



Shopify (TSX:SHOP): A New Competitor Emerges!

Description

Shopify ([TSX:SHOP](#))([NYSE:SHOP](#)) is one of the world's top e-commerce companies. Often compared to **Amazon.com**, it has growth that puts its American cousin to shame. In its most recent quarter, Shopify grew its revenue at 57% year over year. In all of the four quarters prior to that, revenue growth was above 90%. In 2020, Shopify nearly doubled its sales, which rose 86% year over year.

It has been an incredible run. But now, a new competitor is beginning to emerge that could put a dent in [Shopify's position in the market](#). A much larger company than SHOP, it could do some real damage. And it already has an admirable position in the global e-commerce marketing industry.

The name of that company?

Adobe

Adobe ([NASDAQ:ADBE](#)) is an American software company best known for creative software. It is the industry leader in software for photo editing, video editing, and layouts. More recently, the company has been branching out into marketing software. Its Marketing Cloud service includes a number of marketing tools, including data analytics, experience management, and content management. Adobe's marketing cloud has been rapidly gaining popularity with businesses that have a natural entry point if they already use Adobe's creative apps. Many ad agencies and creative businesses already use Creative Cloud, so Marketing Cloud is a natural extension of what they're already using.

How ADBE is competing with SHOP

Adobe [recently made a move](#) that puts it in tacit competition with Shopify: it's getting into the payments business

Shopify is, above all else, a payments company. Its service offers more than just payments, but it's mainly the payment part of its platform that it gets revenue from. It takes a cut of all vendor sales and

makes most of its own income that way.

Now, Adobe is jumping into this business as well. It recently partnered with **Paypal** to bring payments into its own online payments platform. Adobe bought the e-commerce platform Magento in 2018 for \$1.7 billion. It was therefore already in competition with Shopify on the product level. But without its own payment processor, it wasn't truly competing with SHOP on a revenue basis. Now it is. With Magento and PayPal-powered payments, Adobe is truly running a fully fledged e-commerce platform that competes with Shopify on every conceivable level. It's a significant new challenge that Shopify will have to rise to if it wants to remain the number one player in the e-commerce platform business.

Foolish takeaway

Shopify has been one of the TSX's biggest success stories ever. Rising more than 5,200% since its IPO, it has soundly beaten the market. If you'd invested \$10,000 in SHOP at its IPO date, your position would be worth more than \$500,000 today.

It's been an impressive run. But now, competition is heating up. With Adobe and Amazon breathing down Shopify's neck, it's going to have a harder hill to climb from here on out. Will that stop it from completing its seemingly predestined climb to a \$1 trillion market cap? Only time will tell. For now, we'll just have to wait and see.

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Date

2025/08/18

Date Created

2021/09/19

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