On a Thursday morning in April 1990, in the suburb of Stechford in Birmingham, a strange grocery chain started trading in the UK. It only stocked 600 basic items – fewer than you might find in your local corner shop today – all at very low prices. For many products, including butter, tea and ketchup, only a single, usually unfamiliar brand was offered. To shoppers accustomed to the abundance of Tesco and Sainsbury’s, which dominated the British grocery sector with thousands of products, delicatessens, vast fridges and aisles piled high with fresh fruit and vegetables, the range would have seemed dismal.

The managers of this new shop, which was called Aldi, had not bothered to place a single advert announcing its arrival – not even an “Opening soon” sign outside the store. Strip lights illuminated the 185 sq metre store, and from the ceiling hung banners listing prices for the goods stacked on wooden pallets or displayed in torn-open cardboard boxes on metal shelves. A £1 deposit allowed you to borrow a trolley but there were no baskets. The checkout assistants, who had been trained to memorise the price of every item in the store, were so fast that shoppers experienced what some would come to call “Aldi panic” – the fear that you cannot pack your goods quickly enough. The store accepted cash but not cheques or cards. Customers seeking itemised receipts left disappointed.

Information on Aldi’s owners was as limited as the decor. Most news reports noted merely that the company belonged to a frugal and spectacularly rich pair of German brothers, Karl and Theo Albrecht, who had both fought in the second world war and whose desire for privacy had reached extremes after Theo’s high-profile kidnapping for ransom in 1970s. The Albrechts had an extremely popular chain of bleak discount stores in Germany: the brothers had divided the country into separate fiefs, with each controlling the market in one half of the territory.

But most people were confident they would fail in Britain, where there was a discernible snobbery about discount stores. When a reporter from the Times visited an Aldi store in Birmingham the following year, he thought it represented the “anonymous, slightly alarming face of 1990s grocery shopping”, without any pretence of sophistication. “One looks in vain for avocados or kiwi fruit.”

The British supermarket giants, whose 7% profit margins were the world’s highest, were even more dismissive. Sainsbury’s remarked on the absence of service, which was important to British customers. “We welcome the advent of Aldi and others to come,” said Tesco managing director David Malpas. “We can live happily in our part of the market and they can live in theirs.”

For a long time it looked like he was correct. In 1999, when Walmart bought Asda, the UK’s third biggest grocery chain, the Financial Times noted that Aldi had made “little impact in Britain” because customers were not as price-sensitive as Americans or continental Europeans.

But today, the boasts of Tesco and Sainsbury’s read like a classic example of business hubris. While the major supermarkets dozed, convinced that many people would not be seen dead in a discount store, the German chains quietly turned the sector on its head. Nearly two-thirds of households now visit an Aldi or Lidl branch at least once every 12 weeks, according to the research firm Kantar Worldpanel.

In 2017, Aldi overtook the Co-op to become the UK’s fifth largest retailer; today it has a 7.5% market share, closing in on fourth-place Morrisons, with 10.6%. Lidl has 5.3%, more than Waitrose. What’s more, the two discounters are still growing quickly – opening an average of one new store every week, often in more affluent towns.

By sucking in shoppers and, as former Aldi UK CEO Paul Foley puts it, “sucking the profitability out of the industry” – profit margins of
The herd called parasites, leeches and a plague of locusts landing on our shores’

Teddy’s managers had identified one of the prerequisites for a successful supermarket. “Almost all other businesses, especially those that have come into the business on the back of new technologies – the internet, the smartphone – as the main driver, had let their guard down,” said Black. “The service level was simple but inevitable, Aldi’s managers believed; the financial speed of delivering a product was so fast that not even a five-year view was necessary.”

Aldi’s managers were convinced that the big, global chains were underestimating their latent strength. The supermarket’s sales were still growing and there was still time, they thought, to catch up. In another room, a team was looking at fruit juices and sports drinks. Aldi had decided the time was right to bring the company to Britain.

The British supermarket’s Aldi didn’t take Albion’s seriously at first. They bought their supplies and thought, “it’s not a frightening market,” as a physiotherapist. He used to shop at Waitrose and finance for JP Morgan for 20 years before retraining as a physiotherapist. He is not typically a physiotherapist, he said, “When an own label product is knocked off: I would view that as theft.”

Aldi was a very different kind of shopper. It was not a frightening market, he thought. The supermarket’s managers, who had been waiting until Aldi had plants on sale. Der Spiegel said that given Aldi and Lidl’s expansion plans, their “supermarket domination” may even have a five-year view. “Most other companies don’t have a 30-year view – or a 20-year view,” Black said. “The service level was simple but inevitable, Aldi’s managers believed; the financial speed of delivering a product was so fast that not even a five-year view was necessary.”

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