



ECONOMIC

Capital Investment

Commitment 2: Businesses invest capital to grow, and/or to improve quality and productivity

What does this mean?

- Capital investment refers to funds invested in fixed assets for long-term use for the purpose of sustaining or furthering your long-term business objectives.
- Capital investments include:
 - The procurement of land, buildings, equipment, fittings and furniture, vehicles, other machinery, etc.
 - Initial investments to procure the assets to commence a business
 - Re-investments to replace assets that have reached the end of their useful lifespan
 - Investments in expansion, product enhancement and diversification.
- This Commitment focusses on the importance of investing and re-investing with a long-term view, to ensure New Zealand's tourism industry enhances its competitive position and economic strength through businesses investing in quality and productivity improvement.

How does this benefit me?

- Regular capital investments are a prerequisite to conducting your business, to sustain it and to allow it to develop and grow.
- Re-investments to replace fixed assets that have reached their feasible lifespan are essential to maintain and improve business operations and standards, and for managing operating costs.
- Operating your business with modern and efficient assets including equipment, machinery or vehicles reduces your operating expenses, including maintenance and repair costs, improves your business' productivity and reduces break-down times.
- Investments aimed at raising customer experience and improving productivity are key to both enhancing competitiveness and achieving growth.
- Deploying modern and efficient assets and innovative technologies significantly enhances the appeal of your products for potential customers, especially if your investments are seen to be beneficial for the environment or society. In other words, are they seen as 'investments into sustainability' by your visitors?

Actions for your business

- Strategic investment planning is key to investing successfully. Consider making strategic investment planning an integral part of your annual overall business planning and review exercise.

- Start all investment processes with a thorough analysis. Identify what you are trying to achieve, and what investments are best suited to achieving both your operational and your financial targets.
- Listen to your customers and benchmark your business against the competition in your investment analysis.
- Do thorough market research to ensure you invest in the best assets there are to support your business objectives.
- Keep in mind that any investment planning should be complemented by a cash flow plan to ensure the required funds are readily available as and when you need them.
- Think long-term. The purchase price alone should never be the main determinant for an investment. While non-branded products/assets may be cheaper than those from reputable providers, they will likely be of lesser quality and may not perform as well, which could pose a risk to your operations.
- Base your investment decisions on four criteria:
 - Purchase price (total investment sum including all related costs such as transport and installation)
 - Operating expenses
 - Expected lifespan
 - Operational characteristics of the asset, such as operating hours after scheduled maintenance breaks and forecasts of breakdown times, etc.
- Ensure that after-sales services and spare parts for the assets you purchase are available in close vicinity to your business to avoid lengthy breakdown periods and costly interruptions to your business operations.
- Investment plans, cash flow plans and a well-documented thorough selection process will support your discussions with banks or other lenders and may decrease your cost of funds.

Become an inspiration for others!

We would love to share your contribution to creating a sustainable New Zealand tourism industry. Email us at info@tia.org.nz with your sustainability success stories and inspire others across the industry.

Additional information, resources and useful links can be found on www.sustainabletourism.nz