



## When Will Amazon (NASDAQ:AMZN) Acquire Shopify (TSX:SHOP)?

### Description

**Amazon.com** ([NASDAQ:AMZN](#)) dominates online shopping. According to *Harper's Magazine*, an astounding 55% of Americans check Amazon first when online shopping. Whether it's strengthening its Prime platform with one-day shipping or integrating its Whole Foods acquisition to provide streamlined grocery delivery, the company leads nearly every vertical of digital commerce. Note that I said *nearly*. There's actually one rapidly growing segment of the industry that Amazon doesn't dominate: independent e-commerce.

When **Shopify** ([TSX:SHOP](#)) ([NYSE:SHOP](#)) was first launched, it changed the digital retail game in an instant. Finally, entrepreneurs around the world were able to set up an online storefront in minutes, complete with inventory management, payment processing, marketing tools, and vital shipping and fulfillment services. If you haven't used Shopify before, give it a try — it's stupidly easy. Today, there are more than 500,000 active storefronts on the platform, grossing a cumulative \$40 billion in sales.

As with Whole Foods, Twitch, Zappos, Rivian, and many more examples, Amazon has proven willing to buy first-in-class companies capitalizing on high-growth industries. As you'll see, it's growing increasingly likely that Amazon will opt to purchase Shopify outright, likely at a hefty premium to today's share price.

### The new Amazon

Shopify is hitting on all cylinders. Last quarter, monthly recurring revenue hit \$47 million, up 34% year over year. Merchandise volume, the total value of goods sold through its platform, jumped 51% to \$13.8 billion. Note the discrepancy in growth here. This indicates that Shopify merchants are growing their businesses faster than Shopify is monetizing their activity. While that's a hindrance on short-term profits, it's a clear sign that users find growing value in Shopify's suite.

When it comes to independent e-commerce, Shopify is *years* ahead of Amazon. In fact, many of the online stores you currently shop through are likely powered by Shopify. That's the genius. Shopify isn't luring in customers because it has the largest inventory or best pricing. Instead, it's focused on providing the best technology. And when it comes to good technology, it's often easier to buy your

competition rather than try to replicate it. That's because Shopify is truly a platform.

I wrote recently about how you can [spot the next platform](#) technology. "A platform is exactly what it sounds like: an infrastructure on which other things can be built," I said. "Your computer's operating system is a platform because all of your software and applications run on top of it—they need the operating system in order to function." Similarly, all of Shopify's merchants *require* the Shopify platform to exist. Nothing is independent. If you want to switch providers, you lose your payment processor, inventory management, sales data, front-end design, content production, SEO value, integrated marketing channels, and much more. In a nutshell, you lose your entire business.

With that in mind, it should be clear why Amazon can never compete with Shopify. That's because Shopify's customer base *can't* leave. Amazon can take future market share if it wants, but it will be incredibly difficult to penetrate Shopify's half-million customer list. Acquiring the company will be its only option.

## Options abound

Amazon won't be the only big tech company on the hunt for a Shopify acquisition. **Square, Microsoft, and Facebook** have all indicated that they're interested in Shopify's market niche and will likely spend billions to pursue it. While that may provide more competition, it also dramatically increases the odds of an acquisition. There's no faster way to get ahead than to outright purchase Shopify's technology, team, brand, and customer base.

Amazon is the most obvious suitor, but don't be surprised to see another tech giant take the leap as early as next year.

### CATEGORY

1. Investing
2. Tech Stocks

### TICKERS GLOBAL

1. NASDAQ:AMZN (Amazon.com Inc.)
2. NYSE:SHOP (Shopify Inc.)
3. TSX:SHOP (Shopify Inc.)

### PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

### Category

1. Investing
2. Tech Stocks

**Date**

2025/06/28

**Date Created**

2019/09/22

**Author**

rvanzo

default watermark

default watermark