MKTG 301 – TEAM COMPREHENSIVE CASES

FALL 2022

Choose a case from the Pearson Textbook.

~For some of the Cases have disguised names therefore it may be difficult for you to find online information, however it should not alter the basic substantive problems you are asked to analyze. Use the 4Ps’ when conducting your analysis; Product, Price, Place or Promotion. Some of the assigned cases do not require that you use all 4Ps so you are to decide which ones are relevant to your analysis. One case may focus on Price, or another may focus on Product and so on. At the back of each chapter, you will find a suggested case list that applies to your case, **please be sure to incorporate the chapter material in your case presentation.**

1. Illustrate and define which variable of the marketing mix you will be using or is highlighted in the case and give your reasons. You will be graded for the correct use of chapter materials relevant to your case, you are to support your case analysis with the chapter definitions and explanations. In other words, each claim you make in your paper should be supported by concepts and marketing terminologies used in your textbook. You should be very careful about citing your reference. Failure to do so will result in a zero grade. (30 points)

**Company Case 14**

**Shopify: The Unknown E-commerce Giant**

In online shopping, Amazon dominates. The e-commerce behemoth not only captures 45 percent of all U.S. online sales (Walmart is number two at about 5 percent), it is on track to overtake Walmart as the largest overall retailer in the world in as little as two years. Other major e-tailers such as Walmart, Apple, Best Buy, and Target are also experiencing strong growth in their own online sales. Together, in recent years, such large e-commerce retailers have blanketed the market so strongly that small retail businesses and brands that have traditionally sold through brick-and-mortar stores have stood little chance of establishing an effective direct-to-consumer (DTC) platform to control sales of their wares online. That is, until now.

Enter Shopify—the biggest e-commerce company that most people have never heard of. In this DTC age, Shopify itself sells nothing online. Instead, it helps other businesses do that. Shopify provides a genuine end-to-end e-commerce platform that takes care of everything for a company that wants to sell online—whether it’s a young entrepreneur who has never started a company or a large, well-known corporation that needs an online store.

The concept is simple. For a monthly fee, Shopify helps individuals or corporations sell their stuff online. Merchants get everything from customizable store templates, inventory management systems, and analytics to payment processing and shipping. Shopify also provide consulting services and a network of partners to take care of manufacturing, promotion, and order fulfillment. Not only does Shopify’s platform sell merchandise directly from the merchant’s online store or mobile app, it plugs into a growing number of existing platforms, including online marketplaces such as Amazon, social media channels such as Instagram Stories, and even brick-and-mortar locations. It’s completely cloud-based, which means zero investment in hardware and software. It also means that business owners can run things from anywhere on any device with an internet connection. In short, Shopify’s mission is to make commerce easier and better for everyone.

Although that mission may seem a bit lofty, Shopify is well on its way. In 2015, the not-quite-10-year-old company went public at a value of $1.3 billion. In the preceding year, Shopify’s 140,000 stores sold more than $3.7 billion worth of merchandise. Five years later, the value of Shopify’s stock was worth a whopping $186 billion. For the most recent year, more than a million Shopify merchants sold $183 billion worth of goods—a 50-fold increase and half as much as the value of all goods sold on Amazon during the same year. How did Shopify come so far so fast and yet remain relatively unknown to most consumers?

#### From Snowboards to Startups

It all started in Ottawa, Quebec, in the early 2000s when Tobi Lütke and Scott Lake met and bonded over their love of technology and snowboarding. They decided to start a business together and opened Snowdevil, an online store selling high-end snowboards. Building the site proved to be an exercise in frustration. Working with popular software options of the day, such as Microsoft Commerce and Yahoo Stores, was difficult and expensive. So Lütke—who had dropped out of high school at the age of 17 to work as a programming apprentice at Siemens—decided to build his own e-commerce platform from scratch. The resulting site was simpler, faster, and more visually pleasing than anything that could be set up through existing web design vendors.

That you’ve never heard of Snowdevil.com is no surprise. Sales were meager at best. But it didn’t take long for Lütke and Lake to realize that the most valuable product they possessed was the platform beneath Snowdevil. So the two launched Shopify in 2006 as a platform for creating online stores. Slow going at first, the startup’s client base grew steadily as Shopify continued to develop the platform with innovative tools. It also developed a corporate culture based on authenticity, free thinking, and what Shopify calls the “trust battery”—a perceptual gauge of an individual’s potential based less on what they have already done and more on what they might do in the future.

#### The Anti-Amazon

Building Shopify’s e-commerce platform required defining what that platform is. But one key aspect of Shopify’s strategy is also tied to defining what the Shopify is not. In short, Shopify is not a marketplace. Although Shopify sets up and runs e-commerce operations for DTC companies, it operates behind the scenes, silently and invisibly. So, for example, when customers visit Fitbit.com to buy a fitness tracker, every interaction is with Fitbit, the company and brand. And shoe shoppers at Allbirds.com know only that they are experiencing and exploring footwear made with sustainable and natural materials that only Allbirds offers. Visitors to the e-commerce stores powered by Shopify typically have little if any idea that Shopify even exists, let alone that it’s the actual company behind everything with which they interact.

In contrast, when customers buy DTC brands at Amazon.com, they are buying from Amazon, whether the orders are fulfilled by Amazon or by third-party vendors. These brands gain little by way of brand equity and have little control over how their brands are sold. For these reasons, Shopify thinks of itself as the anti-Amazon, not because it is against the e-commerce giant but because it offers DTC companies a path to selling their goods that is so different in concept and outcome.

Although Amazon offers its marketplace vendors everything down to operations and fulfillment, the vendors aren’t so much building their own brands as they are building Amazon’s. As Amazon has grown, more sellers complain openly about the fact that they have little control over their sales, customer relations, and the data generated from shopping. Having those assets squarely within its control has often allowed Amazon to develop private-label brands that directly compete against its sellers’ brands. With Shopify, however, the end user is owned by the merchant, not by the marketplace.

Being a non-marketplace e-commerce platform has made Shopify uniquely competitive. Shopify is neutral. It interfaces and even plugs into numerous existing marketplaces, but it doesn’t favor any. And Shopify does not interfere with vendor brand businesses. This neutrality has allowed Shopify to easily engage and interface with the likes of Pinterest, Instagram, Facebook, Amazon, and numerous other companies that feature their own marketplaces. Thus, Shopify clients have access to any and all partner marketplaces.

#### An Unexpected Boost

After going public in 2016, the company’s growth accelerated. But in 2018, Shopify landed a client that gave it a huge publicity and revenue boost. An article in *Forbes* magazine revealed that Kylie Jenner’s online cosmetics store, kyliecosmetics.com, was powered by Shopify. In less than one year after joining Shopify, Jenner’s store had gone from selling its signature lip kits to selling a full line of cosmetics with more than 50 different products. In the process, Kylie Cosmetics generated more than $300 million in sales. The cover of *Forbes* featured Jenner in a black business suit under the headline “America’s Women Billionaires.” The article described how the young socialite had leveraged her extreme fame into a cosmetics empire and was set to become the youngest ever self-made billionaire at age 21.

But the boost Shopify received from that association was fairly minor compared with the growth it experienced in the environment of the COVID-19 pandemic. As store retailers everywhere shut their doors and as brands that had relied on selling through brick-and-mortar chains faced extreme uncertainty, Shopify sprang into action. “The entire company simply pivoted as quickly as we could to focus on, ‘How do we help small businesses?’” said Harry Finkelstein, Shopify’s chief operating officer.

Shopify introduced a 90-day free trial for new subscribers, gift-card options, online tipping, and an expanded financing program. Then, in a move that gave it Amazon-like power, the company introduced an application that allows customers to search for products across the entire Shopify universe. Although some observers worried that this mega-shop would give power and control to the platform at the expense of the brands, the structure still focuses heavily on the DTC brands rather than on the Shopify brand.

“We did things like turn physical stores into fulfillment centers where they could do curbside pickup or local delivery,” added Finkelstein. “Some were resistant, just waiting for the status quo to resume, but others were willing to ask: ‘What is the new situation? What are the new rules? How do we adapt?’”

A perfect illustration of what followed in the Shopify universe is Rebecca Minkoff Handbags. Before the pandemic shutdown, 70 percent of Rebecca Minkoff’s sales came from wholesale orders through department stores such as Bloomingdales and Saks Fifth Avenue. But when the reality set in that the majority of the company’s sales were about to evaporate, Minkoff and her cofounder overhauled their business model almost overnight, reorganizing Rebecca Minkoff Handbags into a full-fledge online DTC brand powered by Shopify. The new direction paid off. Minkoff’s direct sales grew, making up for the lost sales from retailers and department stores. “When the tidal wave comes, you see two types of people,” said Finkelstein. “The people who grab their surfboards to ride it out, and the people who got out of the water and grabbed their towels,” referencing Minkoff and crew as the former.

During 2020, Shopify’s revenues doubled over the previous year—a feat that took three years for Amazon. Still, Shopify is projecting a cautionary tone, pointing out that it doesn’t expect Shopify to keep up that kind of growth rate. “We don’t expect the surge in ecommerce that happened in 2020 to repeat,” said Amy Shapero, Shopify’s chief financial officer. “We continue to expect to grow revenue rapidly . . . but at a lower rate.” Still, brands that weathered the worst of the crisis—brands like Rebecca Minkoff Handbags—are now poised to thrive more than ever with a strong DTC business along with returning brick-and-mortar sales. These brands will have more control than ever, not to mention higher profit margins.

Even with all this momentum, Shopify faces plenty of challenges ahead. Many analysts speculate that Shopify’s model would be easy to replicate. In fact, many of the companies that Shopify partners with to provide pieces of the e-commerce process for its platform—companies such as PayPal and MailChimp—already possess significant amounts of data that could allow them to expand their roles in the e-commerce services they provide to their DTC clients. But Shopify continues to invest heavily in innovations it believes will keep it the end-to-end DTC leader. “Shopify is no longer just an ecommerce platform,” says Finkelstein of the company’s evolution. “[Shopify is] the world’s first retail operating system.