



Shopify Inc. Is Poised to Benefit From 11% Growth in U.S. Online Retail Sales

Description

Consumer spending has been the primary driver of growth in the U.S., expanding at more than double the pace of the overall economy during the first half of 2016. While traditional brick-and-mortar retail sales have seen modest gains, the growth of online retail has increased almost 11% year over year.

This growth is continuing to attract the likes of some of the oldest brick-and-mortar businesses in the U.S. Most of these business already have an online presence, but are either looking to increase their market share or tap into new customer bases. For example, two leading online-only retailers, Jet.com and Dollar Shave Club, were purchased by brick-and-mortar businesses.

An alternative method to purchasing a multi-million dollar online retail business is to use a company like **Shopify Inc.** (TSX:SH)([NYSE:SHOP](#)). The company's platform allows businesses of any size to design a website and access numerous sales channels and e-commerce tools the company has developed through its partnerships.

As a result of the migration to online retail, the company has seen its customer base grow by almost 25% year-to-date and its share price soar by over 100% from its 52-week low in February. As of Q2 2016, it reported an astounding 93% increase in revenues year over year; its subscription solutions revenue rose 72%, and merchant solutions revenue jumped 121%.

The company attributed growth in its subscription solutions to its improved ability to customize its platform, user support, and pricing for larger retailers. The company branded this service as Shopify Plus, which caters to over 1,000 merchants, including the likes of Nestle, **Boeing**, Budweiser, Kanye and Red Bull. Shopify also made a key acquisition of Kit CRM Inc., a digital marketing assistant tool that its merchants can download to help promote their business.

The company's merchant solutions are generated from processing fees from Shopify Payments. Shopify Payments is a fully integrated payment processing service that allows merchants to accept and process payment cards online and offline. The company is taking further steps to improve this business, announcing plans to integrate both Apple Pay and Android Pay into its platform.

Later this year, it will also offer the option for merchants to sync shipping and billing information from

their **Amazon.com, Inc.** accounts. This is a pivotal move considering Amazon's dominance in the market and its latest moves to drastically reduce shipping costs and delivery times for its U.S. customers.

Shopify is constantly improving or adopting new technologies to create a more seamless experience for its merchants. It's most recent development is the expansion of its free workspace program, the Shopify Partner Accelerator. It will enable creative professionals from the e-commerce industry to collaborate on company projects and grow their technical and entrepreneurial skills. A new location added to this program in London should help attract some more business in the U.K., which currently represents about 10% of its business.

Its business model is still driven by its ability to attract new merchants, and with 59% of its customer located in the U.S., the company should be a direct beneficiary of growing U.S. consumer confidence in the economy and increasing spending habits.

CATEGORY

1. Investing
2. Tech Stocks

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