



Why Shopify Stock Is Soaring Over 10% Today

Description

Shopify ([TSX:SHOP](#))([NYSE:SHOP](#)) is one of the major business success stories of the decade. It might arguably be the number one success story. This success was driven by the trend toward e-commerce. It's a trend that started years ago. Today, it has accelerated at a much faster-than-anticipated pace.

So, why is Shopify stock soaring more than 10% today?

Shopify stock soars as the company takes over the e-commerce world

In fact, e-commerce has been growing since the early 2000s. Back then it was this small portion of most businesses. But it was the small portion of the business that was growing the most rapidly. This growth continued accelerating until 2020 took it to a whole other level. The pandemic catapulted e-commerce growth into the stratosphere. This pace of growth took Shopify to another level.

Not only did Shopify enjoy this growth, it also changed with the times. It made e-commerce easier, better, and more fulfilling for all involved. Shopify Capital, Shopify Payment and many other features improved Shopify's offering. It supported this growth and spurred it on even higher.

As Shopify put it, in retail and consumer goods, "the centre of gravity has shifted." It used to be offline with some online business. Now it's online with some offline business. The e-commerce, direct-to-consumer model has risen. It still represents a small part of the overall retail/consumer market. But it's quickly catching up. Who knows where it will settle? We at least know it will settle much higher than where it is today.

Shopify stock soars as the company reports a blow-out first-quarter result

The [company is benefitting from unprecedented demand strength](#). Merchant volume, which is a measure of activity on the Shopify platform, is soaring. Shopify stock is soaring as a result.



But it's clear that Shopify is also strengthening its hold on the [e-commerce market](#). Shopify is not just sitting back. The company continues to work hard at making the e-commerce experience bigger and better. It's implementing new functionality. It's also expanding internationally. It has become increasingly clear that Shopify is not one to sit on its laurels. It is feverishly chasing the e-commerce market. It's taking advantage of the unprecedented interest and demand today to set it up for tomorrow. It's not enjoying this by sitting back in the sun. Shopify is using this strength to perfect its platform and solidify its hold on the market.

Shopify's outlook remains unchanged

It remains a fact that 2020 was an outlier in terms of Shopify's growth trajectory. This makes sense, because 2020 was a year like no other. As such, Shopify's growth was disproportionately higher than normal. But the effects of this year are real.

First of all, this year really opened up our eyes as to the value of e-commerce. And while the migration online will slow when things open up, this will have a long-term, lasting effect. It has changed the way we think about shopping. While people will return to physical stores, they will not forget the value and convenience of online commerce.

This being said, Shopify reiterated its guidance for 2021 and beyond. In 2020, our traditional way of shopping was not an option. So, forced into a corner, we migrated online. But just as travel was artificially stunted in 2020, e-commerce was artificially uplifted. Given this, it's easy to see how Shopify management is guiding to slower revenue growth for this year. 2021 will not be a year like 2020. It will reflect a reopening of bricks-and-mortar stores. It will also reflect big investments back into the business, so profitability will be hit.

Motley Fool: The bottom line

Shopify stock continues to fly high, as does its business. Moving forward, the vaccine will mean a return to in-store shopping. So, Shopify's growth will slow relative to 2020. The long-term secular growth trend in e-commerce will continue, albeit at a more normalized pace.

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