Shopify Drops to 52-Week Low: What Investors Should Do Now

Description

Shopify (TSX:SHOP)(NYSE:SHOP) continued to drop this week, hitting a new 52-week low and dropping below $600 per share. The drop came as e-commerce giant **Amazon** (NASDAQ:AMZN) announced a move that could seriously disrupt Shopify stock and its future.

What happened?

Shopify stock plummeted from news Amazon stock would be allowing merchants to sell products directly from their own websites. It's a clear competitive move against Shopify stock, which offers the same through its platform.

The new "Buy With Prime" feature allows merchants to use Amazon payments and fulfillment but allows merchants to check out on their websites. Shoppers with Amazon Prime can still receive the fast-shipping and benefits, and merchants simply pay a fee.

So what?

This was where Shopify stock shined. Amazon stock, for years, had this take-it-or-leave it agreement for merchants. They get access to Amazon's huge growth but must use its site. Now, that's gone to the wayside and should roll out this year.

Of course, Shopify stock didn't say anything on the matter. Instead, it's focusing on the growth of its fulfillment centres. Most recently, this included talks to buy up delivery startup Deliverr. Even still, as it focuses on fulfillment and adding cryptocurrency payments, shareholders and analysts will want the company to come up with something to address Amazon's move.

Now what?

If you're looking to buy, both Amazon stock and Shopify stock announced a stock split this year. I would therefore certainly wait until after the stock split, as it could make the company more affordable, even as it drops.

Meanwhile, analysts continue to cut targets for Shopify stock. While it still has a consensus target price in the four digits, analysts continue to drop that target price. In April alone, four analysts cut the expected price down to about US$800. And even that would provide some upside given today's poor performance.

The big question is whether Shopify stock and its performance is permanent or temporary. Analysts believe that inflation, shifting consumer behaviour, and an "economically sensitive model" with reliance on gross merchandise value make its performance tough but also temporary.

Shopify's performance seems to be heavily reliant on the economy. Once the economy recovers, investors will be interested in the growth stock once more. So, even with its growth slowing in the years to come, the company will still post respectable numbers. And sales should then improve in 2023 and beyond.

Foolish takeaway

It cannot be denied that the move by Amazon shouldn't be ignored. However, Shopify stock remains a high-quality investment, especially over the next three to five years, as the economy improves. It has a diverse set of merchants and clients, with growing sales and performance that looks strong in the years to come.

Analysts still recommend the stock as a buy, and these levels certainly make it valuable. However, I would wait until the stock split before diving back into this volatile stock. Then growth investors may be far more interested to jump back into the roiling waters.

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