

CASE-STUDY 2: PRICE WAR

Aldi and Lidl in a price war in Germany



After Lidl announced the 'biggest price reduction ever' in Germany last week, rivals Aldi Nord and Süd are launching a counterattack in a battle for price leadership that also threatens to affect other retailers.

Frontal attack

With a remarkable video, in which shoppers sing the praises of Lidl's low prices to the tune of the German national anthem, the discounter announced the biggest price reduction in its history last Friday: 500 products will be permanently reduced in price, with discounts of up to 35%. The retailer even proclaims itself Preissieger or price winner and claims to be 5% cheaper than Aldi Nord and Aldi Süd.

This came as a complete surprise to the competition and, above all, was a frontal attack on arch-rival Aldi, which has always profiled itself as the true price leader in Germany. 'For us, price leadership is not a short-term campaign, but a fundamental principle,' says Aldi CEO Felix Rottmann in Lebensmittel Zeitung. A response was therefore inevitable.

Fear of escalation

Aldi is now lowering the prices of around 100 best-selling products, including fish sticks, Tandil washing powder, frozen pizza, quark, ice cream and frozen chips. Unlike Lidl, Aldi did release the full list of products involved.

The bidding war between Aldi and Lidl is also prompting other food retailers in Germany to take action: Edeka, Rewe and even Kaufland, Lidl's sister company, have also announced price reductions for similar products. This has led observers to fear a larger-scale price war on the German market, which would put further pressure on the margins of all retailers and suppliers.

Question: find an example of a price war in another sector of the economy and discuss causes and consequences

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| Sector and companies involved |
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Causes

Consequences