

# Cost of Living Crisis 2022: Seven Welsh firms on their hopes and fears

The economy is facing huge pressures with inflation soaring and expected to hit 10% by year end and economic growth stalling.

But what is the reality for Welsh businesses trading on the ground? And is there more optimism than pessimism on the current economic climate?

Here we talk to seven businesses in Wales to gauge their views.

**Operations director Tee Sandhu, SamosaCo, Pontyclun**



Tee Sandhu

*SamosaCo is an independent food manufacturer producing samosas, bhajis, chutneys, sauces and vegan meal pots*

“Our input costs are increasing every single day. The cost of raw ingredients, packaging and energy to run the factory have all massively increased and it is a really difficult period. We’re exporting our products which is good but our export costs on our frozen and ambient goods have gone up.

“We knew energy costs were going to increase in April and this has not just affected us but also our customers. The first two weeks of April there was a big fear. We automatically saw a huge dip in sales in the first few weeks as customers were spending less in the retailers but also buying less directly from our website.

“The cost of raw ingredients are increasing all the time,

coupled with the low availability of some products has been a real issue. I can honestly say it's a challenge every single day.

"That said, I feel fairly positive actually. Recently it's been nice to have some normality back in terms of being able to speak to customers in person again. I did the Farm Shop and Deli trade show in Birmingham and I've never had a better trade show. Buyers have been positive when coming to see us on our stand and see what new products we're doing. There is still demand for our products and what's on the horizon is looking fairly positive."

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**Chief operating officer Mandy Weston, Town Square Spaces, Caerphilly**



CEO Gareth Jones and COO Mandy Weston

*Town Square Spaces specialises in co-working office spaces and hubs for start-ups and small businesses in towns across the UK*

“It’s been quite a few years for TownSq. We’ve grown rapidly, and remained profitable during a turbulent time – which is something when you consider a big part of our business is about having people work in the same space together – which was illegal only a year ago.

“We grew during those challenges by expanding our network of partners and widening the scope of our offering. By understanding what startups and small businesses need, we’ve been able to provide support so they can focus on doing what they do best, and it’s why our membership has grown.

“We’re positive about the future. Whilst we are all feeling the effects of the cost of living crisis, our current project, [Cowork Local](#) offers a potential solution, both for local businesses and local workers.

“We’re on target to hit 100 venues signed up by September – all of which will offer another core part of our business, which is startup and small business support including workshops, after-hours programmes, accelerators and access to investors.

“We had 10 members of staff when the pandemic began. Now we have 40 and an ever-growing customer base. Of course there will be challenges, but we are still on track to double our turnover again this year – and hopefully, we can do that through providing valuable solutions that benefit the communities we serve.”

**Owner and director Adrian Emmett, The Lion Pub, Treorchy**



Adrian Emmett

(Image: WalesOnline/Rob Browne)

*The Lion is an award-winning community pub in the town of*

## *Treorchy*

“We’re in a stronger position now post-pandemic, but to get here has put us in quite a bit of debt with bounce back loans and overdrafts to get us through lockdown. We’re now having to pay these debts. There is a lot more cost in the business too. I’m all for the increase in minimum wage, but it’s becoming a bit unbearable now.

“My gas bill has gone up from about £500 pound a month to £1500. My electric bill is £2000 from £1200. It’s crazy and in a small business it’s about small margins. We’re a busy business, but most of the revenue goes into paying for the costs. Food and beer prices are going up because of rising fuel costs. I’m paying about £700 a month just to get my bins collected by Biffa.

“When I opened 11 years ago, there was austerity but my business was growing and doing well. I always thought ‘if I’m doing well now, then we should be alright’. But this is the first time where – whether it’s the cost of fuel or household bills – every single one of my customers is feeling the pinch. My costs are going up, my customer base is feeling it and my sales are going down.

“I’d like to see more support from government. They’ve shown that they can move fast if they wanted to, like they did with furlough and grants for businesses. But business owners aren’t looking for more grants or handouts, we want a level playing field and government to reduce the taxes that we pay. Business rates for independent businesses should go. Lowering VAT to 5% on hospitality food would be a lifesaver.”

**Founder and group chief executive Gareth Morgan, Liberty Marketing, Cardiff**



Gareth Morgan

*Liberty Marketing is Wales' largest digital marketing agency based in Cardiff*

"We're feeling cautiously optimistic. We are expecting an economic downturn, but we've been planning for it, so we think we'll be in a stronger position than most. It'll bring plenty of opportunities for strong businesses and brands looking to grow market share, whilst rivals pull back on marketing. It'll be a great time for well-funded and brave challenger brands. There is pressure on staff wages which, when coupled with less

certainty in the future, is hard for small businesses.

“We combat this by looking at ways we can decrease outgoings rather than just increase income. Such as remote working making savings on travel costs. We have also added valuable things that aren’t salary based, such as private healthcare, mental health support, which have been very well received and have led to increased staff retention.”

**Founder Damon Chapple, Sonovate, Cardiff**



Damon Chapple

*Sonovate is a Cardiff-based fintech venture which provides finance and back-office tech to recruitment agencies and consultancies*

“Given the demand for flexible talent in the UK and around the world, our business has been doing well, growing significantly year on year and becoming one of the UK’s fastest scaling



fintechs.

“We serve the recruitment sector by offering invoice funding, delivered through a state of the art technology platform. Our customers are recruitment firms, consultancies who place contractors and online freelance labour marketplaces. In the past year or so, we’ve expanded our customer base from new and small agencies to enterprise size organisations. To date, we have funded over £2.5 billion in invoices and expect to hit £3 billion of total funding later this year.

“If we look directly at our business, inflation and the war for talent are potentially the economic challenges with the biggest direct influence. Having said that, as a fast-growing fintech, we are confident that the demand for digital services will remain strong. At a time where costs are going up, technology is often the best way to mitigate risks and find efficiencies, so we will keep working with our customers and partners to innovate through products and services.

“Digitalisation will continue. As we know, COVID accelerated the adoption of digital technologies and we don’t foresee a let-up in demand for smarter, more efficient ways of working, communicating, moving money, and delivering for the end customer.

“Below the surface, dozens of fintech rails and technologies allow this innovation to happen, whether we’re talking about banking or accounting apps, KYC/AML verification, or credit referencing technology. We predict even greater demand for tech-driven finance in the coming year as the international business community adapts to a more prevalent flexible working environment. The year ahead will see even bigger changes for the fintech industry with the increase in open banking and open finance, paving the way for financial providers to provide more bespoke services for their customers. Artificial Intelligence applications will also continue to grow and mature and will revolutionise the way people use and interact

with their finances.”

### **Owner Justin Horton, Funky Monkey, Penarth**

*Retailer Funky Monkey sells organic, ethically-sourced children's clothing in its stores in Penarth and Cirencester*

“We have two physical stores, in Penarth and Cirencester in England, and an online store. In terms of our physical stores, our sales are about 1.4% up compared to this time last year, which in terms of sales, on the face of it looks good. However, costs have increased significantly, so while sales are up marginally, the actual net profit is under a huge amount of pressure.

“We specialise in ethical, organic clothing. It's a higher cost product that we sell and that has gone up significantly. Supplier costs have in some cases gone up 10 to 20%. That is hitting our bottom line significantly because we haven't passed those costs onto our customers. While our sales are up, the number of customers visiting the stores has gone down by 1.5%, so we're trying to hold our prices or even reduce prices to attract people into the stores.

“We're now taking action to make the business profitable. In the last year, we've had two people leave the business and we've decided not to replace those people. We now open seven days a week as well to make the most of the trading opportunities.

“We're optimistic that we can keep the business going but obviously those pressures are very concerning. The cost of living and fuel bills are a significant worry because people will have less disposable income.

“We're in limbo with the business rates structure in the UK. I pay business rates in England, but in Wales, the business rates are on hold. We don't know what's going to happen next year when the business rates potentially return. That's a huge

cost to us as a business. If rates were reintroduced as they were it would probably finish us off. We need the government to really get consulting with all the stakeholders on business rates, and make a decision as to what we're going to do because at the moment its a distinctly unfair playing field."

### **Director Bev Fowles, South Wales Transport, Swansea**

*South Wales Transport operates a fleet of buses and coaches across the Swansea area*

"We run a transport business with 40 vehicles and 60 employees so, obviously, fuel costs are difficult for us, particularly diesel. It's vital to our business and it's something that we have to pay for. Small SME companies like ourselves can't hedge fuel like the big transport companies, but even if we were to, I know that hedging prices are on the other side of an expansion in price too.

"We're almost spot buying now, I bought diesel this morning and 10,000 litres was 40p to 50p a litre more than it was last September. You can't absorb 40 to 50% increases in your basic raw material and we've had to pass this onto the customers and increase our rates. That in itself escalates the potential for inflation.

"Bus fares have remained static because we're supported by the Welsh Government under the Bus Emergency Scheme (BES) 2. As far as our coaching is concerned, we've had to apply to local authorities for an escalator to cover the cost of diesel.

"However, private hire and certainly tours have been on the up. That side of the business has improved remarkably since the pandemic and has returned to pre-Covid levels as more people decide to stay in the UK for the annual holidays or short breaks. We're really pleased about that but that in itself has its own problems because obviously it's far more expensive now because of the cost of fuel.

“Reducing the amount of duty on fuel would help enormously as far as we’re concerned. Sunak took five pence off and immediately the retailers put five pence back on. If duty was heavily reduced off bus services and public transport that would help people and be a major step forward as far as we’re concerned.”

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