



Why Did Shopify Stock Drop on Thursday?

Description

Shopify ([TSX:SHOP](#))([NYSE:SHOP](#)) saw shares drop more than 8% on Thursday, reaching lows not seen since last May. The reason? Developers came in droves against Shopify's new [developments](#) in its app store.

What happened?

The new update included algorithm updates for how Shopify recommends applications that help fill Shopify's platform. When introduced in mid-December, developers quickly realized there was something very wrong with the update.

It seems the updates will now recommend direct competitors at the bottom of a developer's page. The big problem? Many developers pay for advertising to bring traffic to their apps. Meanwhile, these competitors aren't paying a dime and yet still taking advantage of the advertising.

So what?

Developers noticed the new change is already hurting their business, with one stating the number of impressions per day dropped to "almost zero." Furthermore, the new update also included placing major companies like **Meta** and **Alphabet** at the top, putting these smaller developers at a significant disadvantage.

And this is all super important if you're a new merchant looking to find the right customization for the right price. Shopify has more than 7,000 apps in its App Store to help design their platform. Therefore, Shopify needs developers to attract and keep merchants. In fact, it could be argued many come to Shopify for the ease of use along with these easy-to-add apps.

Now what?

This could really hurt Shopify in the immediate future, as one or two developers may not mean much, but 7,000 of them certainly will. That being said, this is likely also a quick fix. But until that happens, it could mean Shopify shares will continue to fall.

For long-term investors, this could be a great [chance](#) to get in on the strong stock. It's certainly likely to rebound, with analysts predicting a target price of over \$2,000 as of writing. That's a potential upside of 50% as of writing.

Shares of Shopify are down 40% from all-time highs and down 10% in the last year.

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Date

2025/07/08

Date Created

2022/01/14

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