



## Is Shopify Inc (TSX:SHOP) Set to Become the Netflix (NASDAQ:NFLX) of Canada?

### Description

Want to enjoy the kind of returns that top American tech stocks offer while keeping your money on the TSX?

**Shopify Inc** ([TSX:SHOP](#))([NYSE:SHOP](#)) may just be your best bet. With a 32% return in 2018, it easily bested **Apple Inc** and many other Silicon Valley giants in the same period. Shopify's returns have been so frothy that Jim Cramer opined that FAANG should be expanded to FAANGS—adding “S” to the end for Shopify.

It's not hard to see why Shopify is garnering such praise. With 54% year-over-year revenue growth and rapidly rising [adjusted earnings](#), the company is on a roll.

But Shopify isn't content to just be an e-commerce giant. It's increasingly spreading its wings, branching out into everything from advertising to brick and mortar sales.

The company's most recent venture? TV and film production.

Last month, Shopify announced that it was breaking into content production with a model remarkably similar to that of **Netflix** ([NASDAQ:NFLX](#)) in its early days. The plan is to roll out a full-service media production and development division that will show content featuring entrepreneurs. But will it work? First let's take a look at why Shopify is pursuing this plan in the first place.

### Why Shopify is getting into TV and film production

The stated aim of Shopify Studios is to feature entrepreneurs in content for mass consumption. The intent behind this may be marketing related: Shopify has no clear plan to directly sell its content, so the films are most likely intended to [sign up new users](#). In fact, it looks like Shopify will be distributing its content on other platforms like YouTube and Netflix. So reaching an audience seems to be the main goal, not directly making money off the content.

## Similarities to Netflix's model

The strategy behind Shopify Studios is different from Netflix's broad strategy. However, there are some similarities on the content curation end. Specifically, Shopify will be buying up content from third-party creators and airing it on their own platforms. This is similar to Netflix's early years, when it bought up content from other networks (Netflix has since branched out into original content). Another similarity is the production houses that Shopify has tapped. For example, the company has signed a deal with Anonymous Content, which produced the Netflix hit "13 Reasons Why."

## What's at stake

For Shopify, vendors are everything. Unlike **Amazon.com**, which sells a lot of products directly, Shopify relies almost entirely on vendor subscriptions to drive revenue. So Shopify has two main paths to growth: signing up more subscribers and helping subscribers sell more. Shopify studios seems to be a way to push growth through the first path. By promoting content that shows entrepreneurs succeeding on Shopify, the company may inspire more vendors to sign up. As to whether Shopify Studios can evolve into an independent Netflix-style money maker in its own right, that remains to be seen.

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## Date

2025/09/19

## Date Created

2019/02/20

## Author

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