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Shopify focuses on growing merchant solutions revenues to offset slowing GMV growth

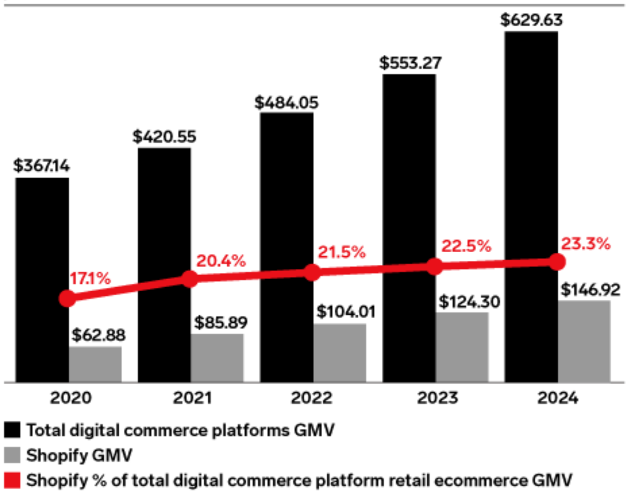
Article

The trend: **Shopify** is doubling down on merchant services as it seeks to offset slowing ecommerce sales.

- While the platform's gross merchandise volume (GMV) increased by 11% year-over-year in Q3, merchant solutions revenues rose 26%, per its earnings statement.
- Significantly, merchant solutions revenues as a percentage of GMV rose to 2.14%—a company record, and a sign that Shopify's extensive toolkit is resonating with sellers.

Shopify and US Digital Commerce Platform Retail Ecommerce Gross Merchandise Value (GMV), 2020-2024

billions and Shopify % of total digital commerce platform retail ecommerce GMV



Note: represents the total dollar value of digital retail sales facilitated by digital commerce platforms, including sales on owned and operated sites, social media platforms, and digital marketplaces; excludes physical store sales, B2B sales, and nonretail categories, such as food services, event tickets, and travel
Source: eMarketer, April 2022

276019 eMarketer | InsiderIntelligence.com

Everything but the kitchen sink: In just the last few weeks, Shopify announced:

- A partnership with **Ernst & Young**'s parent company **EY** to help enterprises scale their ecommerce operations and stay compliant when selling regulated products like alcohol or pharmaceuticals
- The acquisition of **Remix**, an open-source web framework, to help merchants build fast, custom storefronts
- **Shopify Forms**, a free, customizable email capture function that lets merchants offer discounts or other promotions in exchange for email sign-ups

That's in addition to the over 100 tools the company added in late June once it became apparent ecommerce growth was slowing.

Financial assistance: As conditions get more difficult for ecommerce merchants, Shopify is ramping up its revenue-based financing program to keep sellers solvent and make it easier for first-time sellers to get started on the platform.

- Shopify Capital handed out **$507.6 million** in loans and cash advances to merchants in Q3, a 29% YoY increase. While these money-lending services may be extremely attractive to merchants struggling with soaring procurement and fulfillment costs, diminishing ecommerce demand could hamper their ability to pay back the loans.
- And as with everything else it does, Shopify faces competition from **Amazon**, which announced last week it would give sellers access to loans ranging from $500 to $10 million via a partnership with capital provider **Parafin** in an expansion of its existing merchant financing tools.

A cause for concern: Shopify's appeal is predicated on its ability to offer sellers the tools they need to build a successful ecommerce business. But an investigation by The Globe and Mail found that **just 34% of Shopify stores survive for longer than a year**. The average store in 2021 lasted just 143 days, down considerably from 220 days in 2019.

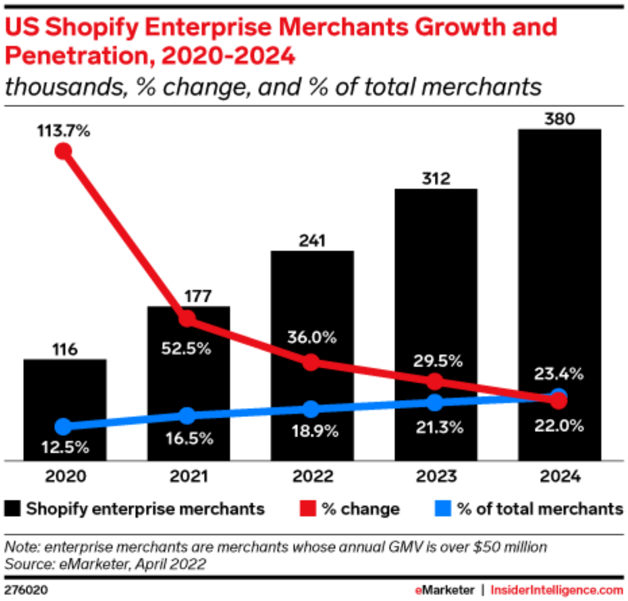
Shopify disputes these figures, but they are illustrative of its biggest problem—while the company depends on a steady influx of small businesses to drive GMV growth, many of these sellers lack the resources to upgrade to premium features (which make up the backbone of Shopify's revenues) and are unable to survive long enough to make a lasting contribution to sales volumes.

Signs for optimism: Still, despite its struggles, the sheer quantity of tools available to sellers will enable Shopify to appeal to a broad variety of sellers, both small and enterprise, which will help shore up its business as inflation slows consumer spending.

- Its Shop Promise fulfillment service gives the company a considerable competitive advantage over **BigCommerce**, **WooCommerce**, and other ecommerce platforms, and could keep merchants from jumping ship to Amazon.
- Shopify's efforts to woo enterprise clients appear to be paying off. Roughly one-third of its monthly recurring revenues in Q3 came from Shopify Plus, its enterprise-level offering. The company successfully onboarded **Glossier** and **Cole Haan** to its platform in Q3, while

partnerships with EY and **KPMG** are expected to help Shopify make further inroads with businesses with greater GMVs.

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



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