

7,597 views | Jan 6, 2019, 08:29am

# Online Wellness Grocer Thrive Market Found Its Niche With Middle-Class Moms And Private Label



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-  “Wholesome products at wholesale prices” is the initial appeal of Thrive Market to middle-class moms on a budget
-  Thrive Market’s growth potential is related to the success of private label products



Woman shopping online in kitchen LINKEDIN SALES NAVIGATOR VIA PEXELS

Described as “where Costco meets Whole Foods,” **Thrive Market** had trouble getting funding at its start in 2014. Initially the company couldn’t convince investors of the

viability of its business model: selling healthy, natural and organic packaged goods as found in Whole Foods and made affordable through a membership model like Costco exclusively online.

When founders Nick Green and Gunnar Lovelace, who today are co-ceos, along with Kate Mulling and Sasha Siddhartha, went calling on the investment community, they heard over and over again that the consumer need wasn't there since Whole Foods was already dominant in that space. The investors were also skeptical that the company could achieve its \$10 million first-year and \$35 million second-year financial projections in a market that at the time was estimated at \$100 billion.

The founders knew there was a huge untapped market of people, most especially middle-class mothers, who wanted to bring healthier products into their homes but couldn't afford or didn't have access to Whole Foods.

So they took a grass-roots approach to funding with 200 individual investors who understood the mission and the consumer need, including such big names in the wellness community as Deepak Chopra, Tony Robbins, and Jillian Michaels, as well as a contingent of health and wellness bloggers.

Unlike influencers in the fashion and beauty business that are paid to shill for brands, bloggers like Katie Wells, who operates [wellnessmoma.com](http://wellnessmoma.com), invested in the company. They have a real stake in the game. As authentic people with a passion and platform to share health and wellness information, Thrive Market's coalition of investor/bloggers have been instrumental in building its business.

"We ended up beating our second year projections during our first year in business, doing \$45 million in revenue over the first 12 months," Lovelace told [Grocery Dive](#).

So far Thrive Market has raised more than \$160 million, according to Crunchbase, from investors including Powerplant Ventures and Greycroft Partners.

While the company doesn't release sales figures, in 2016 it was reported by the [New York Times](#), the company had more than five-million registered users, 300,000 paid members and shipped more than \$200,000 worth of goods per day. A more recent 2018 estimate puts its membership in the "mid-hundreds of thousands" range.

After registering at Thrive Market, visitors can order products with a 30-day free membership including free shipping for orders over \$49. It then converts to a full-year membership at \$59.95. And for each paid membership, Thrive Market donates a membership to a low-income family, through nonprofit partners like Feeding America

## **Helping moms raise healthier families**

“Wholesome products at wholesale prices” is the initial appeal of Thrive Market to middle-class moms on a budget  . By buying directly from the most prominent brands in health and wellness, like Plum Organics, Annie’s Homegrown, Burt’s Bees, Seventh Generation and Meyer’s, Thrive Market can offer prices ~25-50% below those of traditional grocery stores for the same brands.

Additionally it strives to price the healthier alternative below that of conventional packaged-goods brands. For example, Lovelace said a Kind bar at Thrive Market sells for less than a regular candy bar and its range of non-toxic laundry detergents are priced better than those found in big-box stores.

Thrive Market bridges a gap for shoppers in small-town America, as well as inner-city food deserts. Today some 50% of its customer base is in the Midwest and the South, “and that doesn’t include big states like Texas,” Lovelace said and added, “More than 85% of American families want to buy organic but they can’t do it because they can’t afford it. We feel like we’re bringing the mainstream in.”

Lovelace described its customer base as, “a community of members that are value-aligned,” and the company as “an aspirational, mainstream 21st century food-co-op.”

Some of its customers shop for fresh foods at farmers market and buy packaged goods almost exclusively from Thrive Market. Others focus on particular categories, such as snacks, baby products or cleaning products. “It’s a really broad portfolio and it really depends on who the member is and what they’re looking for,” he said.

## **Private label means growth**

Starting with a 5,000 product range from prominent health and wellness brands in packaged food, beauty, bath and body, home, pets and baby, Thrive Market has recently pivoted toward private-label goods as a platform for growth. It is also using private label to expand into new categories, including frozen foods, wine and meal kits

“Thrive Market’s growth potential is related to the success of private label products  , as this is a point of brand differentiation that can drive greater brand awareness and profitability,” writes [Oliver Chen](#) in a Cowen Equity Research Note.

“Thrive Market as a company stands for making organic and healthy products more accessible and affordable by providing the highest standards of quality and supply chain transparency, and it upholds these values and mission through its private label products,” Chen continues.

Based upon insights from customer sales and search data, as well as guidance from its influencer panel, Thrive Market has opportunistically introduced over 330 private-label products which have been eagerly adopted by its members.

“In every single category where we launch our own products, we’re seeing 50% to 80% market penetration in that category,” Lovelace shared. It’s because of the trust Thrive Market has built with its membership base.

By the end of 2018, Thrive Market projected about 20% of sales will be private label, with its coconut oil, beans, spices, extra virgin olive oil, bone broths, coffee, tomato sauce, almond butters and cleaning products among its most popular offerings. And Lovelace expects that private label will reach as high as 50% of sales over the next two or three years.

As good as Thrive Market’s prices are for its third-party branded goods, it does even better with its private label, “delivering a premium brand, a premium experience at 5% to 10% below the top-performing premium comparable in the market,” Lovelace explained.

It saves costs in its private labeling by going direct to the source and designing and executing packaging and marketing in-house. Those savings are passed along to its members. “Products are created and engineered with the customer in mind, and each product provides a compelling reason for customers to choose Thrive Market brand over other brands,” Chen writes.

Despite Thrive Market’s new focus on private label, it remains committed to its third-party brands. Thrive Market is among the top ten sales channel for 90% of the brands it carries, Lovelace claimed.

## Healthier products at prices below the unhealthy alternatives

For the future, Lovelace believes the company's "member obsession," will keep it growing and thriving. "If we can drive a quality experience to our members, while at the same time selling organic groceries at the same price as conventional equivalents, we've got a winning proposition that will allow us to compete at scale with institutional players," he said.

And while Lovelace sees the Amazon-Whole Food combination as an "existential threat," he feels that if Thrive Market can capture even 1% to 2% of the \$100 billion health and wellness grocery market, it will be a winner.

The companies that are in the real cross hairs in the burgeoning health and wellness market are traditional retailers and CPG companies. "I think there is going to be a lot of consolidation, a lot of activist shareholders," Lovelace concluded. "I think there are going to be retailers that go out of business. It's going to be a blood bath over the next five years."

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