

Background

Recession is an ugly word

Recession is an ugly word – it fills us with fear and makes us worry about our jobs and the future. But some organizations are not worried by recession, and in fact they welcome it. While some big companies are reporting huge losses, others are seeing their **profits** ¹_____ and are feeling confident about the future.

Cadbury, the chocolate maker has a history of beating recessions and recording profits during times of **economic** ²_____. In fact Cadbury managed to establish itself as a successful company during the great depression in the 1930s. Again in recent times Cadbury hasn't seen **sales** ³_____.

_____, despite the hard economic climate. In fact its sales have grown.

'The company has been affected by rising costs, but with a good strategy, focusing on their ⁴_____ **products**, they have been able to **stay in the** ⁵_____,' explained Milan David, a market analyst. 'In times of downturn people can't afford luxury items such as new cars or televisions, but they still want some pleasure in their lives. Chocolate is a cheap, affordable luxury that always manages to cheer us up.' This concept is known as 'lipstick economics' – people will still buy **cheap** ⁶_____ like lipstick during economic crises. So what other companies can claim to be recession beaters?

Despite recent economic problems in the UK, outdoor leisure companies have performed remarkably well. Companies such as Millets and Blacks, who sell camping equipment, have seen sales rise. **With a recession** ⁷_____, people did not want to spend money on expensive foreign holidays, so took their holidays at home in the UK, staying on campsites rather than in hotels. When people did stay in hotels they preferred

the budget hotels to the more expensive ones. Companies like Premier Inn and Travelodge saw profits rise and plan to open new hotels across the country.

Erik Lambord, a consumer consultant, claims that other industries can survive recessions too. Hardware shops are likely to do well as people **make do and** ⁸_____ rather than buy new, and people are more likely to improve their homes rather than move. Car part retailers can also expect to see sales increase **during a** ⁹_____ for similar reasons – people are looking after their cars themselves rather than taking them to a garage or buying new ones. Lombard also says that sales of bikes rise during recessions as people try to beat the ¹⁰_____ **cost** of fuel by riding to work.

Interestingly, one activity that you might expect to survive economic hardship – spectator sport, has actually recently seen attendances fall. Surely an afternoon at a sports venue is the perfect escape from our money worries? But Lombard claims there are two reasons why sport has struggled during the recent economic difficulties. Firstly this is because watching sport is something mainly done by men. When families look at areas where they can **tighten their** ¹¹_____, the individual activities of family members are often the first to go. But secondly, and maybe more importantly, sport has become too expensive to be seen as a 'lipstick luxury'. We might see more people **getting their** ¹²_____ by watching lower league teams with cheaper tickets, rather than their favourite teams.

So while for most of us recession remains an ugly word, there are some who see an economic slump as an opportunity to make profits from our changing habits.

Reading file 3

Exercises

1 Work with a partner and discuss these questions.

- 1 What do you understand by the word 'recession'?
- 2 How does a recession usually affect companies?
- 3 During a recession, economic analysts often refer to 'lipstick economics'. What do you think this term means?

2 Read the text quickly and compare your answers in 1 with the information in the text.

3 Read the text again and answer these questions in your own words.

- 1 What is unusual about Cadbury's sales during a recession? Why does this happen?
- 2 How does 'lipstick economics' affect hotels and outdoor leisure companies?
- 3 According to the text, which industry is suffering in the current economic climate? Why?

4 Put the following words a–l in the correct gaps 1–12 in the text to form phrases and collocations.

- | | | | |
|---------|------------|---------------|----------|
| a belts | d downturn | g looming | j shrink |
| b black | e fix | h mend | k soar |
| c core | f hardship | i prohibitive | l treats |

5 Match the phrases and collocations you formed in 4 to definitions 1–12.

- 1 the most important items sold by a company: _____
- 2 a situation that is financially difficult and unpleasant because you do not have enough money, food, clothes: _____
- 3 a time when the economy becomes weaker and there is a fall in the amount of business that is done: _____
- 4 when the turnover of a company decreases: _____
- 5 to remain in a position where you have money and you don't have debts: _____
- 6 to spend less money because there is less available: _____
- 7 when the amount of money made by a company rises very quickly: _____
- 8 get what you need to satisfy an obsession, craving, or addiction: _____
- 9 when an economic downturn is likely to happen soon: _____
- 10 things that are pleasant, enjoyable, and also inexpensive: _____
- 11 a price so high that it prevents people from buying something or doing something: _____
- 12 to make repairs or fix something, rather than buy something new to replace it: _____

6 Work with a partner. Make a new sentence for each phrase or collocation in 5.

7 Look back at the text and choose three words that you could use in your day-to-day work.

8 Work with a partner. Discuss these questions.

- 1 Is 'lipstick economics' also present in your country?
- 2 Would the companies in the text also be successful in your country during a downturn? Why? / Why not?
- 3 What other products or industries are usually safe during a recession? Why?