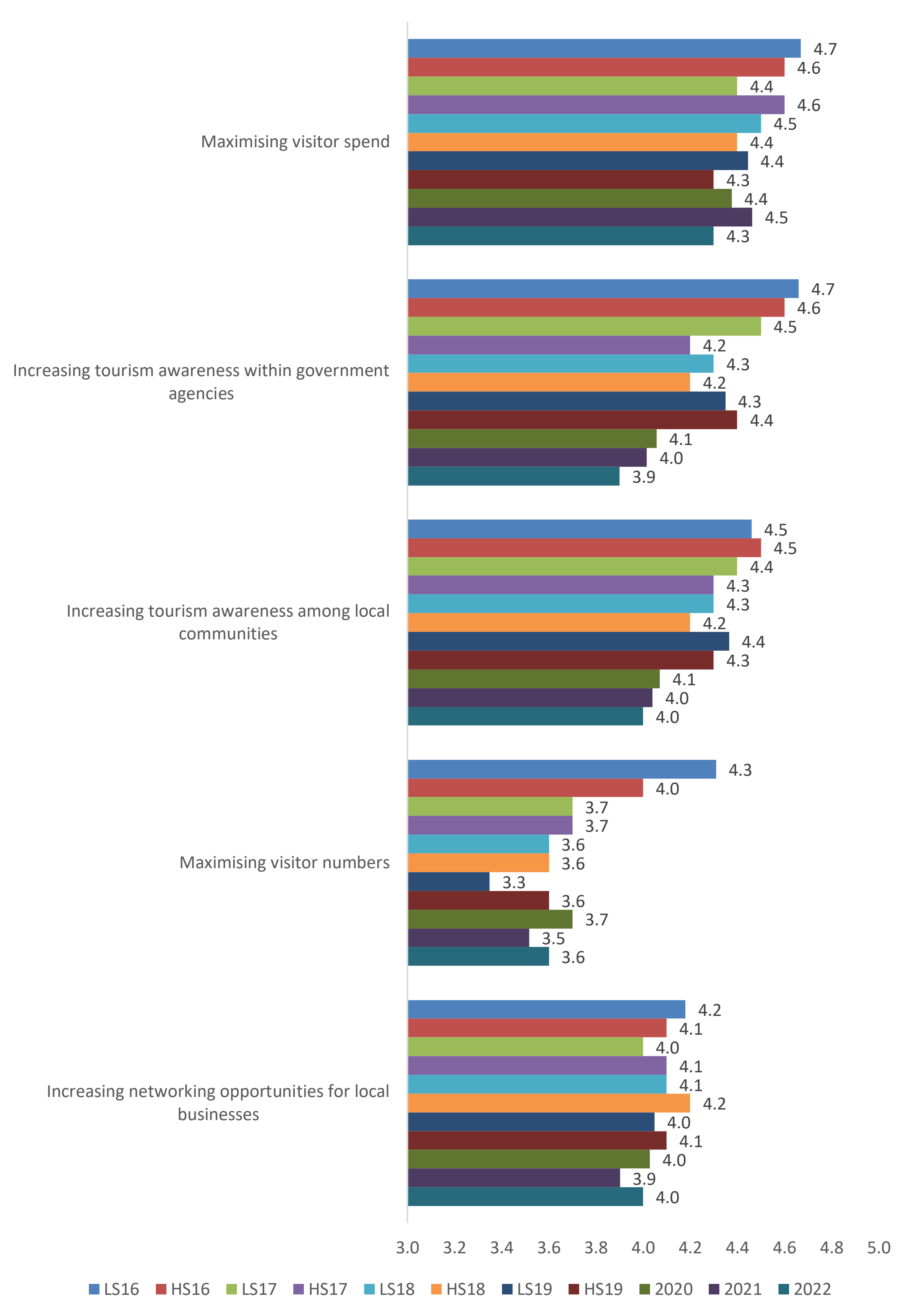


Figure 62: How important are the following to the Cook Islands? – broader comparison

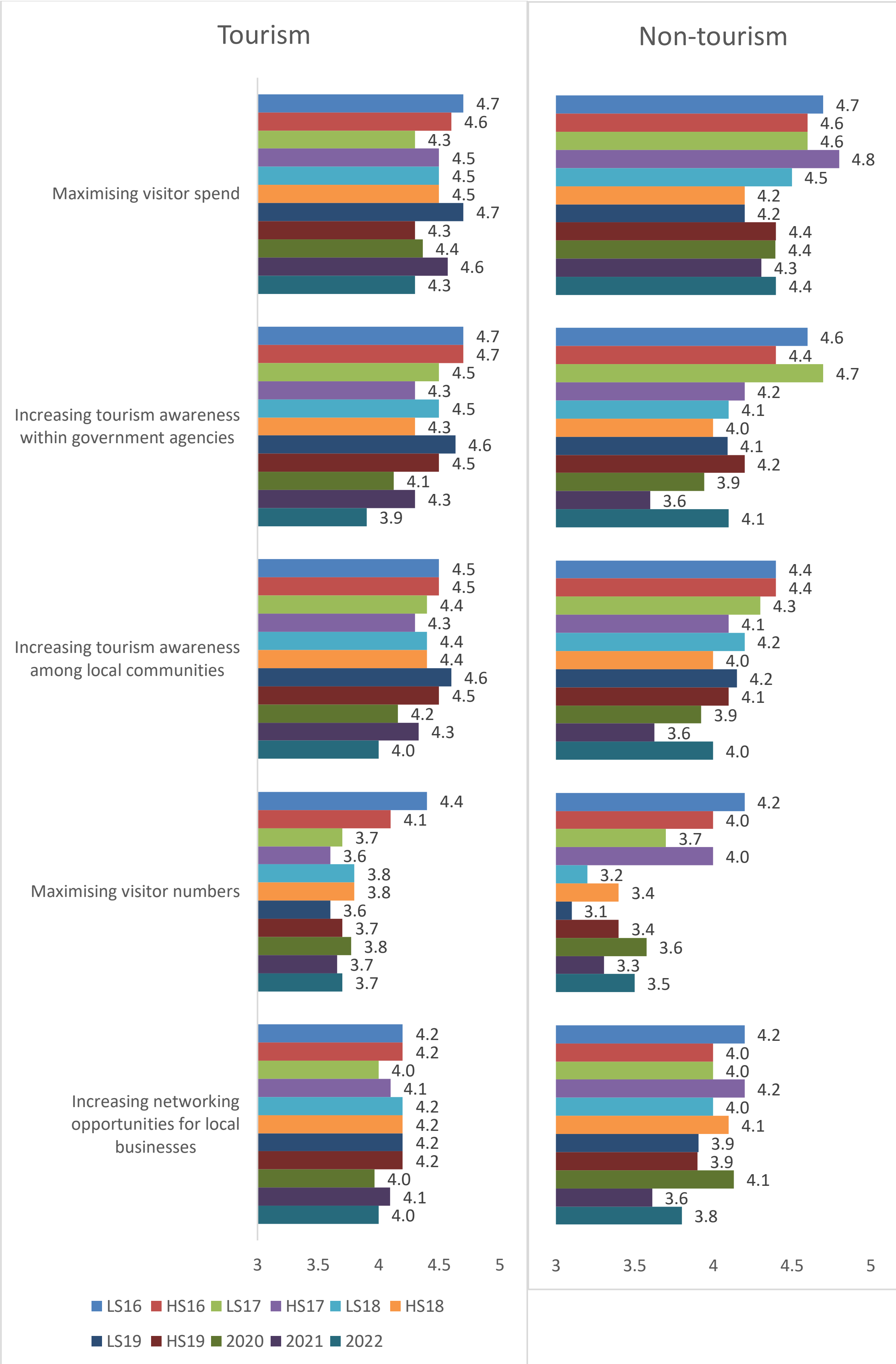


Figure 63: How important are the following to the Cook Islands? – core comparison

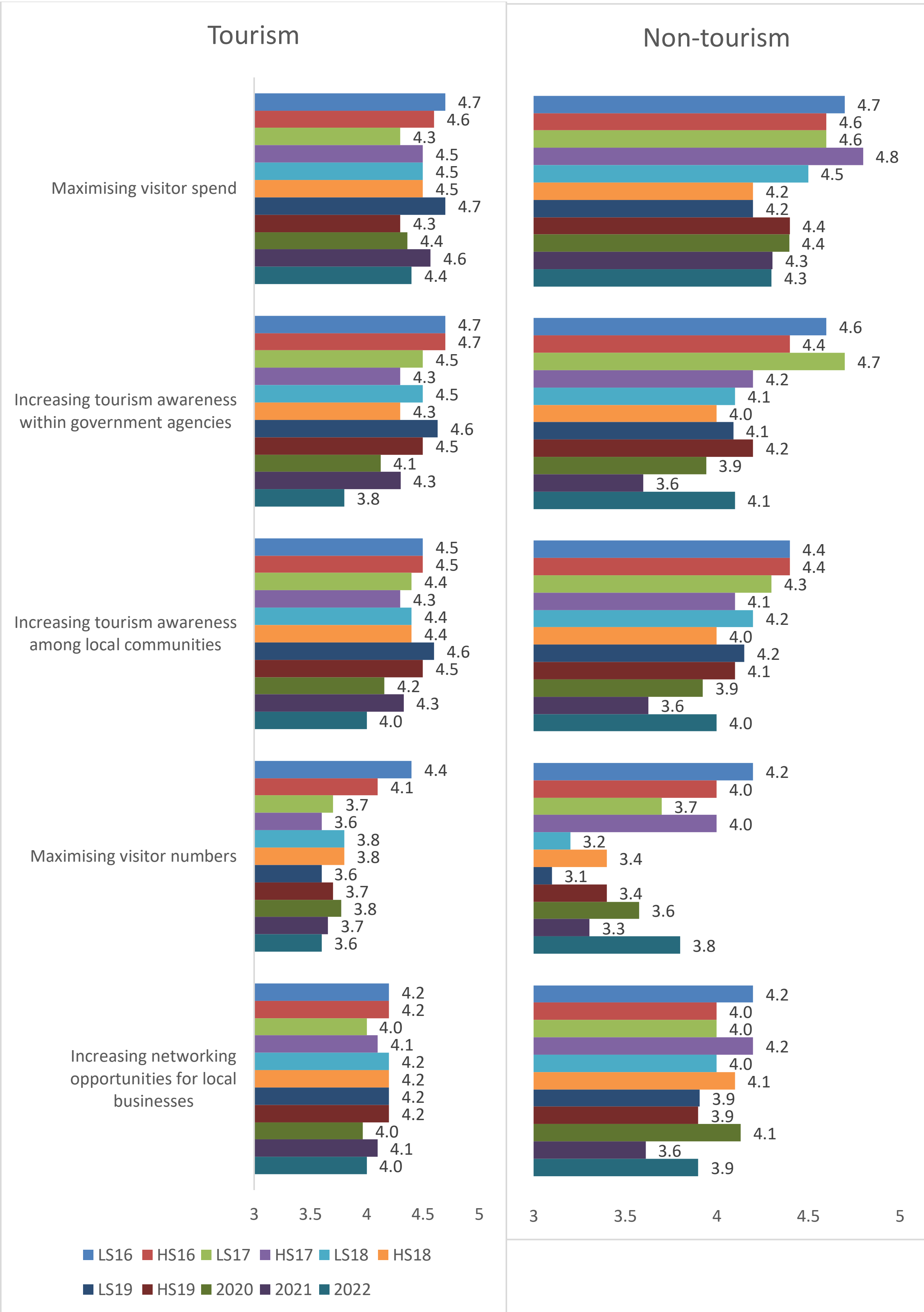
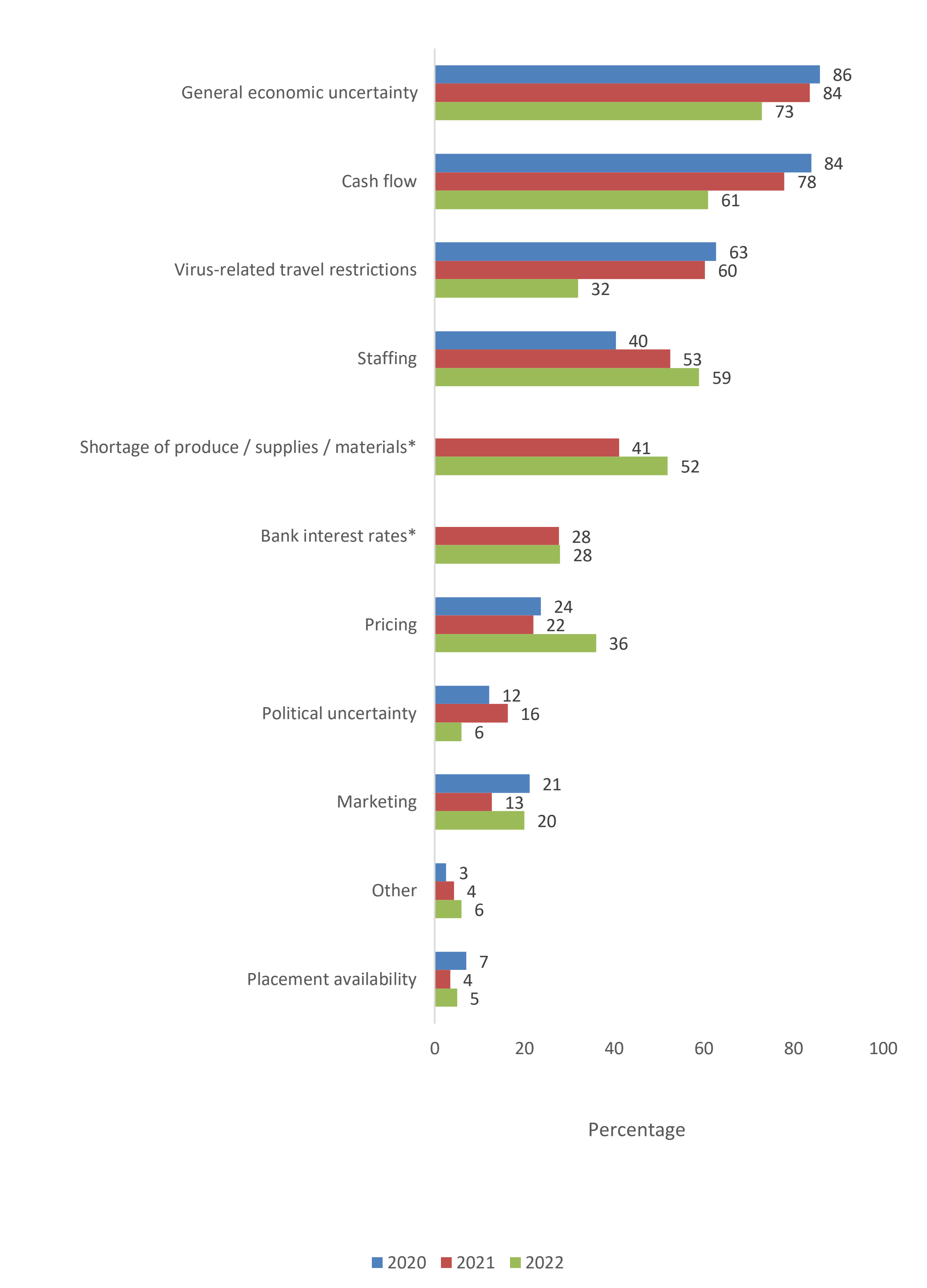
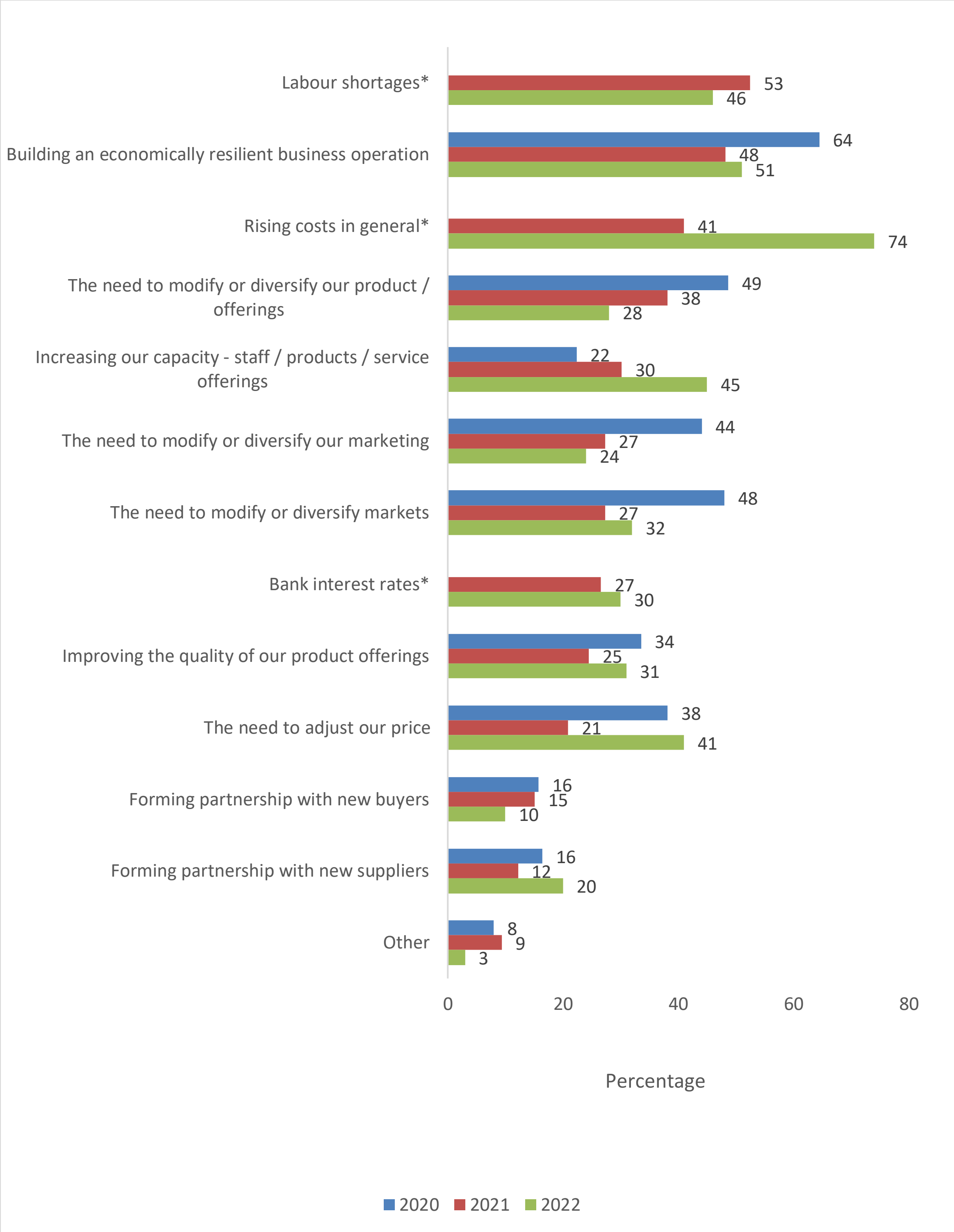


Figure 64: Key short-term concerns relating to COVID-19



Respondents could give more than one answer, so total does not add up to 100%.
* New statements added from 2021.

Figure 65: 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 from 2021.