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PepsiAmericas Inc. Q3 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you. The question and answer session will be conducted electronically (Operator Instructions).

We'll take our first question from Lauren Torres with HSBC.

Lauren Torres - HSBC

Good morning.

Bob Pohlada

Good morning, Lauren.

Ken Keiser

Good morning.

Lauren Torres - HSBC

I know you took a price increase post Labor Day, but I don't think we saw much of that reflected in your third quarter results. I was just curious if you could just talk about the types of increases you have been taking and how the market has been accepting them or not accepting them?

Ken Keiser

Yes, Lauren, this is, Ken. You are right. As we talked actually on our last call that that most of this pricing would probably fold in over the course of Q4 and that in fact is happening. By the first of November, basically all of our retail pricing will essentially be in place and as we said that on the take home side we will see our net pricing grow in the 5% to 6% range.

Lauren Torres - HSBC

What are you seeing at the trade at this point, in light of a tougher environment and consumers? Is it being passed along, are we seeing acceptance? What that is right now?

Ken Keiser

Yes. That's being tape walled, it has been accepted and it is being passed through in moderately higher retails. At the same time, we are competitive in the marketplace.

Lauren Torres - HSBC

Okay. To take it a little bit further as you were thought and to maybe next year with respect to continuing to do the same. Are you expecting some pushback? Can you continue to do this? How comfortable are you continuing to push this pricing lever?

Ken Keiser

Well, as we traditionally do, when we think about our Q4 pricing, it is to set us up for what we anticipate to be the kind of cost outlook for the following year and so majority of our pricing is in place. Again we'll recalibrate in the first year as we always do, but the good news is that as we put this pricing in place, the commodity outlook while it's still higher is not as high as it was when we kind of contemplated the level of pricing that we would ultimately need to take.

So I think with the pricing horns in the marketplace and with a commodity outlook that is slightly more optimistic and with our new price pack architecture, the 8 and 18 pack, I think the combination of all those makes us feel reasonably solid about how we get through 2009.

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