# Asda revives 1990s Rollback discounts to stem sales decline amid UK retail shake-up



The competitive landscape of the UK retail sector is undergoing significant transformation, as supermarket chains engage in aggressive price strategies to regain market share. Asda, the UK’s third-largest supermarket, has recently reintroduced its 'Rollback' pricing strategy, a tactic harking back to the 1990s, with the aim of reversing a troubling decline in sales. According to reports, Asda has slashed prices on over 4,000 products, offering average discounts of around 25% to draw back customers who have been lured away by rivals like Tesco, Aldi, and Lidl.

Allan Leighton, returning as executive chairman, is at the helm of this renewed approach. His willingness to accept a significant short-term profit hit underscores a commitment to revitalising Asda's brand positioning. Analysts have noted that, under Leighton’s guidance, the company aims to lower prices to be 5% to 10% cheaper than its competitors—a bold move given the context of recent sales figures, which showed a 5.8% drop in sales during the last quarter of 2024. Despite market trepidation, particularly among Asda’s competitors, Leighton remains confident that store improvements and a focus on customer loyalty will lay the groundwork for long-term recovery.

Underlying these bold pricing decisions is a broader trend affecting the fast-moving consumer goods (FMCG) sector. Research shows that while Asda's sales are declining, the market share held by small to medium-sized businesses in the UK FMCG sector has hit 15.1%. These smaller firms have increasingly contributed to market growth, leaving larger brands to rely more heavily on sales promotions for volume gains. This shift underlines a crucial question for brands: how can they differentiate themselves amidst a landscape that is witnessing the rise of challenger brands?

The current era of consumerism demands innovation as a strategy for price justification. Major brands are finding success by introducing products that resonate with evolving consumer preferences, such as healthier options and environmentally sustainable choices. For instance, brands like Hula Hoops, Lurpak, Guinness, and Persil have shown growth by aligning their offerings with contemporary values, including plant-based alternatives and lower sugar options. This reflects a shift where consumers are increasingly willing to pay higher prices for products that promise quality and ethical production, as demonstrated by Tony’s Chocolonely, which leverages its commitment to eradicating exploitation in the cocoa industry to justify its premium pricing.

Asda's return to price cutting comes at a time when grocery price inflation remains at a moderate 3.5%. While the company’s strategy to reposition itself as a budget-friendly option seeks to create immediate appeal, it raises questions about the sustainability of such pricing models in the long run. Tesco, for instance, remains in a stronger capital position with projected free cash flow reaching £1.8 billion by 2025, which could allow it to weather any renewed price wars more effectively than Asda.

Moreover, the advent of retail media networks is reshaping how brands interact with consumers. According to recent forecasts, retail media could constitute a quarter of global digital ad spend by 2026. These media networks allow brands to target consumers with precision based on shopping behaviour, thereby merging marketing efforts with actual sales data. Brands that leverage these platforms effectively can not only enhance their visibility but also ensure measurable returns on their marketing investments.

In this rapidly changing retail environment, the ability of brands to innovate will be critical in maintaining relevance and, ultimately, market share. The rise of challenger brands serves as a reminder of the impermanence of market leadership in an era marked by heightened consumer expectations and the demand for value-driven pricing strategies. As the UK retail sector continues to evolve, those brands adept at balancing competitive pricing with meaningful innovation will likely emerge as the true victors in this ongoing price battle.

Asda’s aggressive price cuts may signal a temporary reprieve for the supermarket amid declining sales, but whether this strategy is sustainable in the long term remains to be seen. The retail landscape is undeniably shifting, and only those willing to adapt and learn from both challengers and shifting consumer trends will succeed.

### Reference Map

1. Paragraph 1: [[1]](https://grocerytrader.co.uk/disrupt-or-decline-the-new-rules-of-fmcg-success-in-the-uk/), [[3]](https://www.reuters.com/business/retail-consumer/uk-supermarket-asda-cuts-prices-kick-start-recovery-2025-01-30/)
2. Paragraph 2: [[2]](https://www.ft.com/content/92236ca5-ce34-4144-972d-16ed209d77a6), [[4]](https://www.reuters.com/business/retail-consumer/britains-asda-warns-profit-it-invests-turnaround-2025-03-14/)
3. Paragraph 3: [[5]](https://www.esmmagazine.com/a-brands/small-to-medium-sized-firms-hold-15-1-of-uk-fmcg-market-268381)
4. Paragraph 4: [[1]](https://grocerytrader.co.uk/disrupt-or-decline-the-new-rules-of-fmcg-success-in-the-uk/), [[2]](https://www.ft.com/content/92236ca5-ce34-4144-972d-16ed209d77a6)
5. Paragraph 5: [[6]](https://www.reuters.com/business/retail-consumer/uk-supermarket-asda-says-2023-underlying-profit-up-24-2024-04-22/), [[7]](https://www.retail-systems.com/rs/Asda_Swaps_Discounter_Price_Match_For_Rollback_Campaign.php)
6. Paragraph 6: [[5]](https://www.esmmagazine.com/a-brands/small-to-medium-sized-firms-hold-15-1-of-uk-fmcg-market-268381)
7. Paragraph 7: [[1]](https://grocerytrader.co.uk/disrupt-or-decline-the-new-rules-of-fmcg-success-in-the-uk/), [[6]](https://www.reuters.com/business/retail-consumer/uk-supermarket-asda-says-2023-underlying-profit-up-24-2024-04-22/)
8. Paragraph 8: [[7]](https://www.retail-systems.com/rs/Asda_Swaps_Discounter_Price_Match_For_Rollback_Campaign.php)

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## Bibliography

1. <https://grocerytrader.co.uk/disrupt-or-decline-the-new-rules-of-fmcg-success-in-the-uk/> - Please view link - unable to able to access data
2. <https://www.ft.com/content/92236ca5-ce34-4144-972d-16ed209d77a6> - Allan Leighton, known as Asda's 'comeback kid,' has returned to lead the grocer, reviving strategies like the 'rollback' pricing approach from his earlier tenure in the 1990s. Since his return in November, Leighton has aimed to make Asda more competitive, announcing a willingness to take a significant profit hit to regain shoppers. This move has caused shares in competitors Tesco and J Sainsbury to decline by about 5% amid concerns of renewed price battles in the tightly margined UK grocery sector. However, while memories of Aldi and Lidl’s disruptive market entries linger, current conditions don't point to a full-blown pricing war. Grocery price inflation stood at a moderate 3.5% in March, and much of Asda's spending may go toward store improvements rather than aggressive discounting. Despite market jitters, Tesco is financially better positioned, expecting £1.8 billion in free cash flow in 2025/26, compared to Asda’s £600 million, allowing it to defend its market share if needed.
3. <https://www.reuters.com/business/retail-consumer/uk-supermarket-asda-cuts-prices-kick-start-recovery-2025-01-30/> - Asda, the UK's third-largest supermarket, has announced significant price cuts across over 4,000 products in an effort to revitalize its business. The move marks a return of the 'Rollback' promotional mechanism from the 1990s, offering an average discount of 25%. This initiative is led by Allan Leighton, who returned as executive chairman in November, hoping to reverse the company’s recent decline. Asda's sales dropped by 5.8% in the 12 weeks leading up to December 29, 2024, with the retailer losing market share. To become the 'cheapest traditional supermarket,' Asda aims to compete with market leader Tesco, which has held this title for over two years. Prices of popular items like Asda Thin Cut Beef Steaks and Ben & Jerry's Luxury Ice Cream Cookie Dough have been significantly reduced. Concurrently, Asda has halted its price-matching scheme with discounters Aldi and Lidl. This strategic move is expected to impact shares of competitors such as Tesco and Sainsbury's.
4. <https://www.reuters.com/business/retail-consumer/britains-asda-warns-profit-it-invests-turnaround-2025-03-14/> - Asda, the third-largest supermarket in Britain, has announced that investments aimed at reducing prices and improving product availability will significantly reduce its profit this year. In an attempt to regain market share lost to competitors like Tesco, Sainsbury's, Aldi, and Lidl, Asda is reintroducing price cuts and the 'Rollback' promotion. Allan Leighton, recently appointed executive chairman, aims to make Asda 5% to 10% cheaper than its rivals, but he acknowledges that restoring customer trust will take time. Leighton has committed to a long-term turnaround strategy projected to take three to five years. Asda reported a 5.8% rise in adjusted EBITDA to £1.14 billion in 2024, though fourth-quarter sales dropped 4.2%. Despite high debt from the 2021 buyout by TDR Capital and the Issa brothers, Leighton expressed confidence in Asda's financial stability, highlighting significant free cash flow and substantial assets.
5. <https://www.esmmagazine.com/a-brands/small-to-medium-sized-firms-hold-15-1-of-uk-fmcg-market-268381> - Small to medium-sized businesses hold 15.1% of the UK FMCG sector, and are 'disproportionately contributing' to market growth, new data from Circana has shown. According to Circana, growth in the UK FMCG market has slowed, with larger manufacturers increasingly relying on volume share as the primary pathway to growth, utilising sales promotions as a key sales driver. At the same time, as Alex Lawrence, senior strategic insight director at Circana, noted, 'Fuelled by innovation, SMEs are disproportionately contributing to market growth, providing 22% of all NPD value sales (vs. their 15% value share) in the last 12 months. They are however more vulnerable in the Major Multiple Grocer Channel (MMG) - a cornerstone for sustained growth.'
6. <https://www.reuters.com/business/retail-consumer/uk-supermarket-asda-says-2023-underlying-profit-up-24-2024-04-22/> - In 2023, Asda, the third-largest supermarket in the UK, reported a 24% increase in annual profits, reaching over £1 billion ($1.24 billion), despite losing market share to its competitors. Asda's adjusted EBITDA, the preferred profit measure, was £1.08 billion ($1.33 billion) with total sales, excluding fuel, increasing by 7.1% to £21.9 billion. Despite comparable sales growth of 5.4%, this slowed to 2.2% in the fourth quarter. Asda initiated significant investments in prices and product quality and took full control of 116 Co-op convenience stores and acquired 356 sites from the UK's EG Group business. Asda plans to expand its presence in convenience stores with Asda Express stores. Although it has reduced its net debt to £3.8 billion, it remains affected by high levels of debt since the Issa brothers and TDR Capital bought the company in 2020. Asda committed to continue reducing its indebtedness.
7. <https://www.retail-systems.com/rs/Asda_Swaps_Discounter_Price_Match_For_Rollback_Campaign.php> - Asda, Britain's third-largest supermarket chain, has abandoned its Aldi and Lidl price-matching scheme after just one year, marking a significant shift in strategy under returning executive chairman Allan Leighton. The Leeds-based retailer is instead launching a major 'Rollback' price-cutting campaign, reducing prices on over 4,000 products by an average of 25% across all categories both in stores and online. The move comes as Asda battles to reverse falling sales, after recording a 5.8% decline in the final quarter of 2024 according to Kantar analysts, making it the only major supermarket to see sales drop during this period. 'Asda was built upon helping hard working families save money and we're refocussing on that mission by bringing back Rollback and Asda Price,' said Allan Leighton, who rejoined Asda in late 2024 after previously serving as chief executive officer more than two decades ago. An Asda spokesperson added: 'We're focused on our own great 'Asda Prices' not competitor comparisons. We've started 2025 as we mean to go on by cutting prices on thousands of products and there's much more to come with Rollback.' The pricing overhaul includes significant reductions on everyday items, with products like Asda Thin Cut Beef Steaks seeing a 36% price cut to £3.88 and Ben & Jerry's ice cream reduced by 44% to £2.84. Retail analyst Clive Black from Shore Capital noted that while the price cuts were necessary given Asda's market share losses, the chain faces additional challenges: 'It's not just about price, Asda's stores have been dirty, availability's been poor, customer service has been weak and morale has been low, so they also have to address those issues.' The strategy marks Leighton's most dramatic move since returning to chair Asda, which is now majority-owned by private equity firm TDR Capital with Walmart retaining a 10% stake.