



Shopify Inc (TSX:SHOP): Enjoy 0% Fees, Developers!

Description

Shopify ([TSX:SHOP](#))([NYSE:SHOP](#)) has announced that it's cutting fees on the first \$1 million in app sales from 20% to 0%. The fee on revenues over \$1 million is also being reduced to 15%. The cut applies only to developers in Shopify's app store — that is, people building apps for Shopify vendors. It doesn't apply to regular eCommerce clients. In this article, I'll explore Shopify's fee reduction and try to ascertain whether it has any implications for investors.

Why Shopify slashed fees

It's not immediately clear why Shopify chose to [slash its developer fees so dramatically](#). The move was announced on **Twitter** by President Harley Finkelstein, who gave no rationale for the move. Some in the media chimed in with possible explanations:

- Pressure from competitors like **Amazon**. Amazon itself charges 20% only for developers who earn over \$1 million, so there may be something to this.
- A desire for developers to create apps to build up the Shopify ecosystem.
- A need for more themes on Shopify's popular theme store.

These are all pretty valid reasons for Shopify to want to cut its fees. Still, the move was pretty extreme. [0% fees on app developers](#) doing under \$1 million means that a lot of small- to medium-sized developers will pay Shopify nothing. It's a risky move. In the next section, I'll explore how it could play out for shareholders.

Is this good or bad news for shareholders?

Shopify's decision to cut fees for app developers shouldn't have too big an effect on shareholders immediately. As mentioned, it applies only to the app store, which doesn't generate anywhere near as much revenue as the company's eCommerce business. But it could indirectly benefit shareholders.

First, it could beef up Shopify's ecosystem. Platforms like Shopify depend on an ever-growing

ecosystem of plugins, themes and add-ons to stay relevant. WordPress became the world's most popular web CMS in no small part because of the massive number of widgets it accumulated from developers. The same goes for eCommerce platforms like Shopify, which depend on third-party developers to beef up their services.

Second, it could generate goodwill. I mean in the marketing sense, not the financial sense. Developers appreciate companies that make life easy on them, and Shopify appears to have done that with its latest move. Not only could the move get more developers building for Shopify, but it could encourage more top tech talent to work for the company overall.

Third, the move could have compliance benefits. Silicon Valley giants have been sued many times over the exorbitant fees they charge to developers. **Apple** is currently embroiled in a fight with **Epic Games** over in-app purchases and was sued over fees back in May. Many companies are moving to lower-fee models to cope with these legal pressures. Perhaps Shopify is taking the plunge *without* having to be sued first to avoid expensive litigation.

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