

Shopify expects macroeconomic challenges in Q1

Article

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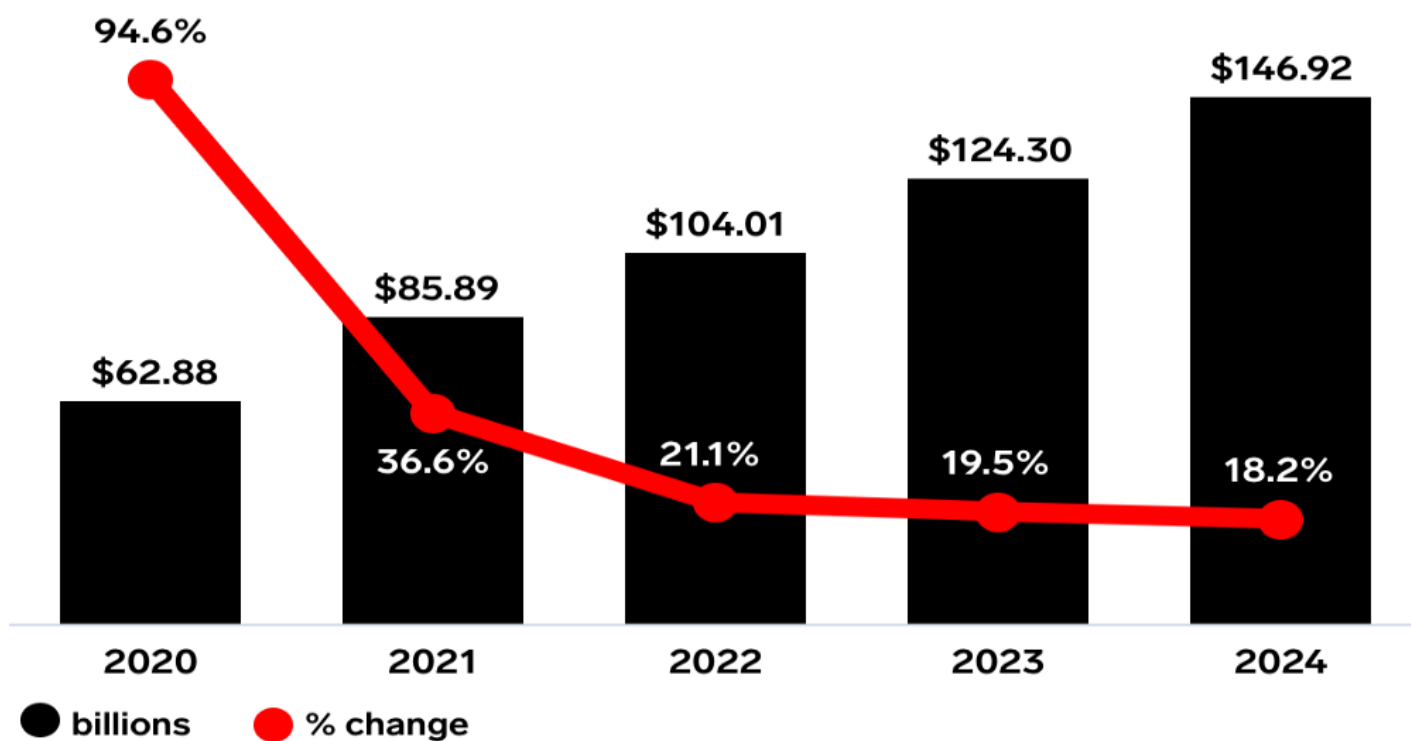
The results: Shopify reported better-than-expected Q4 results, with a loss of \$623.7 million, or 49 cents per share, on revenues of \$1.73 billion, per MarketWatch.

- Analysts had expected an adjusted loss of one penny per share on sales of \$1.65 billion.

- However, Shopify noted it expects revenues to grow “in the high teen percentages” in fiscal Q1 while it did not provide a forecast for any profit metric nor any figures for the full year.
- Analysts on average had projected Q1 revenues of \$1.48 billion, which would be revenue growth of more than 23%.

Shopify Retail Ecommerce GMV

US, 2020-2024



Note: represents the total dollar value of online retail sales facilitated by Shopify, including sales on owned and operated sites, social media platforms, and online marketplaces; excludes physical store sales, B2B sales, and nonretail categories, such as food services, event tickets, and travel

Source: eMarketer, April 2022

eMarketer | InsiderIntelligence.com

Shopify’s turnaround strategy: When Shopify announced it was laying off 10% of its workforce last July, it was one of the first big-name tech companies to cut staff as pandemic

growth slowed down.

- At the time, CEO **Tobi Lütke** took the blame, saying that he had wagered on continuing strong growth and admitting “it’s now clear that bet didn’t pay off.”
- **The company has since made a number of moves aimed at shoring up its revenues to compensate for slowing ecommerce growth.** It recently [raised prices](#) for its monthly plans by one-third, its first significant price hike in 12 years. It also rolled out a [new enterprise solution](#) to make it easier for large retailers to integrate its products into their tech stacks, and it has been [investing](#) heavily to build its own fulfillment network to offer next- and two-day delivery for the merchants on its platform.
- However, **the company faces a clear challenge from Amazon**, which recently expanded the reach of its [Buy with Prime](#) service, which allows retailers to leverage Amazon’s fulfillment and payments services.

Analyst take: While many headlines focus on Shopify’s lower-than-expected outlook for Q1, they neglect to recognize the better-than-expected gains the company made in Q4, including the critical final two months of the year.

- Roughly 52 million consumers made a purchase from brands powered by Shopify between Black Friday and Cyber Monday, a 12% increase year-over-year. That helped Shopify merchants generate \$7.5 billion in sales between Black Friday and Cyber Monday, a 21% jump year-over-year on a constant currency basis.
- While Shopify’s growth has slowed, and is expected to slow in Q1, it is easy to lose sight of the fact that **we [expect](#) its US retail ecommerce GMV this year to be roughly double what it was in 2020.** That’s thanks in large part to its broad-based growth strategy in which it looks to appeal both to small and [enterprise-level](#) companies by offering an array of tools that spans everything from social commerce to advertising to payments.

Go further: For more on Shopify’s growth prospects, read our [Spotlight report](#).

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