# UK supermarkets face stock decline amid price war speculation



UK supermarkets Tesco, Sainsbury's, and Marks & Spencer have collectively experienced a drop of £3.5 billion in their stock market value since last Friday, as speculation mounts regarding a potential price war triggered by rival Asda's renewed pricing strategies. The decline in share prices was significant, with Tesco suffering the greatest loss at approximately 10% by lunchtime on Monday, followed by Sainsbury's and Marks & Spencer at around 8% and 7%, respectively.

The downturn follows remarks made by Asda’s chairman, Allan Leighton, who indicated on Friday that the company is witnessing "incremental improvements in our price gap." He added that Asda is preparing to make substantial investments aimed at enhancing price competitiveness, availability, and overall customer experience as part of a strategy to rebuild customer trust. The grocery chain has projected softer profits in the upcoming year but has committed to implementing a "well backed programme of investment."

In the wake of Asda's announcements, market analysts are predicting that both Tesco and Sainsbury's could face tighter profit margins as they respond by reducing their prices to maintain competitive positioning. Frederick Wild, a retail analyst at Jefferies, pointed out that "market conditions are changing rapidly" and warned that the valuations of these grocers are likely to remain under pressure in the short term.

An insider familiar with Asda's plans mentioned the existence of a "substantial war chest" designed for long-term price reductions, despite the retailer's struggles to remain price-competitive over the past couple of years amid significant debt challenges. The restructuring effort has already seen Asda reintroduce its well-known Rollback price proposition, which provides an average price reduction of 25% across about a quarter of its product range.

In context, Asda has seen its market share diminish by over a percentage point in the past year, which equates to substantial sales losses, according to industry analysts from Kantar. Clive Black, head of research at Shore Capital, acknowledged Asda’s intent to invest in pricing and competitiveness, while also expressing scepticism regarding the supply chain's ability to support these ambitions.

The overarching industry landscape, as characterised by the ongoing price competition, raises questions about the resilience and adaptability of major retailers like Tesco and Sainsbury's. Asda's chairman has projected that a comprehensive turnaround for the retailer could take up to five years, following its £6.8 billion acquisition by the Issa brothers and private equity firm TDR Capital in 2021. While the financial implications for Tesco and Sainsbury's are now unfolding, the situation remains dynamic as all supermarkets navigate a challenging retail environment.

Source: [Noah Wire Services](https://www.noahwire.com)