

THE AMAZON EFFECT

How Whole Foods competitor Thrive Market plans to beat Amazon

JANUARY 4, 2019 by [Hilary Milnes](#)

As the transformation of Whole Foods under Amazon ownership continues, competitors in the health food market are stepping up to the plate.

In an effort to better compete with the online retail giant, Thrive Market, an online grocery store for natural and organic packaged foods, is expanding into new categories, offering more member perks and promoting supply chain and sourcing transparency. Since launching in 2015, Thrive Market has positioned itself as a more affordable and accessible alternative to Whole Foods. But as Amazon addresses those problems with more locations and more promotions in stores to Prime members, Thrive is now focused on becoming the antithesis to an Amazon-owned Whole Foods.

“Amazon buying Whole Foods has created a big opportunity for us,” said Nick Green, the co-founder and CEO of Thrive Market. “Whole Foods has been the standard bearer for natural foods and organic products, but the challenge it has had is that many people don’t live near one, and many people can’t afford it. When you think about the Amazonification of Whole Foods, Amazon bought it for the real estate, and it’s tried to make it more accessible for everyone. That means you’re going to see different products on the shelves.”

Thrive’s model works like this: Customers pay a monthly membership fee of \$5 to buy all-natural packaged foods, beverages, wines, supplements and medicines at a 25 to 50 percent discount per item. All items sold through Thrive have to meet the company’s standards around sourcing and supply chain practices (all products, the company claims, are ethically sourced) and ingredients (all products are non-GMO, for example). Thrive also has a growing private label business, with revenue from its owned brand accounting for 20 percent of total sales. The company would not disclose its revenues, but said in 2018 revenue grew by 50 percent.

So, while Green said Thrive wants to match Amazon’s “obsession” with members and service, its focus first is on expanding its network of suppliers to build out an unmatched assortment of all-natural products, to be made available at the discounted price. At the end of the year, Thrive signed on to two partnerships meant to help it broaden its suppliers and get more items into its store. The first, with RangeMe, connects Thrive Market with specialty distributors and makes it easier to compare pricing and ingredients. The second inked a five-year partnership with Kehe Distributors, one of the largest distribution channels for natural and organic products.

In comparison, Whole Foods’ partnership with Amazon implemented a centralization of Whole Foods’ distributor system. Where Whole Foods locations once sought out locally owned businesses to bring in a unique assortment of brands in each store, there’s now one entry point to the entire Whole Foods network. Plus, Amazon is known to use customer data as its main factor in merchandising decisions.

“Amazon doesn’t want Whole Foods to be a top-five regional or specialty grocer,” said Cooper Smith, principal analyst at Gartner L2. “It wants it to be a top-five national ~~grocery chain. That’s going to impact the products you see being carried. National~~

in before.”

“Already, Whole Foods shelves have Honey Nut Cheerios and Amazon Echoes,” said Green.

Thrive sees an opportunity to seize on the weaknesses <https://digiday.com/retail/amazon-grocery-growth-strategy-competition/> Amazon’s grocery business has demonstrated. With all orders shipping within two days, for free, Green considers the company’s shipping convenience on par with Amazon, especially when you consider the fragmentation of its grocery category. Some food brands partake in Amazon’s Fresh food delivery program, which offers same-day and next-day shipping, but brands fulfilled by third-party Amazon sellers may have different order requirements or ship times. Right now, Thrive’s biggest obstacle is bringing on fresh produce and other perishable foods, but Green said the company’s first priority is tackling the right supply chain for non-perishable items, which he said account for 50 percent of grocery purchases. And in the meantime, Thrive is also expanding its assortment of all-natural frozen foods.

Also on Thrive’s to-do list for this year: Figure out its approach to offline pickups and retail store integrations.

“What the Whole Foods acquisition taught us is that the future is omnichannel,” said Green. “Everyone’s raising the bar, and we want to tap into that too. We’re going to improve ship times and we’re looking into what our offline strategy will be to get products to people faster as well. But we’re also focusing on conscious consumption and the awareness that people have around the brands they buy from. Utilitarian players are focused on value and convenience. We want to be the platform that people trust for innovative, all-natural brands and that’s where we’re planting our flag.”

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