



Why Shopify (TSX:SHOP) Stock Will Continue to Surge Higher in the Upcoming Decade

Description

As the world went under lockdown because of the COVID-19 pandemic, businesses scrambled to go online. Enterprises of all sizes were deprived of consumers who would walk into their stores and make purchases. A general consensus was that everyone had to ride out the storm for a couple of months and the pandemic would go away. However, we are almost done the year, with two quarters of lockdowns, and it doesn't seem like the virus is going away anytime soon.

The only way for businesses to ensure some sort of cash flow was to start selling online. This is where **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) saw an opportunity and grabbed it with both hands.

The challenge

According to the U.S. Small Business Administration (SBA), there are 30.7 million small businesses in the country. These account for 99.9% of all U.S. businesses that employ 59.9 million people and account for 47.3% of all U.S. employees.

According to a study called State of Small Business Report, nearly 31% of small businesses said that they are not currently operational, and around 20% say that their biggest challenge is a lack of demand. However, only 51% of them reported an increase in online interactions with their clients, and 35% of businesses have changed operations to include digital payments.

Almost 44% of small businesses surveyed by CNBC and Survey Monkey say that they have no digital presence whatsoever. This is a significant number that still has to make the leap online.

Shopify saw new stores increase by 71% in Q2

What Shopify does is simplify the whole process of going online for local businesses. or what is popularly known as “mom-and-pop” stores. It does everything for them, from creating their website to getting them paid to shipping out their products. This is a lifesaver for businesses that do not possess

the tech-savvy expertise to go online.

When Shopify reported its results for the second quarter of 2020, it said, “New stores created on the Shopify platform grew 71% in Q2 2020 compared with Q1 2020, driven by the shift of commerce to online.” Total revenue [in the second quarter](#) was \$714.3 million, up 97% increase from the same period in 2019. Subscriptions revenue was \$196.4 million, up 28% year over year from 2019, which clearly indicates more merchants have joined the platform.

[Adobe Analytics](#) says that there were only two days in 2019 outside the holiday season where online sales in the U.S. topped \$2 billion. For 2020, the number stands at 130 days as of August 30, 2020. In fact, every day from May to the end of June was over \$2 billion.

The Foolish takeaway for Shopify

Shopify had one million merchants on its platform in October 2019. Its market cap in September 2019 was \$43 billion. Today, it has a market cap of \$147 billion, and while it hasn’t officially released the number of merchants on its platform, the figure could be around 1.3 million, according to some analysts.

As lockdowns continue to ease, more people will start shopping in physical stores. However, everyone is aware that a second wave could be around the corner. The migration from offline to online won’t stop anytime soon and Shopify is in a perfect position to take advantage.

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