



Where Will Shopify Stock Be in 5 Years?

Description

Since its initial price offering, **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) has been one of the most talked about [stocks in the country](#). This has been both good and bad, as it tends to amplify the stock's swings in either direction. In other words, when Shopify stock is doing well, investors are well aware of that and tend to push it higher. When the stock is struggling, a similar phenomenon occurs in the opposite direction. With that in mind, where could Shopify stock be in five years? I'll explore that topic in this article.

The state of the e-commerce industry

In 2020, the e-commerce industry represented about 18% of all retail sales around the world. This figure varies greatly from country to country. For example, in the United States, online shopping represented as much as 16% of the retail market in 2020. In the United Kingdom, e-commerce sales accounted for about 36% of all sales in the same year. Despite these differences in penetration, two things seem to be consistent. First, e-commerce sales continue to grow. Second, these trends are largely driven by younger consumers.

[A study](#) has shown that consumers aged 25 to 34 represent the largest proportion of online shoppers. Although the 18 to 24 age group still only represents a relatively small proportion of online shoppers, this group still tends to shop online more often than not. Because of these trends, I am confident that the e-commerce industry will only become a more prominent part of the global retail industry in the future. As a result, companies that operate within this market could see a lot of growth over the coming years.

Shopify's business

Of all the companies that operate within the e-commerce industry, I think very few have managed to accomplish what Shopify has. This company provides a platform and many of the tools necessary for merchants to operate online stores. It provides a range of packages, which cater to merchants of different sizes. This includes everyone from the first-time entrepreneur to large-cap enterprises, like **Netflix**

What separates Shopify from similar companies is its impressive enterprise partnership network. By securing partnerships with the likes of **Meta Platforms**, **Spotify**, **Walmart**, and YouTube, among many others, Shopify merchants have every opportunity to be in front of consumers. This exposure to consumers may contribute to the company's continued growth. Over the past five years, Shopify's monthly recurring revenue has grown at a compound annual growth rate of 35%.

Foolish takeaway

The e-commerce industry continues to increase its penetration of the broader retail industry. In 2020, e-commerce sales represented about 16% of all retail sales worldwide. Driven by strong usage among younger consumers, that figure could be much larger in a few years' time. This is very welcome news for a company like Shopify, which provides a platform to online merchants. Although some investors have criticized the company's lack of growth in the past year, I think this [blue-chip stock](#) still has a bright future ahead.

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