



## Why Shopify Stock Soared 11% Wednesday

### Description

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### Key Takeaways

- Shopify is raising monthly plan prices by about 34%, while the cost of annual plans will double.
- The company said it hasn't institute a broad-based price hike in 12 years.
- The additional revenue will help Shopify build for the future.

### What happened

Shares of **Shopify** ([TSX:SHOP](#)) rallied on Wednesday, closing up 10.95% on the TSX and extending its 45% gain over the previous three months. It was among the [Canadian stocks](#) making the biggest market moves Wednesday and offered a spark of hope for long-beleaguered [tech stocks](#).

The catalyst was the revelation of an across-the-board price increase at the e-commerce platform.

### So what

Shopify said late Tuesday that it would be raising prices for all merchants that use its platform, with monthly plan prices rising 33%, on average. Here's a look at the increases (all amounts in U.S. dollars):

- **Basic plan:** Increasing to \$39 per month from \$29 — up 34%
- **Shopify plan:** Increasing to \$105 per month from \$79 — up 33%
- **Advanced plan:** Increasing to \$399 per month from \$299 — up 33%

Shopify justified the price hike. "The price we charge for access to the best tools in commerce has

remained largely unchanged for the last 12 years,” said Kaz Nejatian, Shopify’s vice president of product and chief operating officer, on Shopify’s blog.

## Now what

The past year has been a time of great transition for Shopify, a challenge the company has met head-on. It cut its workforce by 10% in mid-2022, in the wake of plunging e-commerce activity. The company has also continued to identify cost savings to shore up its bottom line.

In a message to employees posted on Shopify’s website last year, CEO Tobias Lütke issued a rare mea culpa, saying the company bet the pull-forward of e-commerce growth would continue, later admitting, “It’s now clear that bet didn’t pay off.”

Earlier this year, Shopify identified four key investment themes to build for the future. These included building buyer relationships, going global, scaling with merchants, and simplifying fulfillment. Investing in these priorities costs money, which helps explain the price hikes.

Raising prices was never going to be a popular move, but it’s one that was inevitable. Shopify should emerge an even stronger company by building through the challenges.

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