

Looking ahead

As a new year approaches, we ask key figures from across Wales' business world to give us their predictions for 2008



Peter Griffiths, chief executive, Principality Building Society

There is an old saying that tomorrow is unlikely to be a repeat of the past, and that will very definitely be true as we move into next year. 2007

was a game of two halves with the market rocked by the liquidity squeeze which changes the outlook for both borrower and banker alike in the year ahead.

Without a doubt it will be tougher to get credit with lenders seeking to de-risk and upwardly price product. In short a tougher time for borrowers, both commercial and personal but, a good time to be a saver. My guess is that house prices will remain broadly flat, with a risk on the downside, during the year as the impact of 2007's interest hikes starts to deliver a severe repayment shock for many people who have been locked into fixed rate deals which have now come to maturity.

I would expect the economic picture to be mixed with risks on the downside and I would expect to see interest rates come down in response to lower consumer spending. Confidence is often said to be a fragile flower and confidence has been damaged, but not irreparably. I think 2008 also will be a game of two halves with a tougher start but a brighter end.



Martin Bibey, head of external affairs for EEF Cymru Wales

As 2007 draws to a close following a period of financial instability in domestic and foreign markets, some scepticism surrounds the future stability of Welsh manufacturing and the economy generally. While conflicting views surround the performance of manufacturing during the final two quarters of 2007, our own reports give cause for optimism with the best third quarter performance since 1995.

We believe individual manufacturers are reaping the rewards of increased investment in skills and innovation, while the sector as a whole achieves dividends from a greater focus on low-volume, high-precision manufacture for high value-added markets such as aerospace, defence and medical equipment.

In Wales we are seeing an increasing number of sophisticated manufacturers willing to confront the challenges set by Asian and Eastern European producers by providing more bespoke products and services for home markets. These types of enterprise which are

characterised by innovative offerings are most likely to see growth in the year ahead.

While some will perceive competitors as threats, those with a sharper eye will realise where opportunities lie. As India and China strengthen imports of capital goods, new prospects will arise for Wales' greatest innovators in 2008.



Samantha Maskrey, marketing director of designer retailer, Maskreys

We're expecting 2008 to be a tough year for the retail sector. The collapse of Northern Rock, coupled with rising interest rates and speculation about a crash in the property market, has created nervousness in the market that will continue to seep into the new year, unless drastic changes are made by the Government.

I think the key is for retailers to listen and talk to their customers, in that way you can gauge their current thinking. At Maskreys we are consistently asking for feedback, take these views into account and make consequent changes to improve our customer experience. In response to some of this feedback, over the past year we've launched an online store and are now open every Sunday, in order to become as accessible as possible.

Despite the market outlook, we're not panicking. We are in a niche market and our customers will continue to need the design, expertise, service and competitive pricing that we offer.



Mike Bandeira, Excel

With Skype (broadband voice over the internet) growing in popularity, it will be interesting to see the impact it has on mobile communications. Just three years ago the idea that you could get free local and national calls in the UK via the internet would have sent shivers down the spine of many a telecommunications provider. Yet today, most businesses and consumers have access to free local and national calls, largely driven by the adoption of VoIP (Voice over Internet Protocol) via services such as Skype.

The network operator 3 recently announced plans to roll out Skype mobile handsets which will offer consumers and businesses the opportunity to send voice traffic for free via the internet, instead of over expensive mobile networks. In addition, as more and more people



access data services such as email via their mobile handsets, the mobile market business model will move from a low-margin voice application driven one to a high-value data service offering.



Charlotte Hulley, accountant and director, KTS Owens Thomas

Confidence in financial markets and financial institutions is expected to be pretty low into 2008 unless drastic measures are implemented in the next few months. The near collapse of Northern Rock gave us a new financial phrase to worry about as sub-prime lending became the latest hot topic from the States to cause ripples across the Atlantic. We could be looking forward to falling house prices next year coupled with widely predicted interest rate rises, so consumer spending could be hit and additionally equity release will be restricted.

For business, increased rates of corporation tax could cause cash flow problems. But it is the introduction of a flat rate of capital gains tax that has caused greatest concern. We could see a higher level of businesses being sold in the first quarter of 2008 to ensure long-term business owners take advantage of taper relief while they are still able. I predict we can look forward to an unpredictable year!



Paul Gorin, Marble Recruitment

The online industry has undoubtedly had an impact on the recruitment sector over the past five years, and will continue to do so. In parallel to this however, recruitment agencies and candidate search facilities that require human offline interaction are being required to offer a more personal and bespoke service for clients. There is an increased focus on candidates demonstrating more than just the right skills set and being able to offer the most applicable personality for the job as well. This element of recruitment requires more face-to-face contact not less.

Psychometric testing and assessment days where candidates are looked at from every angle will continue to thrive but as always, our business is about good recruitment professionals working closely with both the client and the jobseeker to ensure the best match is made.



Ray Hurcombe, chief executive, Ty Hafan

Like all charities, we rely heavily on the support and fundraising efforts of the public. Therefore a possible downturn in the economy next year as predicted could

have tremendous effects for charities as less disposable income could mean people give less, although I hope this will not be the case.

Charities play a vital role in the delivery of quality public services and I hope that 2008 will be the year the Government stops making charities pay VAT. The tax system should support and encourage the efficient and effective use of charitable funds, including allowing charities to recover all VAT.

I think 2008 will also be a busy year for corporate fundraising as businesses continue to increase their involvement with charities through corporate social responsibility schemes. Initiatives such as nominating a charity of the year, corporate volunteering and team building days have become a vital part of our fundraising activity and I expect that like us, other charities will be looking to increase the work they do with businesses in the future.



Richard Baker, managing director, Sequence

It can be difficult to predict what might happen in the year ahead in the new media sector as new technologies are emerging all the time.

Having said that, I think the mobile is certainly the most compelling channel at the moment. In November, Apple launched the iPhone in the UK, a revolutionary phone controlled by touch with a widescreen iPod and sophisticated internet device. Irrespective that the iPhone has mainly been marketed at consumers rather than businesses, I believe that such devices will have a massive impact on the business sector in 2008.

I also think that the way we engage with television content will continue to evolve. We are increasingly seeing TV brands appearing across several online platforms as audiences are wanting to access and engage with broadcast content in ways that are relevant to their lifestyle and unique interests. I believe that to date we have only had a taster of how the next generation will access and view television in the digital age.



Simon Jones, senior partner at KPMG's Cardiff office

I'm sure that green issues will move further up companies' agendas in 2008. This year has seen awareness of issues like climate change, and business' response to them, gain momentum. A survey of SMEs by KPMG showed that nine out of 10 organisations feel it is the responsibility of all businesses to take climate change seriously; just under half believed that taking action can make a tangible individual impact.

Having a structured, coherent environmental policy makes good business sense. Employees are increasingly opting to work for companies with green credentials, so it's useful in recruiting and retaining the best people. In addition, customers are becoming more aware

of, and concerned about, green issues and demanding environmentally friendly products and services. Strong environmental credentials can help strengthen brands in the eyes of increasingly green consumers, build loyalty and maintain an organisation's place within supply chains. If 2008 brings a tougher economic climate, it makes sense for businesses to have as many points of difference over competitors as possible.



Ken Board, emeritus professor of entrepreneurship, Swansea University

In 1986 the so-called Research Assessment Exercise (RAE) was carried out throughout all UK

universities and in all subject disciplines to assess the quality of university research. The exercise has been repeated four times since and the sixth such exercise, covering the period 2001 to 2007, is currently being prepared for. The results will be known in December 2008 and I predict the following four outcomes for Wales:

- There will be a record number of research papers published and research income earned by Wales' old, research-led universities, which will in return attract record levels of additional income from the funding councils.
- Institutions with newly acquired university status will struggle badly in the assessment having not come from a research-led tradition. This will deepen further the polarisation between the new and the old establishments.
- The effective exploitation of the outputs from these increased levels of research will remain in the same parlous state it is in now.
- Entrepreneurial activity among the 100,000 or so students in Wales will also remain low and far below its potential.

John Jones, chief executive, eLINIA

The advances in ICT continue to accelerate faster than ever. A robust global infrastructure is evolving which fuels the development of a phenomenal range of products and services.

Wales needs an effective strategy in order to gain from the continued growth that the global ICT sector will inevitably witness in 2008. Companies will have to focus on the benefits technology can bring while being sensitive to the security and environmental issues involved.

The coming year will see greater use of virtualisation, allowing more reliability and higher utilisation of assets; software being delivered over the internet on a subscription basis; and wider implementation of Security ISO 27001 and Service Standards based on an ITIL framework.

One final prediction would deliver untold benefits if it were to materialise. This is the creation of a truly independent datacentre facility in Wales which is directly connected to the USA. It would attract international companies who are looking for a highly secure location to operate from. ■