



Can Shopify (TSX:SHOP) Design the Future of E-Commerce?

Description

The formula for creating a billion-dollar company is to create an industry ecosystem. **Apple's** billion-dollar ecosystem was its iPhone and the iOS ecosystem. **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) is investing heavily in its merchant-focused platform, as it looks to build the future of e-commerce.

Shopify's merchant-centric e-commerce platform

In his 2015 letter, Shopify CEO Tobi Lutke stated that the company aims to develop affordable and easy-to-use e-commerce solutions for merchants. Apart from the online infrastructure, it offers supporting solutions such as payments and shipping to retain merchants that have subscribed to its platform. It charges a commission on every transaction.

Merchants benefit from higher sales, and Shopify benefits from recurring revenue and higher transaction volume. As a software-as-a-service (SaaS) [business](#), Shopify earns profits when it has higher recurring revenue and transaction volume.

In March, governments worldwide enforced a lockdown. Retailers rushed to open online stores, and Shopify was their platform of choice. Merchants of all sizes, including grocery giants like **Heinz** and **Loblaws**, opened their online stores on the Shopify platform.

The e-commerce company saw a 62% increase in new stores between March 13 and April 24, as it extended its free trial from 14 days to 90 days. Now, its most significant challenge is to retain as many new customers as possible. Working on these lines, the company has shifted its focus on retaining these customers by adding new features.

Shopify introduces several features

Shopify has enhanced its delivery, marketing, and payment solutions to help merchants operate efficiently in the pandemic-driven lockdown. The company improved its delivery services by offering curbside pickup and local delivery solutions. It has partnered with Rapidus to offer one-hour and same-day delivery services in some cities of the United States. It has also started a beta phase of the [Shopify Fulfillment Network](#)

On the marketing front, Shopify has partnered with **Facebook** and **Pinterest** to enable its merchants to sell their products through social media. It has also partnered with **Walmart** to allow its merchants to list its products on Walmart.com. Shopify has added features like abandoned cart recovery, gift cards, loyalty programs, and email marketing to help its merchants convert visitors into loyal customers.

Shopify has also enhanced its financial services for both customers and merchants. For consumers, it has added options like “buy now; pay later” and installments that give them flexibility in payments. The company is offering financial support to merchants through Shopify Capital. It is also offering Balance, a cash management solution that is similar to a business bank account.

Shopify aims to re-design the future of e-commerce

With all the above enhancements, Shopify is creating an ecosystem that can change the way e-commerce works. Investors believe that Shopify will be the next **Amazon**.

Amazon is a market leader because of its consumer-focused ecosystem. Customers log in to its online marketplace, “Amazon.com,” where all merchants come and sell their products.

Shopify is differentiating itself by creating a merchant-focused ecosystem. Every merchant can design its store and determine its branding, marketing, shipping, and payment strategy as per its budget. Amazon is standardizing online shopping experience for customers. Shopify is customizing online shopping strategies for merchants.

Shopify is creating an e-commerce ecosystem that will be difficult for rivals to replicate. An ecosystem will help the company retain its merchants and increase its recurring revenue. It is investing heavily in building this ecosystem, which will increase its expenditure in the short term but add value in the long term.

Invest at your own risk

However, it remains to be seen how successful are Shopify’s current investments. If the company succeeds in keeping the business momentum going, even after the pandemic, it can become the next Amazon. But if the pandemic-driven traffic is just a one-time growth, the company’s stock could come crashing down. Shopify stock can be a wealth creator or a wealth destroyer at its current trading price of over \$1,200. Invest at your own risk.

CATEGORY

1. Coronavirus
2. Investing
3. Tech Stocks

TICKERS GLOBAL

1. NYSE:SHOP (Shopify Inc.)
2. TSX:SHOP (Shopify Inc.)

PARTNER-FEEDS

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

Category

1. Coronavirus
2. Investing
3. Tech Stocks

Date

2025/08/15

Date Created

2020/07/02

Author

pujatayal

default watermark

default watermark