# Asda commits to long-term price war despite steep sales decline



The turbulent waters of Britain's grocery sector are characterised by rising inflation and fierce competition, reaching a peak in the most recent period for Asda, one of the nation's largest supermarket chains. Executive chairman Allan Leighton’s response to the supermarket's plummeting sales figures and dwindling market share has been unequivocal; he aims to ignite a price war, prioritising a long-term turnaround strategy over immediate market share considerations.

In the first quarter of 2025, Asda reported revenues plummeting by 5.9% to £5 billion, with like-for-like sales experiencing a 4.5% drop, a trend echoed by data from market researchers Kantar, which revealed that Asda's market share has dipped to 12.1%, its lowest since 2011. While traditional grocery inflation has hovered around 4.1%, the reality faced by Asda is more challenging, with Leighton emphasising the need to re-establish the brand's presence and competitiveness. “Market share today means nothing to me,” he asserted, framing his vision as focused on stability and future growth rather than temporary metrics.

Leighton’s strategy hinges on the revival of the "Rollback" pricing initiative, which promises substantial discounts—averaging 25%—on over 4,000 items. This move, while a tactical response to the sales decline, also reflects Asda's broader goal of positioning itself as 7-10% cheaper than its main rivals. Leighton's confidence in this direction is grounded in the belief that fostering customer trust through price competitiveness will take time, with a turnaround projected to unfold over three to five years.

Asda’s recent struggles cannot merely be viewed through the lens of its failed campaigns or pricing strategies; they are indicative of the broader challenges faced by retailers under private equity ownership. The significant debts stemming from its acquisition by TDR Capital and the Issa brothers have also played a critical role, limiting Asda's flexibility to operate effectively in a competitive marketplace. It has faced criticisms over product availability, customer service, and store cleanliness, elements that are now being addressed. Despite these hurdles, Leighton maintains that positive trends are beginning to emerge, suggesting that the brand is making strides towards an improved operational framework.

Market analysts, however, remain appropriately cautious. Amidst a landscape of increased promotional rhetoric—evident through Asda’s aggressive pricing tactics—concerns linger regarding whether such price cuts represent genuine value or if they are merely indicative of a "phoney price war," as suggested by the CEO of Aldi, Giles Hurley. Aldi has been increasing its market share steadily, highlighting Asda’s difficulties in effectively competing and seizing a stronger foothold in the sector.

Beyond price cuts lies the more pressing need for Asda to revitalise its image in a market where competitors like Tesco and Sainsbury's hold significant sway. The declining trajectory in sales is alarming, but Asda's leadership seems resolute in its commitment to a patient and methodical recovery. Leighton’s tenure thus far has underscored the complexities of navigating today's retail environment—a landscape marked by consumer price sensitivity and shifting loyalty dynamics.

In summary, while the immediate future for Asda appears fraught with challenges, the executive team’s commitment to a comprehensive turnaround could eventually restore its standing within the UK grocery market. The continuous interplay of pricing strategies, operational improvements, and customer trust-building will be essential as the retailer seeks to emerge stronger in an evolving landscape.

## Reference Map:

* Paragraph 1 – [[1]](https://www.dailymail.co.uk/money/markets/article-14762305/Asda-boss-shrugs-plunging-sales-vows-press-ahead-price-war.html?ns_mchannel=rss&ns_campaign=1490&ito=1490), [[2]](https://www.ft.com/content/29b26146-f7d5-4eb8-be50-175c85250c36)
* Paragraph 2 – [[1]](https://www.dailymail.co.uk/money/markets/article-14762305/Asda-boss-shrugs-plunging-sales-vows-press-ahead-price-war.html?ns_mchannel=rss&ns_campaign=1490&ito=1490), [[3]](https://www.reuters.com/world/uk/there-is-no-uk-supermarket-price-war-says-aldi-boss-2025-05-29/), [[4]](https://www.reuters.com/business/retail-consumer/britains-asda-warns-profit-it-invests-turnaround-2025-03-14/)
* Paragraph 3 – [[5]](https://www.reuters.com/business/retail-consumer/uk-supermarket-asda-cuts-prices-kick-start-recovery-2025-01-30/), [[6]](https://www.ft.com/content/0edb6ee9-8674-4f6d-87b2-69f6c28136e8)
* Paragraph 4 – [[2]](https://www.ft.com/content/29b26146-f7d5-4eb8-be50-175c85250c36), [[7]](https://www.theguardian.com/business/2025/mar/14/asda-cut-prices-battle-drop-sales-market-share)

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

## Bibliography

1. <https://www.dailymail.co.uk/money/markets/article-14762305/Asda-boss-shrugs-plunging-sales-vows-press-ahead-price-war.html?ns_mchannel=rss&ns_campaign=1490&ito=1490> - Please view link - unable to able to access data
2. <https://www.ft.com/content/29b26146-f7d5-4eb8-be50-175c85250c36> - Asda has reported a 5.9% drop in revenues to £5 billion and a 4.5% fall in like-for-like sales in the first quarter of 2025, as it continues losing market share to competitors amid efforts to revive its fortunes. Asda now holds 12.1% of the UK food market, down from 13% a year ago. Allan Leighton, who rejoined as chair in November 2024, emphasized that improving overall business performance takes precedence over market share concerns. Asda has faced challenges with product availability, customer experience, and store cleanliness but has begun addressing these issues. In a bid to attract customers, the company has implemented substantial price cuts, aiming to widen its price gap with rivals to 7–10% over the next year. While inflation concerns persist, Leighton believes rising prices may highlight Asda's value-focused strategy. Despite some positive indicators, such as the best sales performance since May 2024, analysts remain cautious, suggesting Asda’s recovery remains distant, especially as the broader UK grocery market experienced modest growth of 1.4% during the same period.
3. <https://www.reuters.com/world/uk/there-is-no-uk-supermarket-price-war-says-aldi-boss-2025-05-29/> - Aldi UK CEO Giles Hurley has dismissed suggestions of a supermarket price war in Britain, calling it a "phoney price war" due to inflation and limited actual price slashing across the industry. Despite reports that major grocers like Asda are cutting prices and accepting profit hits to regain market share, Hurley argues that there has been more rhetoric than action. He highlighted that grocery inflation reached 4.1% in May, the highest in 15 months, indicating limited overall discounting. Aldi continues to maintain a significant price advantage over its competitors and is experiencing strong growth, with UK sales rising 6.7% in the 12 weeks to May 18, climbing its market share to a record 11.1%. The discount retailer, owned by Germany's Aldi Sud, now sells more food and drink than Asda and plans to expand its UK presence further. Aldi will invest £650 million in 2025 to open 40 new stores, refresh existing ones, and aims for a total of 1,500 stores long-term.
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.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.
6. <https://www.ft.com/content/0edb6ee9-8674-4f6d-87b2-69f6c28136e8> - Asda and Morrisons, two UK supermarket chains, have struggled under private equity ownership after being acquired in high-debt deals by TDR Capital and the Issa brothers (Asda) and Clayton Dubilier & Rice (Morrisons). They have faced challenges such as high-interest payments, leadership instability, and declining sales. Asda reported a pre-tax loss of £111.7 million in recent months, while Morrisons' pre-tax losses reached about £500 million last year. Both chains have attempted to reduce debt through asset sales and refinancing. Leadership changes and market competition from discounters like Aldi, and stronger rivals like Tesco and Sainsbury’s, have compounded their difficulties. Private equity owners remain hopeful for a return on investment but face skepticism from industry observers. The future remains uncertain as the owners consider their exit strategies and the possibility of selling more real estate to improve financial performance.
7. <https://www.theguardian.com/business/2025/mar/14/asda-cut-prices-battle-drop-sales-market-share> - Asda has reported a 5.8% drop in sales over the past year, despite food price inflation exceeding 3%. The supermarket chain has lost more than a percentage point of market share in the past year, according to industry analyst Kantar. In response, Asda has reintroduced its "Rollback" promotional mechanism, offering an average discount of 25% on over 4,000 products. Allan Leighton, who returned as executive chairman in November, aims to make Asda 5% to 10% cheaper than its rivals. Leighton acknowledges that rebuilding customer trust will take time and emphasizes the need for a long-term turnaround strategy.