

Headline English

2011, week 32 *Learn English through reading on current world affairs*

1 **Cautious Pepsi**

2 original at

3 <http://online.wsj.com/article/SB10001424053111903554904576459742637045286.html>

4 Pepsi has recently reported an 18% increase in second-quarter profit. Yet
5 it has still scaled back its guidance for the year. The reasons behind that
6 are economic uncertainty in developed markets and higher commodity
7 costs.

8 The pressure is particularly acute in its North America beverage business,
9 whose performance in the quarter lagged, with volume down 1% as
10 competition has been fierce. While both Pepsi and its competitors plan to
11 raise prices to offset higher costs, the response from consumers,
12 struggling with high unemployment and dwindling disposable income,
13 remains up in the air. Shoppers can always seek out other cheaper ways
14 to quench their thirst if prices tick too high.

15 "In the case of beverages, we have to be a lot more careful. There are
16 alternatives where you can start trading down," Pepsi Chief Executive
17 Indra Nooyi said. "You can go from packed beverages to, first, bottle
18 water, then to tap water."

19 Pepsi plans to closely monitor the consumer response to price increases
20 on its beverages. But if Pepsi sees too much pushback on any of the price
21 increases its implementing across its portfolio, then it will respond with
22 more promotions, smaller sizes with lower prices or other measures.

Questions

- 1) What has made Pepsi scale down its growth forecast despite high second quarter profits?
- 2) What does the pronoun 'that' (line 5) refer to?
- 3) Why do Pepsi and also its competitors want to raise prices? (Hint 'to offset' (line 11) means to counterbalance, counteract, or compensate for).
- 4) 'Disposable income' (line 12) is the income that you can use to buy things. What is happening to average disposal income in America (and elsewhere) these days?
- 5) Why is it difficult for beverage companies to raise prices on their customers?
- 6) Find *synonyms* (words having roughly the same meaning) for *reaction* in the last paragraph of the text (lines 19 to 22).
- 7) How does Pepsi want to address the difficulties mentioned in question 5?
- 8) Do you think that such steps will work?

Vocabulary

lag (line 9) – to fail to maintain a desired pace or to keep up; fall or stay behind

seek out (line 13) – to search hard for and find a specific person or thing

quench (line 14) – to slake, satisfy, or allay

trade down (line 16) – to exchange a more valuable or desirable item for a less valuable or desirable one

You can find additional explanation and more examples to help you understand and use English words and phrases at <http://dictionary.reference.com>, <http://dictionary.cambridge.org/>, <http://www.merriam-webster.com/> or <http://www.ldoceonline.com/>

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