



Can Shopify Inc (TSX:SHOP) Handle Demand for Online Cannabis Sales?

Description

With cannabis now legal in Canada, the big question on everyone's mind is whether producers and vendors will be able to meet demand. By all accounts, the public's appetite for pot is enormous. On Wednesday, there were line-ups several blocks long full of people waiting to buy their first gram of legal cannabis.

It was well known ahead of time that demand for legal pot would be huge, with **Aphria Inc** (TSX:APH) [warning](#) that cannabis would be sold out this week.

Enter **Shopify Inc** ([TSX:SHOP](#))([NYSE:SHOP](#)). Shopify made headlines recently for becoming the ecommerce platform of choice for legal cannabis. Many provincial cannabis shops tapped the ecommerce giant for their online sales, which are expected to be substantial in the weeks ahead. Shopify is guaranteed to see a revenue boost from cannabis, but will it help move product at a pivotal moment?

To answer that question, we need to look at why Shopify was chosen by cannabis stores.

The pot industry's ecommerce partner

Shopify has been selected as the ecommerce provider for online cannabis sales in Ontario, B.C., P.E.I, and Newfoundland. Although company Vice President Loren Padelford was quick to point out that Shopify is "not in the cannabis business," the fact remains that it is providing key infrastructure for the industry. Provincial cannabis stores [rely on Shopify](#) to take orders, process payments and provide a pleasant user experience.

This could have some bearing on how well these stores meet demand this week. For example, technical factors like downtime and payment processing issues could slow sales and worsen supply issues, which in turn could lead to bad publicity that would harm Shopify's sales (and probably its stock price). On the other hand, if Shopify excels in this key moment, then it could lead to more vendors in other industries signing up to use the platform.

Concerns about supply

Concerns about cannabis undersupply began to surface last week when Aphria CEO Vic Neufeld said that most growers don't have enough product to fulfill their orders. He said that these shortages would affect both online and in-store sales, and that sold out signs at stores would be a frequent sight nationwide.

It appears that Mr. Neufeld was right: cannabis shops in Saskatchewan are already reporting shortages, and long line-ups nationwide are depleting in-store supplies across the country.

Foolish takeaway

This week is a critical moment both for Shopify and the cannabis industry. For Shopify, it's a crucial opportunity to show that its ecommerce platform can power not just small niche shops, but also government-run establishments selling a highly regulated product. For the cannabis industry, it's a chance to show the world that legal cannabis is ready for prime time.

Both Shopify and cannabis growers stand to benefit if they play their cards right. For investors, it's a chance to profit from one of the most culturally significant market developments of this century.

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