

BACKGROUND

Shopify, by far the biggest public company in Canada, with a **market cap of \$138 billion** (up from \$83 billion from a year ago), is a company that Silicon Valley couldn't imagine. To be fair, co-founder and **CEO Tobias Lutke**, a thoughtful German who moved to Canada at age 22 to meet Fiona McKean, a woman he met on an online fantasy game ("Asheron's Call"), didn't exactly see it coming, either.

Since he didn't have a work visa and loved to snowboard he decided **to start an online snowboard business—Snowdevil**—with a couple of friends in 2004. A geek from childhood he taught himself Ruby on Rails to design better software to build the store because he felt the existing options were lame. By 2006, Shopify (shop + simplify) was up and running. <https://financialpost.com/technology/shopifys-tobias-lutke>

For the first few years, Tobi and Fiona lived with her parents. He even borrowed cash from his in-laws to keep the business afloat. The first VC funding —\$7 million— came in 2010, the year after the combined retailer net on the platform reached \$100 million.



The key thing to understand about Shopify and its founder is that the focus of the business is firmly on merchants. According to Tobias in a *Bloomberg* interview last year, **the mission is “to try to make entrepreneurship more common, approachable, easier.** (<https://youtu.be/1rNFiiFYR9Y>). The President of the company, **Harley Finkelstein**, echoed that sentiment in a recent interview with *The Verge*, saying that just as Google owns search and Facebook owns social, he wants **Shopify to be “the world’s entrepreneurship company.”** He also said that they are building it to be a 100 company—and they are only 15 years in. <https://www.theverge.com/22417825/shopify-harley-finkelstein-interview-online-shopping-amazon-apple>

This contrast to Amazon where the focus is on customers. Although often positioned as competitors in the press, **Shopify and Amazon are actually retail alternatives.**

If Amazon is a giant department with store with an aggressive private label business, then Shopify is more like a shopping district with a mix of small, quirky storefronts and

big specialty brands. (Allbirds, Gymshark, Taylor Swift and Kanye have launched albums...). In fact, they don't think of themselves as an e-commerce play, but as a commerce platform, full stop. They offer Point of Sale (POS) software for physical stores that links up inventory across channels. Amazon can't do that and it's a really good example of just how savvy and quick they are. The focus on merchants allowed to see an opportunity that Bezos clean missed.

Many major retailers with online stores are using Shopify Plus, an expanded suite of service that cost in the low thousands per month as a subscription. So rather than one size fits all, the platform can expand to meet the needs of "basement fashion brands") (\$29 per month) to major retailers.

Both companies have global ambitions and verticals structures, but while Amazon wants to own and control everything from warehouses to trucks to data, Shopify is more into alliances.

Shopify has partnered with most of the big social media platforms to handle "native sales." So you can connect a Shopify store to a Pinterest, Instagram or Facebook account. Rather than see these channels as competitors (although Zuckerberg, like Bezos, wants as much control as he can get), the Shopify team shrugs it off, preferring to see the world in terms of expanding opportunities.

The merchant-first ethos means they frame their work "in the service of." Over the last couple of years they invested in **developing a fulfillment network** (partnering with existing warehouses, including some mom-and-pops, that have fallen on lean times because the bricks-n-mortar retailers that used them have gone of business. Shopify also bought a **robotics / logistics company from Waltham, Mass called 6 River Systems** to upgrade the warehouses with tech that won't replace workers but rather enhance productivity. <https://6river.com>

The company also just took a **pre-IPO stake in a company called Global-E that handles cross border e-commerce** <https://www.fool.com/investing/2021/05/07/shopify-takes-193-million-pre-ipo-stake-in-partner/>

Even though the stock is pricey, investors are very VERY bullish. That said, if anyone in the Shopify office was caught looking at stock prices during work hours, by Lutke's orders they

had to bring doughnuts for everybody the next day. Lockdown put a damper on that, but it set a tone.

The Covid year was good for Spotify, which saw revenues soar. Among the really interesting trends was local e-commerce: businesses that had to close down their physical spaces, opening online storefronts that could handle pre-pay / curbside pick up and delivery options.

The entire 5,000 person team went remote. Lutke expects perhaps 25% will return to the office.

COMPETITION

Although Shopify doesn't view Amazon as a competitor, and is actually collaborating with Facebook to develop native in-app retail with Facebook and Instagram, there are lots of dragons.

Some are obvious: There are a bunch of **digital commerce platforms** (Square, Wix, etc: <https://ecommerce-platforms.com/ecommerce-resources/shopify-competitors>). None have invested in fulfillment, though, so Shopify is strategically almost uncatch-able.

The less obvious next dragon is a new company called Branded. It's got super deep pockets, connections and loads of smart. The CEO, Pierre Poignant ran Lazada, the large e-commerce marketplace in Asia, Michale Ronen, the President, is the former managing partner of the \$100 billion Softbank Vision Fund and Goldman Sachs vet. The Chairman, Ben Kaminski, is another Goldman vet who wen to Target Global, among Europe's largest VC fund. They are identifying the most successful third party sellers on Amazon (FBA's. - fulfilled by Amazon), buying them and turbocharging them for grown exponentially: <https://joinbranded.com/about-us/> Essentially, they're **setting up a kind of Exit Factory for successful third party sellers.**

They are pioneering new territory so not exactly a competitor, but as the e-commerce game ramps up globally, they are force to have on the radar.

PEOPLE

Tobias Lutke: This company reflects the values of its **co-founder / CEO**. I gave you a bit of background earlier. https://en.wikipedia.org/wiki/Tobias_Lütke I am going to repost the link to the Bloomberg video. It will very quickly give you a sense of him: <https://youtu.be/1rNFiiFYR9Y>

Fiona McKean: This is **Lutke's wife**, the woman he traveled across an ocean to meet. To understand Tobias, you have to know a little about her. While Tobias (Tobi) went to a tech trade school, but never attended college, she has a Bachelor's in History and English literature and a Master's from Carleton in International Relations and National Security Studies: <https://www.linkedin.com/in/fiona-mckean-591937b5/> More to the point, she heads up a small foundation called **Thistledown that focuses on climate issues**. During the pandemic, they pivoted to help fund Canada's response: <https://thistledown.ca>. These two care a LOT about all the right things. Shopify has a **Sustainability Fund**: <https://www.shopify.com/about/environment/sustainability-fund>. They are investing in soil carbon credits, carbon capture tech and doing everything possible to reduce their own fossil fuel footprint. **If they knew you were good friends with Bill McKibben, they'd be over the moon**. I know about this work from attending Greenbiz conferences. It's a story that should be woven into the website. They want to see sustainable business, all definitions, all scales. And they are in a position to leverage information. That's what was behind my question about selling up. I actually have a Shopify store for one of Stuart's series. Nobody has ever tried to upsell me. I'm passive recurring revenue but I could be more. That's the part of the mission they didn't know they needed to include. She also runs a restaurant in an inn that, due to Covid, no longer accommodates overnight guests. <https://www.opinicon.com>

Harley Finkelstein: President https://en.wikipedia.org/wiki/Harley_Finkelstein He joined the company in 2009, but prior to that was among its first customers, using it to set up a t-shirt business he ran as a side-hustle while earning a law degree and an MBA.

Lauren Cho: Brand & Creative Strategy: <https://www.linkedin.com/in/cholauren/> She's been at Shopify for about four years - in her current position for 7 months. Prior to that she took a year off for parental leave. Before Shopify, she worked as a strategist and environmental designer for The Taylor Group. She has a Bachelor's in environmental design from OCAD University.

Kat Zivanovich, Senior Product Designer. <https://www.linkedin.com/in/kzivanovich/?originalSubdomain=ca> She's been with Shopify almost two years. Before that she was with Hinge as a project manager.

Shani Betz, Senior Product Operations Manager, Growth RnD <https://www.linkedin.com/in/shanibetz/?originalSubdomain=ca>. She's been with Shopify for about a year in her current position - was on contract 6 months prior. She's worked at a lot of places, generally for a year or two. She is Certified Scrum Master, Agile, which I think has to do with programming.