



Shopify Makes a \$450 Million Move to Take On Amazon

Description

After going public about four years ago, **Shopify** ([NYSE: SHOP](#)) became something of a market darling, gaining more than 1,200% and becoming one of the best-performing [technology stocks](#) over the past several years. The company provides tools that help merchants to set up and run an e-commerce website, allowing them to focus less on the technology and more on running a business.

At its [Unite Conference in June](#), Shopify announced a number of initiatives and products designed to make the lives of vendors even easier. These included next-generation point of sale software, more cross-border and foreign currency tools, and a makeover for Shopify Plus — its platform for larger businesses. One of the biggest developments was the introduction of the Shopify Fulfillment Network, in a clear challenge to **Amazon.com** ([NASDAQ: AMZN](#)).

Now the company has gone even further.

A big investment in fulfillment

Shopify announced late Monday that it had reached an agreement to acquire privately held 6 River Systems, a leading provider of collaborative warehouse fulfillment solutions, for about \$450 million, consisting of 60% cash and 40% in Shopify Class A stock. The deal is expected to have no material impact on Shopify's revenue in 2019, but is projected to increase expenses by about \$25 million for the year. Shopify estimates that the business will generate annual revenue of about \$30 million by 2020.

6 River Systems describes itself as a “flexible and scalable warehouse automation powered by collaborative robots and artificial intelligence. The solution engages associates, keeps them on task and boosts productivity by two to three times.” The company has some big customers on its books, including **Lockheed Martin**, CSAT Solutions, ACT Fulfillment, **DHL**, **XPO Logistics**, and **Office Depot**.

“Shopify is taking on fulfillment the same way we’ve approached other commerce challenges, by bringing together the best technology to help everyone compete,” said Shopify CEO Tobi Lutke. “With 6 River Systems, we will bring technology and operational efficiencies to companies of all sizes around the world,” he added.

Why this is a *big* deal

While investors may not be familiar with 6 River Systems, two of the founders of the company — Jerome Dubois and Rylan Hamilton — were previously executives with Kiva Systems, the robotics company that was [acquired by Amazon](#) in 2012 for \$775 million. Kiva now goes by Amazon Robotics and is a central component of the company’s warehouse and logistics operations.

This gives Shopify immediate access to the same level of robotics expertise as Amazon, providing a big boost to the company’s ambitions in the area of logistics and fulfillment.

Shopify Fulfillment Network

In mid-June, Shopify announced the debut of the Shopify Fulfillment Network, a new way for qualified merchants to get orders to customers more quickly and easily, while also reducing shipping costs. The company is employing “smart allocation technology” powered by artificial intelligence to predict the closest fulfillment center and determine optimum inventory levels at each location, which will help ensure fast, low-cost delivery.

At the time, Shopify said that it was bringing advanced fulfillment systems and technology that was previously “reserved for the largest companies in the world,” and making it accessible and affordable for every merchant — a clear shot at the e-commerce leader.

Shopify is taking a page right out of the Amazon playbook in a move to challenge the company’s online supremacy, luring more merchants to its merchant-friendly platform.

CATEGORY

1. Investing
2. Tech Stocks

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1. Syndicated

TICKERS GLOBAL

1. NASDAQ:AMZN (Amazon.com Inc.)
2. NASDAQ:ODP (The ODP Corporation)
3. NYSE:LMT (Lockheed Martin Corporation)
4. NYSE:SHOP (Shopify Inc.)
5. NYSE:XPO (XPO)

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