



## Shopify (TSX:SHOP): Is Competition a Threat?

### Description

**Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) has been one of the best-performing Canadian stocks over the past six years. Since going public in 2015, it has risen more than 4,000%. For the most part, SHOP's incredible stock market gains have been driven by growth in the underlying business. In 2020, Shopify grew its revenue by 86%, which is comparable to how much its stock rose. So, Shopify has been a stellar growth stock with real, fundamental reasons for rising in the markets.

But now, the company faces a challenge:

*Competition.* The service Shopify provides is comparable to those offered by dozens of other companies. While it may have the most customers out of the bunch, its features aren't all that unique. With many of SHOP's competitors now going public and getting equity funding of their own, they may be able to compete with Shopify. In this article, I'll explore the competition Shopify faces and whether it's a big risk to shareholders.

### Shopify has numerous competitors

At the time of this writing, Shopify [had a number of competitors](#) offering similar services. Right now, Shopify has a large market share in its industry niche, but competitors are gaining on it. Companies like **Wix** and **Squarespace** have gone public, so they can now do equity raises to fuel growth. Over time, this may result in them catching up with Shopify.

### A big difference between Shopify and Amazon

Shopify is often compared to **Amazon.com** ([NASDAQ:AMZN](#)). Both companies are involved in helping people [sell physical products online](#), which makes them indirect competitors. However, there's a major difference between the two of them.

Amazon is a platform, while Shopify provides infrastructure for people to build their own.

Amazon.com is a one-stop shop where you can buy pretty much any product you can think of it. If you ever need anything, you can just type it into the Amazon search bar and immediately see dozens of results. The site is extremely well known as THE place to shop online. And it's the only site of its kind that offers such a wide variety of items.

Shopify doesn't have this advantage. As a provider of website-building and payments infrastructure for businesses, it offers something that many other businesses can provide. Perhaps Shopify's website designs are better than others. Perhaps its payment processing is more efficient. Perhaps it has brand power. Those could all be the case, but it's still possible for a competitor to catch up with it by offering something better. In this respect, Shopify is in a very different boat than Amazon, whose enormous incumbent advantage makes it difficult to compete with.

## Foolish takeaway

I started off this article by asking whether competition is a serious threat for Shopify. I'll end it by simply saying "maybe." While Shopify's competitors are numerous, few have large market share. Whether they will start cutting in on Shopify's action depends on their ability to raise money for growth, and to build better products. We'll just have to wait and see how that plays out. One thing is certain, though: Shopify is definitely more vulnerable to competition than Amazon.

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1. Tech Stocks

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3. TSX:SHOP (Shopify Inc.)

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### Date

2025/09/13

### Date Created

2021/05/25

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andrewbutton

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