

Hearing before the House Committee on Agriculture

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Written Statement of Gunnar Lovelace Founder & Co-CEO of Thrive Market

Chairman Conaway and distinguished members of the committee, thank you for having me here today to testify regarding how technology can expand access to healthy food in a way that can save billions of dollars in downstream medical expenses.

My name is Gunnar Lovelace and I'm the Founder and Co-CEO of Thrive Market, the fastest growing health food e-commerce company in history.

Thrive Market's mission is to make healthy living easy and affordable for everyone. We do that by buying from health food brands directly, cutting out the middlemen and passing those savings along to our members, who pay \$60 a year for access to the club. For every paying member we give away a free membership to a low-income family, a veteran, a teacher or a student, through our Giving program.

The desire to make healthy living affordable to everyone is something that is informed by personal experience. I grew up poor with a single mom and saw how hard she worked to make healthy choices for our family. When my mother remarried, my stepfather was running a food co-op on an organic farm, where I got to see firsthand the power of group buying as a way to make food more affordable and build community.

Later, as I progressed in my entrepreneurial career - starting and selling two technology companies - I always felt like there was an opportunity and responsibility to disrupt access to healthy food with technology. Together with my co-founders, our investors, employees and members, we have brought this vision to life at Thrive Market. Since launching the business in 2014, we have grown from one employee working out of my house, to more than 600 employees nationally working out of multiple locations in 3 states. We have raised over \$160 million in investment capital from over 350 value-aligned investors.

Through our Giving program, we partner with NGO's nationally to distribute free memberships and also accept applications on our site. Earlier this year we rolled out a program called Spread The Health, where our members may contribute a portion of their grocery savings directly to Thrive Gives members, offsetting the cost of their first few purchases through stipends. This helps people who are struggling with the affordability of healthy food, or don't have geographic access to grocery stores selling healthy food in their community. We also try to break down the educational barriers that some face by providing recipes, starter kits, and other content that helps make healthy living more accessible.

This is all critically important right now, because our country is facing a health crisis. The emergence of lifestyle diseases is an epidemic ravaging our economy and our communities. More than 70% of our population is overweight or obese. 29.1 million Americans have diabetes. We spend \$245 billion on diabetes and \$444 billion on heart disease each year. These are just two examples of lifestyle diseases partly caused by dietary habits. And these numbers are only increasing. These lifestyle diseases disproportionately affect low income individuals, and we need to do something to help the 46 million Americans who are depending on SNAP benefits to feed their families and themselves.

My testimony will briefly discuss how technology can help break down barriers for low income families in the United States, many of whom lack access to healthy food. I will then discuss some of the gaps, including the fact that SNAP benefits still cannot be used online, and will propose some solutions to help address these barriers.

The proliferation of technology, specifically information technology, has increased in ways that no one could have predicted. Presently, 75% of individuals living in poverty have a smartphone. Through their smartphone, they can now order goods and services that may have previously been out of reach to them, either geographically, or in some cases, financially. Some goods and services benefit from the direct-to-consumer channel that the internet has made possible, in that brands can reach their consumer directly instead of operating through a middleman, and can reduce their prices accordingly. For example, Amazon sells books at about 50% less than they could be purchased for at bookstores, because they don't have the retail costs and markups that a bookstore charges. Thrive Market is able to achieve cost savings of approximately 25-50% off retail prices, by buying directly from our suppliers, bypassing traditional distribution channels, stripping out all intermediary costs, and passing those cost savings directly to our members.

The internet, then, makes goods more financially affordable, and more geographically accessible, which is especially relevant as it relates to food, as 23 million people around the country live in food deserts, areas without access to healthy food. One in five children are classified as food insecure. Another fact of note is that only 30% of families living in poverty own a car, which means that their mobility is severely limited when it comes to purchasing groceries. For years, people have only been able to buy the food that is in their neighborhood, and have been dependent on the decisions of grocers and farmer's markets to open in their areas, variables that are out of their control.

Now all that is changing, thanks to the internet and the proliferation of smartphones, even for those living in poverty. At Thrive Market, we have given away tens of thousands of free memberships to families all over the country, many of whom are buying healthy, natural products for the first time. We have also given away hundreds of thousands of dollars in stipends to help our lowest-income members afford to buy the food on our site, which is priced to be in line with the retail prices of conventional equivalents.

It's amazing that in the 21st century you still can't use SNAP benefits online, but one can buy almost anything else online. This example of the digital divide has been a focal point for us because more than 50% of the families in our Giving program are on government assistance. We know that 83% of all SNAP benefits go to a household with a child, senior or disabled person, lifting 4.7 million Americans out of poverty each year. Every \$1 spent on SNAP results in \$1.73 of economic activity. Given increased levels of internet connectivity, if SNAP were brought online nationally, the positive effect on our nation's most vulnerable populations would be immediate and dramatic.

The biggest concern we've heard about bringing SNAP online from various stakeholders were questions about how fraud was going to be managed. There was a concern that funds would be used to buy products that are not SNAP approved. The power of ecommerce is that it is fundamentally a database driven technology that allows for precision in classification and reporting. This means we can easily categorize the grocery products in our database which are SNAP approved. Not only do we have full control of what recipients can spend their money on, we also can provide extremely precise and transparent reporting to the USDA on purchasing behavior in a way that doesn't easily exist amongst current retailers accepting SNAP.

On June 27th of this year, we launched a national campaign in support of the USDA bringing SNAP online. We assembled a broad coalition of influencers, brands, media partners, NGOs, celebrities and bloggers to drive a synchronized conversation nationally around this issue. By utilizing our network to spread the word about the need to bring SNAP online, we galvanized a coalition, gathered 325,000 signatures in support, and generated 400 million media impressions, all in just three months.

In response to our campaign, the USDA has committed to a specific timetable for launching an online SNAP pilot program in a few key states in the first half of 2017. We are in the process of applying to be a part of that pilot, and regardless of whether we as a company are a part of the pilot, we are encouraged that tangible steps are being taken to bring SNAP into the 21st century.

We would strongly encourage the USDA to roll out the pilot more quickly, and then to expand the pilot nationally in a rapid time frame, so that all American families across the country can access healthy food.

Innovation in the SNAP program is vital. From a pure economic perspective, if we are going to have a \$74 billion annual SNAP program, we need to make sure that the food we are giving families isn't causing them to get sick, resulting in increased taxpayer costs to the medical system downstream via ballooning lifestyle diseases.

Conclusion: Helping people to get healthy is a hyper-scalable organizing principle that transcends ideology. It doesn't matter who you are, where you live, what the color of your skin is, or whether you are a liberal or conservative. Everyone wants to be healthy and everyone wants the same thing for their children. A robust federal effort to push forward innovation in the SNAP program and expand the program quickly, so that all SNAP participants can participate,

will help save billions of dollars in health care spending in the long run, and will help low-income families in our country live healthier, happier lives.