



## This Overlooked Opportunity Could Send Shopify (TSX:SHOP) to New Heights

### Description

**Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) continues to defy gravity. Despite several analysts warning that its share price is significantly overvalued, and various large [corporations](#) making plans to enter the e-commerce sector in some capacity, it seems as though the Ottawa-based tech firm is unstoppable. However, in discussions about how much Shopify has left in its tank, one opportunity is often overlooked: marijuana.

### How Shopify entered the marijuana sector

As the legalization of recreational marijuana loomed last year, Shopify made several agreements to get its foot in the door. The first of these was a deal with the provincially run Ontario Cannabis Retail Corp (OCRC) to handle online and mobile sales of cannabis.

In addition to handling the e-commerce aspect of marijuana sales for the government of Ontario, Shopify's software offerings would be used inside OCRC's stores to handle transactions, display product information on iPads, and manage human resources and inventory. Ontario is the largest Canadian province by population; this deal allowed Shopify to take part in the largest domestic cannabis market.

After Ontario, the province of British Columbia — the third largest by population — made a similar deal with Shopify. In August of last year, it was announced that Shopify would run B.C.'s online marijuana sales channel. The B.C. Liquor Distribution Board (LDB), which was set to run some dispensaries and play the middleman between cannabis wholesalers and private retailers, would integrate Shopify's e-commerce system into its warehouse to manage orders from private retailers and consumers.

According to Blain Lawson, LDB's general manager and CEO, "Shopify was chosen for its proven record of on-time execution, user-friendly design, and long-term approach to anticipating consumer needs beyond the implementation phase."

Shopify also inked deals with several marijuana companies, including the two most popular: **Canopy Growth** and **Aurora Cannabis**. Aurora's agreement with Shopify stipulated that the Edmonton-based pot grower would use Shopify as its e-commerce platform to distribute both medical and recreational marijuana products.

## Encouraging signs

Once legalization occurred, Shopify's online pot stores were quite busy. Within the first few hours of it being legal to purchase marijuana, the tech company's e-commerce stores saw millions of visits from potential customers in Canada and all over the world and received hundreds of thousands of orders. At some point, the company was handling about 100 orders per minute.

While it is difficult to estimate what effect this had on the company's top line, there is no denying it is a huge opportunity for Shopify. With marijuana likely to become a worldwide phenomenon in the coming years, the tech firm could become the leading online retail store for cannabis-related products. In this area, it would compete with other companies, such as **Namaste Technologies**. Namaste's e-commerce [sites](#) garner hundreds of thousands of monthly visits and serve well over a million customers.

## The bottom line

Shopify has already managed to create a strong competitive advantage. Whatever comes of this marijuana venture will only strengthen its existing core operations. But considering the substantial growth we will likely observe in the marijuana sector in the coming years, this could bring in somewhat substantial revenues for the firm. In short, this is yet another area Shopify can leverage to continue defying all odds.

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