ALDI Discount Retail Playbook

Idea In Short

ALDI runs its grocery business on doing less, not more. The German discount chain, founded in 1913 as a single shop in Essen and split into ALDI Nord and ALDI Süd in 1960, stocks a fraction of the products a typical supermarket carries and sells most of them under its own labels. That narrow catalog cuts negotiating complexity, shelving costs and waste, letting ALDI hold prices below most competitors while still turning a profit. The company now operates more than 13,000 stores across Europe, the United States and Australia and it continues expanding in the U.S. market even as larger rivals such as Walmart and Target watch its growth closely. This article traces how ALDI's ownership, history and operating model fit together and maps its approach onto the nine blocks of the business model canvas.

From a Mining Town to a Global Chain

ALDI traces back to 1913, when Anna Albrecht opened a small grocery shop in Essen, Germany, to serve families working the local coal mines.[1] Her sons, Karl and Theo Albrecht, took over the business in 1946 as Germany rebuilt after the war and they leaned further into discount pricing rather than away from it. That bet paid off fast: by 1950 the brothers ran 13 stores across the Ruhr Valley and by the late 1950s they were ready to expand beyond Germany. Over the following decades the chain spread into the Netherlands, the United Kingdom, Ireland and eventually the United States and Australia, building the store network that underpins ALDI's pricing today.

A Feud That Split the Company in Two

Success brought disagreement. By 1960 the brothers ran roughly 300 stores together, but they split over whether to sell cigarettes: Theo wanted the reliable turnover cigarettes provided, while Karl worried they would draw shoplifters and slow down checkout lines. Instead of compromising, they divided the business into ALDI Nord in the north, led by Theo and ALDI Süd in the south, led by Karl. Two years later the brothers combined "Albrecht" and "Diskont", the German word for discount, to create the ALDI name both companies still use. The two firms have operated as separate businesses ever since, each with its own management, store footprint and expansion strategy, even as both compete on nearly identical principles. Combined, ALDI Nord and ALDI Süd now run close to 14,000 stores worldwide.2

Two Family Fortunes, One Playbook

Theo Albrecht died in 2010, passing control of ALDI Nord to his children and grandchildren. Karl Albrecht died in 2014 at age 94; by then he had built ALDI Süd into a business large enough to make him Germany's richest man.3 Ownership of ALDI Süd likewise passed to his descendants. ALDI Nord holds one asset that often surprises American shoppers: it owns Trader Joe's, which it acquired in 1979 and continues to run as a distinct brand with its own buying and stores, separate from the ALDI banner.

Spend a Little, Live a Lot

ALDI sums up its strategy in two lines the company has used for years.

> Spend a little, live a lot

> The best quality at the lowest price

Neither phrase is complicated and that is the point. The stores are built around a single trade-off: shoppers give up variety and some polish in exchange for lower prices on the items they buy most often. Every operating decision, from the size of the catalog to how carts get returned, traces back to protecting that price gap.

Profiting From a Narrow Shelf

Most supermarkets carry tens of thousands of items; ALDI typically stocks closer to 2,000. Roughly 90% of what sits on ALDI's shelves carries the company's own private labels rather than national brands and those labels generate the bulk of ALDI's revenue.4 Cutting the catalog this aggressively does two things at once: it removes the slotting fees and marketing payments that national brands typically negotiate for shelf space and it lets ALDI negotiate harder with its own private-label suppliers because each contract covers enormous volume. Fewer products also means simpler stores, smaller warehouses and less unsold inventory, all of which lower the fixed costs the business has to recover through pricing.

Shifting Small Costs to Shoppers

ALDI also saves money by asking customers to do a bit of the work stores usually pay staff to handle. Shoppers insert a coin, often a quarter, to unlock a shopping cart and get it back only when they return the cart to a corral, which means ALDI rarely pays an employee to round up carts scattered across a parking lot. Bags are not free either; shoppers either bring their own or buy one at checkout. These charges are minor for any individual customer, but multiplied across thousands of stores and millions of transactions, they add up to a steady source of savings and incidental income.

Competing Against Retail Giants

ALDI's growth has not gone unnoticed by the retailers it undercuts. Greg Foran, who ran Walmart's U.S. division before later becoming Kroger's chief executive officer (CEO), described the chain bluntly at an industry conference.

> I never underestimate them. I've been competing against Aldi for 20-plus years. They are fierce and they are good

That kind of respect from a Walmart veteran says more than any marketing claim could.5 ALDI now competes directly with Walmart, Target and Dollar Tree in the U.S. and with Lidl across much of Europe and it is not standing still: the company plans to open more than 180 U.S. stores in 2026 alone, pushing toward roughly 2,800 U.S. locations by year-end and a longer-term goal of 3,200 stores by 2028.6

Key Partners

ALDI relies on private-label manufacturers that produce goods to its specifications at high volume, giving the company leverage over cost and quality without owning factories itself. Logistics providers and real estate partners help ALDI secure warehouse space and store sites, often on the outskirts of cities where land costs less. Sponsorship arrangements with sports organizations and community groups substitute for heavy advertising spend. Charitable and community partners give ALDI a channel for local goodwill projects without building a dedicated philanthropy arm.

Key Activities

Sourcing and quality control for private-label goods sit at the center of ALDI's operations, since nearly everything on the shelf carries the company's own name. Site selection and store expansion, particularly the continued buildout of U.S. locations, occupy a growing share of management attention. ALDI also invests in digital self-service tools, including apps, online ordering and curbside pickup, extending the same efficiency principles from stores into digital channels. Germany remains the largest home market, where the private-label catalog is deepest and store density highest.

Key Resources

Brand recognition built over more than a century gives ALDI credibility when it enters new markets or launches new store formats. Its curated, limited catalog is itself a resource, since keeping SKU counts low simplifies buying, stocking and inventory management in ways a full-range supermarket cannot replicate quickly. Owned logistics and warehouse infrastructure keep ALDI independent of third-party distributors for most of its supply chain. Real estate bought below prime-location prices, typically outside city centers, keeps occupancy costs well under what competitors pay for similar footprints.

Value Propositions

ALDI offers shoppers a recognized brand without the price tag that usually comes with brand recognition. Store and online access have both expanded steadily, giving customers more ways to reach the same low prices. Deep discounts on private-label goods remain the core pitch, backed by a catalog built almost entirely around value rather than variety.

Customer service, though lean, is trained to resolve issues quickly and the stripped-down, no-frills format itself has become part of the appeal for shoppers who just want to get in and out.

Customer Relationships

Most ALDI transactions are self-service, whether that means scanning items at checkout, browsing a country-specific website or ordering through a mobile app. In-store staff remain available for returns, refunds and questions, but stores are staffed leanly, so most shopping trips involve minimal interaction with employees. ALDI maintains a presence on social platforms such as Facebook, Instagram and Pinterest, though this channel plays a smaller role in customer relationships than the stores themselves.

Channels

Physical stores remain ALDI's dominant channel, with more than 13,000 locations worldwide generating the vast majority of company revenue. Country-specific websites give shoppers information on store locations, current promotions and supplier practices, along with online ordering in many markets. Mobile apps extend that reach further, surfacing personalized deals and loyalty offers that keep shoppers checking in between store visits.

Customer Segments

ALDI's original and enduring segment is budget-conscious households who prioritize price above brand names or wide selection. A second, larger segment has grown over time: middle-class shoppers who are not necessarily short on money but want to stretch their grocery budget further without sacrificing basic quality. Both segments respond to the same private-label value proposition, which is part of why ALDI has not needed separate store formats or pricing tiers to serve them.

Cost Structure

Product acquisition, meaning the cost of manufacturing and sourcing private-label goods at scale, makes up the largest share of ALDI's expenses. Logistics and warehouse infrastructure add a steady operating cost, offset partly by owning much of that network outright rather than outsourcing it. Lean staffing keeps labor costs low relative to store count, while ongoing investment in IT systems and supply chain technology supports the efficiency the rest of the model depends on.

Revenue Streams

Product sales across a limited set of categories, fresh food, bakery, drinks, frozen goods, household items and health and beauty products, generate the overwhelming majority of ALDI's revenue. A smaller but steady stream comes from shifting minor costs onto customers: cart deposits that are almost always refunded and small charges for bags at checkout. Together these streams reflect a business built around high sales volume on a narrow set of products rather than margin on any single item.

- 1Aldi
- 2Aldi Süd stores worldwide by country
- 3How Aldi's frugal, reclusive founders turned a corner grocery store into a $38 billion fortune
- 4Aldi says it's beating everyone on price, including Wal-Mart
- 5How Aldi, a brutally efficient grocery chain, is beating Walmart on low prices
- 6Why Aldi has a chance to reshape America's grocer sector

Summary

ALDI's advantage does not come from a single tactic; it comes from stacking many small efficiencies until they add up to a structural cost gap competitors struggle to close. A limited catalog reduces supplier negotiations and shelf-stocking labor. Private labels remove markups paid to national brands. Frugal store formats and outskirts real estate cut occupancy costs. Cart rental fees and bagging charges shift small operating costs onto shoppers who barely notice them. None of these moves alone would matter much, but combined, they let ALDI sell groceries at prices larger chains find difficult to match without losing money. As the Albrecht family's two companies keep expanding across the U.S. and beyond, the model that started in a single German mining town continues to shape how much conventional supermarkets can charge.