



Shopify steps into Amazon territory with consumer app

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The Shopify office in Toronto on Feb. 12, 2020. The stakes are huge for Shopify, which has crossed \$100-billion in market capitalization in recent days and could surpass Royal Bank of Canada as the country's most valuable public company with continued gains.

CHRIS DONOVAN/THE GLOBE AND MAIL

Shopify Inc., which has become a global e-commerce player by helping its business customers behind the scenes, is stepping out front with Shop, an app for consumers.

The app is another tool Shopify offers its merchant customers, who typically advertise online through providers such as Amazon Inc., Instagram or Facebook Inc. Now, a merchant will be able to advertise directly to its customers while avoiding the expense of developing its own app.

By interacting directly with consumers, however, Shopify also seems to be taking steps toward becoming a marketplace, even if it still prefers not to say so. That makes it even more of a competitor to the online shopping giants.

The stakes are huge for Shopify, which has crossed \$100-billion in market capitalization in recent days and could surpass Royal Bank of Canada as the country's most valuable public company with continued gains. Enthused investors, viewing Shopify as a winner in a coronavirus-led shift to e-commerce, have bid up the company's share price by about 70 per cent since late March.

But each new initiative – Shopify has added cash advances, shipping programs and a network of warehouses to its suite of products recently – adds expense and risk of failure. It also places the company even more directly in the online giants' crosshairs.

The most recent direct assault on Amazon's business came last year, when Shopify chief executive officer Tobi Lutke said the company would spend upwards of \$1-billion to launch a warehouse network in North America. A few months later, it announced it would spend US\$450-million on a robotics company to help automate order fulfilments in its warehouses.

Shopify passed one million merchant customers last year and served 300 million unique shoppers. The company realized those consumers were spending more time in a select number of apps and doing less shopping via web browsers, says Carl Rivera, a Shopify general manager who spearheaded Shop's development.

"The practicality of our medium-sized businesses to go out and build their own native app, put it in the app store, get their audience to download it and use it on a weekly basis – it's too much," Mr. Rivera said.

"And so what we wanted to do here is to create a native app that sits in the pockets of millions and millions of buyers that gives brands a home to call their own. That gives shoppers the

convenience of shopping from a marketplace, a first-class shopping experience, but from every brand that they purchase from no matter where they are,” he said.

The Shop app is already on the phones of 16 million consumers because they had downloaded an app called Arrive, used by customers of Shopify merchants to track their packages.

Overnight, Shopify renamed the app and added new features. In a tweet, Mr. Lutke said, “Our trusty package tracker has led a double life in our labs over the past year and has grown far far more ambitious.”

When a customer orders something from a Shopify merchant and tracks delivery, the app prompts the shopper to a new page within it where the user can “like” that merchant or other local merchants that use Shopify. From those “liked” merchants, the app user gets a feed of their featured items for sale. Mr. Rivera said Shopify doesn’t consider the app a “marketplace,” but more of a “personal shopping assistant.”

Shopify won’t get a cut of sales or any listing fees. Richard Tse, an analyst at National Bank of Canada, says while the app is free for now, he sees “potential monetization opportunities, like ads.”

While the Shop app resembles a marketplace, there’s a contrast with Amazon, which acts as a middleman between the merchant and consumer. The technology strategy and analysis site Stratechery last July noted that while Amazon aggregates merchants on its site – essentially commoditizing them to offer the biggest selection to its customers – Shopify instead acts as a platform merchants use to reach customers directly.

“Amazon is pursuing customers and bringing suppliers and merchants onto its platform on its own terms; Shopify is giving merchants an opportunity to differentiate themselves while bearing no risk if they fail,” Stratechery said.

With files from Josh O’Kane

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