



Shopify Inc (TSX:SHOP) Is Going to Produce TV Shows and Films: Is It a Mistake?

Description

Shopify Inc ([TSX:SHOP](#))([NYSE:SHOP](#)) recently unveiled a new revenue stream: video content. Shopify Studios is described on the company's website as "full-service media production and development division." Shopify isn't going to start writing content itself, however, and instead it will "leverage strategic partnerships with internationally known creators and production partners to develop, produce, and finance an array of projects spotlighting entrepreneurship – from long-form series to feature documentaries and more – for streaming platforms and traditional networks."

While Shopify Studios seems to be a good way to feature entrepreneurs, it certainly sounds like more of a marketing project to help drive growth by enticing customers to sign up and use Shopify. Documentaries can help show a non-Shopify customer how they might be able to follow in the footsteps of someone who has made it big in the company. It could offer more insight into how Shopify works and help disprove some of the [accusations](#) the company has faced in recent years.

Why I'm not thrilled about this move

I'm skeptical about this move because my concern is that this will just be a division that bleeds money and will ultimately do nothing to help Shopify turn a profit. Producing and developing content is expensive; just ask a company like **Netflix**, which is having to produce a lot of its own right now. Whether you're looking at television or online, there's a lot of content out there already that's competing for views. And for Shopify to be able to compete with that is going to be a challenge right out of the gate.

Now, it may attract people to watch it if they believe they'll get an idea as to how to be successful using Shopify, but it could also backfire as an aggressive marketing strategy trying to sell something that's not realistic for the average consumer. And that could end up with even more criticism headed the company's way.

Even if it's successful in attracting viewers, Shopify Studios will undoubtedly drain even more from the well from a company that's burning cash and not getting any closer to breaking even. Although

Shopify's sales have achieved significant growth over the years, its [losses](#) have continued to get deeper in the red as well. For the time being that might be okay, but if Shopify's not able to keep producing significant growth, investors will start caring more about profitability.

Bottom line

Perhaps Shopify will prove me wrong, but I don't think this move makes sense for the company. Compensating some of its top users to show how they've been able to turn a profit would have been a good option to showcase how the e-commerce platform works, but to set up a whole division devoted to creating content seems a little excessive. It could turn into a dumping ground for expenses and it will just give the company an easy excuse as to why it's still not profitable.

I'm not a fan of a company stretching itself out into other unrelated industries, as it'll guarantee to be costly and inefficient right from the start. This also shows me that Shopify isn't serious about trying to minimize its costs or that it's interested in turning a profit anytime soon.

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