# Tesco pledge to price match Aldi and Lidl as it “doubles down” for customers

T
esco today pledged to “double down” to help struggling customers and narrow any price gap between it and the German discountersAldi and Lidl as the cost-of-living crisis bites.

Chief executive Ken Murphy says shoppers are “watching every penny” as they battle inflation.

The upcoming football World Cup and then Christmas should help supermarkets he feels, as cash-strapped families shirk expensive pubs and restaurants and instead stock-up at home.

“We are in a tough environment and are doubling down for customers,” he said. “Customers are determined to have a great Christmas, we are determined to give it to them. It is going to be a Christmas people want to celebrate, but in an affordable way. People will want to eat well, but in the home.”

Tesco saw profits for the half-year fall 64% to £413 million, but it upped its dividend to shareholders by 20% to 3.85p, figures that come at a sensitive time amid a cost of living crisis that has seen many more people turn to food banks in order to survive.

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Tesco said profits for the full-year will be between £2.4 billion and £2.5 billion, at the lowest end of earlier guidance, a reflection of customer caution. The shares fell 5p to 205p.

Tesco is raising pay for its staff for the third time in 13 months. The basis hourly rate in stores will increase 20p to £10.30, or £10.98 in London.

Murphy was paid £4.7 million this year.

The UK's biggest supermarket was deemed to have handled the Covid pandemic well, like rivals keeping the nation fed in the toughest of conditions.

Sales in the last six months rose 6.7% to £32.5 billion. It today pledged to "support customers though relentless focus on value".

There has been somewhat of a reversal of pandemic behaviour, when people shopped online and less often. Now they are more often shopping in stores looking for bargains.

They are trading down where possible and moving from fresh to frozen foods.

Orwa Mohamad at Third Bridge said:

"Tesco is in a better position to face competition from discounters. Our experts say Tesco has strong pricing power, a sufficiently wide range of products for customers to trade down in the store, and a big advantage in its Clubcard loyalty

scheme.”

“Aldi and Lidl may be gaining market share but this is mainly from Morrisons and Sainsbury’s as savvy shoppers hunt for bargains in the cost-of-living crisis.”

“Average grocery spend is declining while shopping frequency is increasing. Tesco and other supermarkets with convenience formats should benefit from this.”

Zoe Gillespie, investment manager at RBC Brewin Dolphin, said: “Tesco’s results are caught between the jaws of post-pandemic normalisation and the rising cost of living. Profits have taken a dip and are likely to be at the lower end of guidance this year, as the supermarket looks to align with customers and mitigate the impact of rising prices through a combination of initiatives – such as its Clubcard prices”

Murphy added: “Tesco is the most convenient destination for almost every British shopper. We want to take away the worry that you could “get it cheaper” in the discounters. We respect all our competitors. Different competitors up their games at different times. We are focussed on our plan.”

It will freeze prices on 1000 goods.