

# ISLANDER HOTEL

Cook Islands



**Investment  
Case Study**

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# ISLANDER HOTEL



## Country



## Sector



## Type



## Background

Rohan was born and raised in the Cook Islands. His father was a businessman and heavily involved in national politics. His mother was a radiologist working in the health sector. His father was himself an investor in the Cook Islands tourism sector (mostly accommodation) and had considerable interest in tourism as a sector of economic growth and opportunity for the Cook Islands people. Rohan completed his year 13 education in Rarotonga and then went on to complete a Business degree at the University of Queensland in Brisbane.

Between 1995 and 1996, Rohan joined the Investment Development Board (IDB) of the Cook Islands – at 25 years of age, he became the CEO (one of the youngest chief executives to serve in the government sector). He saw his role with the IDB as being the chance to kick start economic growth and to promote the Cook Islands to potential investors. He

stayed with the IDB in this role for 5 years. He felt the Board was very strong – with members having a great deal of energy and passion.

During the period 1996-2001 (especially the earlier years), Rohan believes the IDB managed to achieve some very positive results with a lot of smaller investments being attracted to the Cook Islands and banks becoming more aware of the need to support investment. During this period, they facilitated/supported a range of investments across sectors as diverse as Pawpaw production (export), black pearls and fisheries.

In 2001, Rohan left his role as CEO of the IDB due largely to a growing degree of political interference in day-to-day operations. At this point, he moved into a new role with the Pacific Forum Secretariat – establishing their Beijing office. He remained in

the Forum Secretariat role until 2008. During this period, he focused on trade, investment, tourism and also dealt with political links between China and the Pacific region. This period provided him with some deep insights into Chinese culture and business/investment practices.

In 2008, Rohan left his role in Beijing due to health reasons and took up a role with the Cook Islands Tourism Corporation as head of Product/Destination development. While he had a real passion for tourism, he found that the role did not really suit his interests and focus and so he moved on after a short period of time.

From 2008 – 2011 Rohan moved into a new role leading an ANZ company focused on under-performing businesses within the bank's loan portfolio. During this period, he dealt with a range of businesses and sector – including three hotels that were struggling to survive in a challenging economic climate.

Rohan's experience with the ANZ subsidiary prepared him well for his next role, which was to manage the Crown Beach resort from 2011-14. This was a resort that definitely needed to be 'turned around' something that he managed very successfully. To quote Rohan: "business salvage was a real passion".

## Investment Details

In May 2014, Rohan decided that it made sense to take his range of skills and experience and to apply it to building his own business. He bought the Aquarius Rarotonga – a property located proximate to the International Airport in Avarua, which offered accommodation and food and beverage services. When Rohan took over the Islander, he believed that Cook Islands tourism was characterised by poor value for money – prices of accommodation, food

and beverage were not justifiable. There was a clear niche for good quality offerings at mid-range pricing – with a focus on service excellence and a good quality product. He also believed that the industry was (and still is) characterised by a lack of ongoing investment and improvement (a cycle of initial purchase and then neglect in terms of ongoing maintenance and investment in properties). Competitors in the accommodation sector were also not doing a very good job in their marketing – often over promising and under delivering – leading to poor return visitation and limited positive word of mouth. His aim was to rectify these shortcomings in his own property, ensuring that he continued to invest in both plant and staff and that he "kept up with international trends".

## "Business salvage was a real passion"

His initial focus was on a few key areas: Staff required a significant overhaul. Some under-performing staff had to be let go as they simply had ingrained attitudes that could not be changed. Wherever possible he tried to work with existing staff that had potential to perform in the new operation he was building. He also focused on bringing new staff that could really buy-in to what he was trying to achieve.

He undertook a major upgrade of the kitchens – replacing all old equipment and also shifting to an 'in-house' model for the production of bread, sauces etc. (these had previously been brought in from outside rather than prepared in the kitchens)

The dining area was re-built and the rooms given a total makeover to bring them up to a higher standard. He has also conducted extensive development of decking and swimming pool areas on the seaward side of the complex.

With these changes in place, Rohan felt that the

three core areas of accommodation, food and beverage were “firing at full potential”. He particularly focussed on building a strong team culture with the workforce and focusing on excellence. For example, he rewards staff by paying more than minimum wage and creating a positive work environment. Rohan has also developed a team culture where food, beverage and room related staff compete with each other in terms of performance and are rewarded accordingly (trips to Aitutaki, VIP tickets to events etc.). (NB. On the day of the interview, the premises were closed for a work function for his staff – a late Christmas function. Staff were enjoying the chance to eat and recreate on the premises and were also given the opportunity to stay overnight in the rooms – as Rohan mentioned, this is also a great way for the workforce to gain an insight into what the guest receives and the type of experiences).

The current Islander operation has an extensive dining area, indoor and outdoor bar areas and 13 rooms capable of sleeping 52 people. International travellers, with a mix of leisure and business clientele make up the guests. The restaurant and bars are focused on domestic clientele but with a strong presence from the international visitor. The Islander is well known for its reasonable alcohol and food prices – his approach to pricing has ‘shaken up’ the rest of the industry. This generates strong domestic interest – especially for events and functions. The Islander is also a key stop off point for the tourist ‘booze bus.’

Current employment numbers are approximately 60 (part and full time). When the business started, 97% were Cook Island Maori. This has fallen to 90 per cent due to a lack of work ethic and skills in the local



Source: Image sourced from <https://www.islanderhotel.co.ck/>

labour market. Like several other operators, he has been forced to look to Fiji for some skilled labour.

He places a great emphasis on in-house training, with a focus on constant improvement otherwise staff will: “fall back into Easy Ville”. He is also a supporter of the local tourism and hospitality training college and the trade’s school (Cook Islands Tertiary Training Institute). He feels the quality of the training is good and that the cost of the training is very reasonable.

His workforce is comprised of 70 percent females, with most senior roles filled by women (e.g. hotel manager, restaurant manager, financial controller etc.). Rohan says, “Women run the ship”. He feels this creates a nurturing and family atmosphere in the workplace. He feels that women with children make a particularly solid contribution to the business – their mind set changes with family responsibilities and they lose some of the fickle ethic that characterises young single workers (although there is still an important role for the latter).

Approximately NZD\$1.5m has been invested in the project to date (70 percent loaned). In the coming year, he is looking to expand the number of rooms to 37 – by building up rather than expanding the physical footprint of the building. The new development is likely to involve around NZD\$4m in investment.

His key objectives for the Islander investment (both current and future) can be summarised as follows:

- To provide financial security for his family
- To develop a business platform for the development of further accommodation in the Cook Islands (holiday homes and high-end villa/condos) with the prospect of 150 rooms.
- To build and develop a Cook Islands brand

that will be visible both within the country but also potentially in other parts of the Pacific.

- To support and build local Cook Island capacity in areas of management and entrepreneurship. He wants to support the development of business leaders and to provide financing and expertise to assist in this process.

## Challenges

It is a challenge to find sufficient security to raise finance from the banking sector – in general, it is difficult to get the support needed from banks – they are very risk averse. This issue has come to the fore with the plans for expansion of accommodation operations at the Islander. His bank is worried that the loans are being made to a relatively young business and as a result, they have raised a number of issues and concerns that simply seem to be designed to hedge/slow down the process. For example, they have asked for details on the local construction company and details on their performance (this is the largest local construction company with a very strong track record). The bank has also expressed concern that the property does not front onto a ‘sandy beach’ even though the location close to the airport and town make it an ideal location for many leisure and business travellers (occupancy rates are strong). Again, it appears the bank is looking to fund copycat properties rather than looking at creative solutions that can fill significant gaps in the market. In the end, Rohan decided not to pursue the bank option, relying instead on inheritance, strong trading revenues and expanding assets to meet the required capital. Rohan also notes that the business has been profitable from the first year despite the fact that it was a major loss-making enterprise in the years before he invested.

Government agencies have been generally supportive and good to work with but there are some areas

of concern. In particular, National Environmental Services and the related EIA process could be improved without weakening key goals and functions of the agency.

In general, there is a void in information to inform investment decision making. Luckily, Rohan was in the position to know about trading performance in other hotels given his previous roles.

He believes firmly that the Cook Islands is a cuisine destination and that there should be the formation of a cuisine strategy for the nation. Such an approach would lead to standards and mentoring opportunities. He also believes that a food awards system should be set up – with awards spread across different sub-sectors of the industry. To this end, he has been instrumental in building stronger links to the Cook Islands Chefs Association. Rohan has also developed with another colleague a branch of La Chiene de Rotisseries – a club for people who love food. He wants to instil a passion for food.

Food supply chains are relatively weak but he has been working on strengthening them for his business. While he still imports more than 90 percent of

his food (by value) he has been focusing effort on producing high value vegetable items using both hydroponics and in-soil methods on nearby land holdings. Rather than grow basic lettuce, which is relatively cheap to import, he has placed a focus on speciality vegetables, fruit, and herbs and is now branching into edible flowers. He has some limited livestock (pigs) but these are more for one off functions rather than as a regular feature of the menu. He believes he can do much more in telling the story of local food through his menus and marketing.

At the same time, he remains wary of becoming a 'farmer'. It is critical to stay focused on the core business and that is why he places great emphasis on finding reliable suppliers and building a sustained relationship with them. In addition to reliability and quality of supply, Rohan is looking for suppliers who are "willing to step out of the mainstream" in providing high value products. A good example of this approach relates to seafood supplies. It is noticeable that many F&B operators struggle to have a reliable source of seafood so his approach has been to develop an exclusive relationship with three local fishermen. He will buy all of their catch even at times if this is beyond demand. Such an approach means that, "with one phone call the fisherman is there".



Source: Image sourced from <https://www.islanderhotel.co.ck/>

He is a strong believer in 'brand Cook Islands' and will, where feasible, support this concept. One further example relates to bottled water. While it is cheaper to purchase imported water he relies on Cook Island produced bottled water – he believes this has limited impact on his clientele but even still, it is one way he can 'give back' to the local economy.

Another critical area of linkage, which is often overlooked, is that of Cook Islands culture. Rohan has been instrumental in the development of a dance troupe that is made up of members from three local families. He could see that young people were losing a connection to their cultural roots and that some were becoming 'wayward'. He saw the development of a high quality dance troupe as an important asset to not only his accommodation interests (for example Crown Beach as well) but to the Cook Islands tourism product more generally.

The Aki Rata dance troupe now has fifty young members with parents providing coaching and guidance – reinforcing the inter-generational transfer of traditional knowledge. The young people are not just involved in dance but also in the making of costumes. This provides a reason "for people to come together and reconnect".

The troupe currently has three contracted shows per week plus special events such as weddings and functions. Once a year the troupe also has an opportunity to travel and perform overseas (Europe, Asia etc.) – this opens up an awareness of the young people of the outside world and introduces them to tourism from a personal perspective.

The monthly payments received, help to cover school fees and over an 8-year period, the troupe has generated total revenues of NZD\$1.25m. He is now encouraging the group to think about investing revenue into accommodation development or the construction of homes – to provide revenue-gen-

erating assets. The mothers in particular are helping to drive this: "they are the movers and shakers – investing in their kids futures".

## Other Investments

### Cook Islands

In addition to his investment and ongoing ownership of the Islander, Rohan is also involved in the construction and sale of holiday homes for lease by overseas clientele (10 constructed to date with more under construction). The holiday homes sell quickly with NZ, Australian and Canadian interest being strong to date. Rohan has also gone into

**Be clear on understanding existing legislative framework, be clear that you can get a license to operate and understand the operating environment you are coming into**

partnership with three local landowners in Rarotonga and is moving ahead in the coming year to build three separate condo developments aimed at the high-end visitor market (4-5 star). Each waterfront property will feature sixteen condos (with standard design features). The plan is to introduce the first development of sixteen condos during early 2018, with the next 16 in 2019 and the final 16 in 2020. These will be 2-bedroom villa-style developments, priced close to NZD\$500 per night. The ownership structure will be 51 percent with Rohan's company and 49 percent with the landowners. While Rohan's hotel company will be involved with management during initial phases he expects to mentor local land-

owners (and their families) into management roles once he has received expected return on investment (approximately 10 years). He stresses however, that the Islander will remain the focus of his activities. At the same time he purchased the Islander, Rohan was involved in setting up Cook Islands Tours, an inbound tour operator, which has since closed.

## Pacific region

Rohan has an interest in tourism and hospitality related investment in two other countries in the region: Tonga and Fiji. He is looking at the development of a large-scale bar/restaurant in the Denarau marina area – following the same philosophy of providing good value for money and excellent quality at a mid-range price. This will appeal to tourists but also the emerging middle class in Fiji. He feels confident that Fiji has strong prospects for future tourism development. While Rohan is less certain about the future prospects for tourism growth and development in Tonga, he feels that recent hotel investments by the Scenic and Tanoa groups are important positive steps. Airfares to the country are relatively cheap and the local currency is weak – opening up the potential to develop further well packaged tourism products. He feels there is a gap in the market for something similar to the current Islander – an operation that provides good value for money food and beverage with a relatively small number of rooms – located in Nuku'alofa. This potential development would also focus on a mix of local and tourist clientele.

## Future

He remains optimistic about the future for Cook Islands tourism over the next five years but believes that the industry has reached a tipping point – environmental management and infrastructure development are critical before any further growth occurs. A focus on yield/sustainability is critical for the industry as it moves forward. New markets and air links

must be developed carefully – does the industry need Chinese charter flights? Chinese mass-market visitors may easily offend local people unless there are strong awareness programs for both visitor and community. From Rohan's perspective, New Zealand remains as the 'anchor' for the tourism industry and it is important not to lose sight of that. Based on his experiences, Rohan has the following recommendations for future investors that are looking to succeed in the long term in the Cook Islands:

- Take the risk to break into new niches and products rather than follow a 'copy-cat' mentality
- Do the research and due diligence to prepare well
- Work with local society and landowners, pay taxes in full and on time
- Give back to the country
- Always look to provide the best to the Cooks because in the long run this will also benefit the business.

At a regional scale, Rohan feels there are important initiatives that can be introduced to encourage and improve investment that builds local capacity. "Pacific people are changing, many are highly educated and they want to go back home". It is critical to encourage this 'return home' through seed funding and developing mentor programs for returning investors. This could build on existing Chamber of Commerce mentor programs for businesses in the Cooks and elsewhere in the region. It is also important to find a way to identify and nurture new ideas – not shoot them down because they are different or break the copycat mentality that is so prevalent in the region.