



Shopify Stock Has Been Struggling: Why Investors Should Buy it Anyway

Description

It's no secret that **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) stock has struggled lately. Year to date, the stock has fallen about 28%. However, looking a bit further out, things look even worse. Since hitting its all-time high in November 2021, Shopify stock has fallen nearly 50%. Despite these recent struggles, I believe investors should still consider the stock for their portfolio. I'll explain why in this article.

Why has Shopify been struggling?

There are many possible explanations for Shopify's recent decline in value. First, there's the issue surrounding rising interest rates. If interest rates *do* increase, which investors expect will happen later this year, then growth stocks could suffer in the short term. It would make it more difficult for growth stocks to borrow money and grow as fast as they have been over the past couple years. This could explain why growth stocks have fallen much more heavily than dividend stocks.

However, there are also reasons specific to Shopify that may have attributed to its decline. First, Wall Street has recently raised concerns about the company's plans to make changes to its fulfillment network. Wall Street analysts figured that this meant Shopify would need to make large investments to make those changes. This would shift the company from a very capital-light model to operating large distribution centres, which could be a detriment in today's economic climate.

Shopify alleviated some of those fears when it announced that the shift to distribution centres shouldn't cause any interruptions or otherwise hinder its business.

Another reason investors have soured on Shopify stock is because of the competition pressure it faces. Shopify provides a platform for merchants of all sizes to operate online stores. However, it isn't the only notable company that provides that service. In fact, **BigCommerce** garnered a lot of attention during its 2020 IPO. WooCommerce is another option that merchants have. Using that plugin, any WordPress website can be turned into an online store.

Why is Shopify a buy today?

First, Shopify's customer base is the most impressive of any company in this space. Other companies, like BigCommerce, may have a large number of customers, but no one boasts the same high-profile list as Shopify. Last year, the company announced that **Netflix** had chosen it to operate its online store.

In addition, Shopify stores experience unprecedented levels of traffic. In fact, in Q2 2021, Shopify stores saw more traffic than **Amazon's** marketplace for the first time in history. That not only speaks to Shopify's competitive ability, but it shows investors that the Canadian company is continuing to grow, even as we exit the pandemic.

Earlier this week, [it was announced](#) that Shopify's CEO, Tobi Lütke would be joining **Coinbase's** board of directors. This gives Shopify an opportunity to gain exposure into a very important new area. Interestingly, certain Shopify stores can already be set up to accept cryptocurrency transactions. This appointment to Coinbase's board of directors can only be a positive, as Shopify's CEO keeps up to date with the most important trends regarding cryptocurrency.

I have previously stated that Shopify is [my top growth stock](#) for 2022. I stand by that statement.

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