

Louvain School of Management

Shopify in Germany:

An analysis of a Canadian e-commerce platform's marketing strategy and activities in an international market.

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Abstract

This report examined Shopify's marketing activities in the foreign market of Germany. Theory regarding targeting and targeting standardization, keyword research and applications, and SEO and SEM was reviewed. This theory was used as the basis of the analysis that looked into Shopify's marketing activities in Germany. It was found that the company had likely applied a standardized targeting strategy to the country, one which put it in fierce competition with rival firms. It was found that Shopify had implemented a positioning strategy that saw the brand fashion itself as a tool to empower digital entrepreneurship. Finally, several tools that comprise Shopify's digital marketing were analyzed.

It was recommended that the company adapt its targeting strategy to focus on the home & garden industry and the consumer electronics industry. Ideally, Shopify would target medium-sized companies in these industries in Hamburg and Frankfurt. It was also recommended that Shopify modify its organic search activities to support the transition towards these new targets. Finally, it was recommended that Shopify invest more in paid advertising.

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1. Introduction

1.1 Description of the Research Project

This thesis has been conducted with the intent of studying the Canadian e-commerce platform Shopify and its marketing activities in the Germany. Academic literature relevant to the proposed thesis will first be reviewed to form a basis. The German e-commerce market will then be examined in-depth to ascertain the unique environment in which Shopify finds itself. Shopify's internal capabilities and external conditions shall be examined. Finally, elements of Shopify's marketing such as its targeting, positioning, and digital marketing activities shall be examined.

1.2 Research Question

Shopify is a Canadian company that has expanded into the German market. What targeting, positioning, and digital marketing strategies has Shopify used in its international expansion and can these be improved by better adapting them to the realities of the German market?

1.3 Research Objectives

At the end of this project, there will be a clear understanding of the E-commerce market in Germany, and how Shopify fits into said market. Several recommendations that can help Shopify to succeed in the German market will be proposed. Limitations to the current study will be identified so that they might be avoided in future studies.

1.4 Reasons for Carrying out the Study

There are personal and academic reasons for carrying out this study. Firstly, both Shopify and the author of this paper are Canadian. Shopify is one of the highest-performing technology companies in Canada, and it is a matter of national affinity to study a successful company and find ways that could help it and other Canadian companies succeed. Secondly, as will be highlighted in the literature review, marketing and international expansion are essential to the success of high-tech firms. Studying how the approach that Shopify has taken could help technology companies improve their decision making in the future.

1.5 Organization of the Thesis

This thesis has been broken up in the following manner. The first section will provide the reader with all contextual information necessary to make sense of the project. The second section will review pertinent definitions and academic literature that guided the research. The third section will cover the methodology used to conduct the research. The fourth section holds the results of the analysis. The fifth section will offer recommendations to Shopify based on the results of the analysis. The sixth section will address the limitations this research project encountered. The seventh and final section will conclude the thesis.

Please note that for digital copies of this thesis, quick navigation between sections is possible by clicking on “sections” and “subsections” (ie: 4.1.2) in the Table of Contents. To quickly return to the Table of Contents, click on the button found in the upper right corner of every page. Where applicable, any underlined appendix reference links directly to the related appendix entry.

1.6 Introduction to Shopify

1.6.1 A Brief History

Shopify was founded in 2004 by Tobias Lütke, Daniel Weinand, and Scott Lake. Lütke, who is originally from Germany, was living in Ottawa, ON, Canada at the time. He and his two friends had wanted to establish an online snowboard shop, but they grew frustrated with the tools available to them. As Lütke explains, he had designed a great CSS-based layout for the digital store, but that it was incompatible with what Yahoo Stores’ capabilities. Lütke began to explore other programming languages that he and his partners could use to build a better store (Lütke as cited in ProductHabits, 2017). After building the store, the team realized the potential of their creation; the e-commerce store that they had created could be repurposed to help other entrepreneurs and merchants bring their stores to the digital space easier than anything else on the market could. Just like that, the core idea behind Shopify was born; Lütke, as the designer of the original store, took on the mantle of CEO of Shopify.

1.6.2 The E-Commerce Platform

Shopify's e-commerce platform is the company's original offering, and has been the primary driver behind the business's success. The company charges different subscription prices based on the functionality desired by the client. These ranges are "Basic Shopify" at \$29 USD/month (€24.74/month), "Shopify Standard" at \$79 USD/month (€67.40/month), and "Advanced Shopify" at \$299 USD/month (€255.09/month). Shopify also offers an enterprise-level subscription called "Shopify Plus". A subscription to this platform starts at \$2000 USD/month (€1706.63/month), but higher volume businesses are able to purchase a subscription with a variable fee. Due to the size of clients purchasing Shopify Plus and the lucrative nature of the deal, it is likely that Shopify is much more flexible when negotiating the price for this offering. The company notes in its 2019 annual report that while most of its merchants purchased the basic and standard service, the majority of the company's subscription revenue is generated through its advanced and Shopify Plus offerings (Shopify, 2020).

In Q4 of 2019, Shopify reported a revenue of \$505.2 USD million (€431.09 million). Of that, \$183.2 USD million (€156.33 million), or 36.26% of the quarter's revenue, was generated via subscriptions (Shopify, 2020). This figure constitutes the greatest single contributor to Shopify's sales.

1.6.3 Additional Revenue Streams

As employees interviewed for this research have noted, Shopify is no longer simply an e-commerce platform: the company has gone to great lengths to diversify its product and service offering to capture several revenue streams (See [Appendix A](#)). The following revenue streams form part of Shopify's "Merchant Solutions", a grouping of products and services which in Q4 2019 generated \$322 USD million (€274.77 million), or about 53% of the company's total Q4 earnings.

1.6.3.1 Shopify Payments

Shopify Payments is a payment processing service that allows Shopify's clients to accept and process payments online and offline. Originally introduced in North American markets in 2013, Shopify Payments has been expanded to 15 different countries, including Germany. Shopify generates revenue by taking a set percentage of all transactions.

1.6.3.2 Shopify Fulfillment

Also known as the Shopify Fulfillment Network, this service was recently introduced, only showing up in the USA in June, 2019. With the fulfillment service, clients can opt to allow Shopify to handle the processing and delivery of goods. The benefit for merchants is that Shopify can leverage its size, as well as the company's investment in AI-supported logistics, to decrease delivery costs and time.

1.6.3.3 Shopify Point of Sales (POS) System

Shopify employees describe the current version of the platform as an omnichannel platform rather than an e-commerce platform; while Shopify's main value proposition is still to offer merchants the ability to sell online, the company has sought to open more options for its clients. One such method is the company's Point of Sales (POS) System. Shopify's POS allows merchants to blend their online and offline sales efforts into one unified front. Perhaps the system's biggest draw is that it opens the possibility for mixed channel sales. For example, customers can research online and purchase in-store, they can research in-store and purchase online, or they can purchase a product in a store and have it expedited to their home address. Regardless of the path they take, customer information will be held in one central location, thus unifying all channels into a single effort.

1.6.4 Performance in Current Markets, 2020

According to a year-end press release, Shopify generated \$1.578 billion USD (€1.34 billion) in 2019. The company reports that this was a 47% increase over 2018's total revenue. Shopify also

expanded international functionality, adding several new native language options and bringing its Shopify Payments platform to four additional countries.

According to Shopify, approximately 85% of its revenue comes from English-speaking countries, with business in the USA alone contributing 68% of the company's revenue. While the rest of the world accounts for nearly 30% of Shopify's total customers, it only accounts for approximately 15% of the company's revenue. It is clear that Shopify has focused primarily on its home continent of North America while venturing into culturally similar countries such as Australia and the UK.

Shopify has signaled in recent years the need to look outside of North America to keep growing. In discussions with employees, it was revealed that the company feels it is coming close to maximizing its growth in North America. Consequently, the company has shifted its focus to defending its North American market cap rather than expanding it.

1.6.5 Shopify in Germany

Shopify in Germany seems like a logical step for the company. While the size of the German economy by itself would be a compelling reason to enter the market, there may also be personal reasons why an expansion into Germany makes sense. As mentioned, Shopify's CEO, Tobias Lütke, is originally from Germany. Research into how multinational enterprises (MNEs) choose expansion and investment locations has revealed that the personal preferences of managers does, in some cases, influence a company's expansion strategy (Schotter & Beamish, 2013). It may be a personal goal of Lütke's to expand into his home country. As evidence, one need only look at the placement of Shopify's European offices; of those offices located in continental Europe, the only one that was deliberately founded by Shopify and was not the byproduct of an acquisition is Shopify's office in Germany. There is also ample evidence that the company is actively recruiting staff to work in the German office and work to grow Shopify's presence in Germany (See [Appendix B](#)).

For the reasons presented above, Germany was selected as the focus for this research. It appears as though Shopify is willing to invest a significant amount of time and money in expanding into the German market, and thus it should serve as an excellent subject to study for this thesis.

1.6.6 Shopify in Other Foreign Markets

Germany is not the only foreign market where Shopify has a presence; as stated by the company, it has merchants in over 175 countries (Shopify, 2020). As is the case with most Canadian businesses, the first international market to which Shopify expanded was the United States. As of Dec. 31st, 2019, 52% of Shopify's merchants were located in the US, with another 19% originating from English-speaking countries. Shopify has also had a history of rolling out new features and updates in its North American markets before expanding to the remaining English-speaking countries and, eventually, the rest of the world.

In Europe, Shopify has merchants in all EU member states. However, some features such as Shopify Pay are restricted in Europe; the only European merchants with access to Shopify pay are those that are located in Germany, the Netherlands, Ireland, the UK, and Spain. Shopify has stated that it expects features such as its payment service to continue to expand to international markets (Shopify 2020). It may be the case that Shopify currently has its focus on expanding across the Pacific.

Shopify's most recent expansion has been to enter China. In October 2019 it was reported that Shopify had begun to build a team of executives to build partnerships in China and lead a small team in Shenzhen (Hemmadi, 2019). Analysts have noted that many of Shopify's large "Shopify Plus" clients were already using the platform to sell into China, and that it made sense for the company to build on that momentum (Hemmadi, 2019). According to market intelligence provider storeleads.app, as of Q3 2020, there were 2,935 Shopify merchants in China.

1.6.7 Shopify and Tech

Shopify was founded as a cloud-based service provider. While the company has incorporated physical products into its offering, there should be no doubt that it is still very much a tech-focused organization. As the company states in its 2019 annual review, it plans to increase its investment in R&D in the coming years to continue to provide cutting edge solutions to its merchants (Shopify, 2020). The company plans to invest in data analytics and in AI technologies. The company has also acquired several tech companies in North America and Europe to support its ambition. When asked for this research project, Shopify's employees stated that they believed the company fits the criteria of a high-tech company: according to the employees, more than half of the budget goes towards research and development and that the company employs many engineers and developers. For this reason, Shopify appears to be an appropriate representative of a Canadian technology company.

2. Literature Review

2.1 Definitions

High-technology product: products that, "...employ turbulent technology in their use, manufacture and/or distribution, and are seen to require significant changes in usage patterns" (Gardner et al., 2000). A broad definition of a high-tech business, "... is one whose business activities are heavily dependent upon innovation in science and technology." (Medcoff, 1999).

SEO: Search Engine Optimization

SEM: Search Engine Marketing

SERP: Search Engine Results Page

2.2 Academic Literature Review

The following section will discuss the academic articles used to guide the direction of this research. The literature that will be reviewed is dedicated to topics that are relevant to digital marketing. A study of luxury stores in India found that to effectively market to a younger, tech-savvy audience, the luxury brands relied heavily on digital marketing tools such as social media (Jain & Schultz, 2016). Robinson adds to this sentiment, encouraging companies to embrace digital channels such as mobile if that is where the majority of the firm's clients are most active (Robinson, 2012). As Shopify's main product is a cloud-based platform, and the majority of its clients are seeking a way to build digital storefronts, it is likely that the company is very active in digital marketing. Therefore, when studying the company through a marketing lens, it seems appropriate to have a solid grounding in digital marketing.

2.2.1 Importance of Marketing for High-Tech

As stated in Nyström's 1985 paper, high-tech companies rely on both marketing and innovation to win customers in the marketplace (Nyström, 1990). Gardner et al. also found that the level of marketing activity and the effectiveness of a firm's marketing actions will play a critical role in determining whether a high-tech product is successful (Gardner et al., 2000). When studying the factors that most affect an Israeli high-tech start-up's chances for success, Chorev & Anderson found that managers consistently rated marketing strategy as one of the most important factors, second only to "core team commitment" (Chorev & Anderson, 2008). A study of Philip's CD-I, Apple's Newton, and Sony's Betamax, Rosen et al. suggest that these products failed because the companies did not appropriately blend a customer focus with an understanding of the diffusion process (Rosen et al., 1998). The implications of these studies are that a successful marketing strategy is key to the success of a high-tech business.

2.2.2 SEO & SEM

A key component of a digital marketing strategy is the understanding and use of search engines. Two strategies exist for marketers to effectively use search engines: SEM and SEO (Voltolina, 2008). It may be easy to think that these two resources are interchangeable, but Voltolina asserts

that SEO is the first step in SEM (Voltolina, 2008). Voltolina notes that both emphasize the use of keywords to match with a search engine user's search queries. While Voltolina notes the similarities between the two, Klaasen elaborates on them, noting that, when positioned on a SERP, SEM results will benefit from a prime location and be visually separate in some way from SEO results (Klaasen, 2008). This section will explore the two resources further.

SEO is the practice of optimizing on-page content and off-page factors so that a search engine can properly index and rank a website (Dodson, 2016). A more refined definition of SEO would be to describe it as a set of complementary, structured techniques that increase the chance for a given page or domain to land in the first position in a search engine's ranking for a give search term (Lee et al., 2016). While many techniques are available to marketers to achieve the goal of a higher SERP ranking, better-aligning a page with the targeted search term is one of the most effective. A 2016 study sought to improve a Korean library's website's SEO: by increasing the site's relevance to the desired keywords, the authors noticed a bump in the number of keywords for which the library ranked in the top 10 (Lee et al., 2016). Furthermore, the authors were able to show the percentage of visitors arriving on the site via search engines had grown from 43.63% to 61.57% over the course of a year; while the authors used several techniques to achieve the result, they themselves highlight the importance of aligning a website with desired keywords to rank better on a SERP (Lee et al., 2016). Research has shown that users are roughly five times more likely to click on a link that is part of the organic results section on a SERP than they are to click on a link that is identifiable as an advertisement (White, 2013).

SEM has a few major drawbacks when compared to SEO. The first drawback is that it is a premium service; with SEM, companies such as Google and Yahoo auction keywords to advertisers, with the industry as a whole being worth billions of dollars (Chen et al., 2009). The second drawback is that SEM-related fraud has far worse consequences. When firms bid on a keyword, they are able to set a budget. When the budget is depleted, normally after a certain number of visitors click on the link, then the ad will stop displaying. A phenomenon known as "click fraud" describes a practice where competitors will seek to exhaust a competitor's SEM budget artificially by

employing people or technology to click on their ads (Wilbur & Zhu, 2009). Vizard studied another malicious phenomenon dubbed “bot fraud”. Bot fraud occurs when automated software interacts with content, advertising, and offers in a manner sufficiently close to human behaviour that it tricks any preventative measures. This practice cost advertisers \$7.2 USD billion (€6.11 billion) in 2016 alone (Vizard, 2016). While it is true that SEO faces its own problems with fraudulent clicks (Bannan, 2007), the key distinction between the two is that SEM fraud costs the industry billions of dollars annually, whereas SEO fraud is likely to only inflate metrics. One is certainly worse than the other is.

Despite the issues that SEM poses when compared to organic, it is still important to include it in the marketing mix. When studying Honda’s Google SERP rankings, researchers found that the brand’s presence in both the top paid ad and the top organic search result increased consumer purchase intent by 7% (Miller, 2007). Another finding was the way consumers behaved on the SERP; users would read in an “F” pattern, quickly scanning the brand name in the top spot before moving down to the top organic result. This behaviour may be the reason that researchers found brand’s in the top paid ad and organic position could see brand recall rise by as much as 220% - an excellent result for any brand trying to boost its digital presence (Miller, 2007). While researchers did find that cannibalization occurred when brands occupied both top spots, it was found that there can be a considerable drop in consumer consideration if a brand is not present in both rankings (Miller, 2007).

Regardless of the exact mix a company employs, it is vital to rank well. Researchers have stated that the Internet has become a sort of “attention economy” where a consumer’s time and attention is a scarce commodity for which firms are constantly competing (Halavais, 2013). A 2004 study of position rankings and their effect on traffic generation found that higher positions generate more exposure (Pieter & Wedel, 2004). A more recent 2013 study found a similar result that high visibility on a search engine’s SERP led to a greater flow of traffic to an organization’s site (Killoran, 2013). If firms want to be seen, then they must ensure that they are ranking well for their target segments. This is increasingly important when one considers that search results

can help build brand awareness simply as a byproduct of a brand appearing on a SERP viewed by a consumer (Hansell, 2005). A similar study showed that search engine ranking can be a useful form of brand positioning: if a brand lacks awareness in a market, positioning themselves next to well-known brands with a desired positioning on a SERP will lead users to associate the unknown brand with the others (Dou et al, 2010).

2.2.3 Keywords as a Source of Strategic Intelligence

Research into how Digital, Social Media, and Mobile (DSMM) marketing can help managers make decisions is one of the oldest areas of research in digital marketing (Lamberton & Stephen, 2016). According to a study of DSMM research trends, this area of research was among the first explored by researchers when DSMM appeared as an area of research and interest in it has persisted because of its continued relevance to managers (Lamberton & Stephen, 2016). Keyword research is one such digital area that is useful for providing managers with information on lucrative segments and how to position the company to capture those segments.

The Internet's record of search data makes it possible for companies to obtain and evaluate different keywords (Wilson & Pettijohn, 2007). There are many ways in which this research can be conducted, but the most effective way is to use Keyword Research Software (KRS) (Wilson & Pettijohn, 2007). Many variations of KRS exist, from free tools to premium one, it is possible for any-sized company to find a tool to perform the action. The keywords that consumers use to search for a product can give marketers an idea of how they think about the product, and the volume of searches allows marketers to evaluate how popular and widely-shared those opinions are. As Wilson and Pettijohn note, a large volume of searches for a term usually translates to substantial demand for the related product or service (Wilson & Pettijohn, 2007). Understanding these two factors could be critical to correctly positioning a brand to capitalize on a new opportunity or to expand in its current segment.

One example of keyword use is to find high-demand, low- supply segments of a market (Wilson & Pettijohn, 2007). To do so, KRS should be employed to evaluate the effectiveness of search

terms. There are several ways to do this: SEO specialist Ken Evoy suggests using a KRS to predict the average monthly volume of searches for a term. If a term has more than 10,000 searches, it can be considered to be “promising”. If it has a predicted volume under 5,000 per month, then it is likely that the market is too small to sustain meaningful business activities (Evoy, 2006). Wilson & Pettijohn build upon Evoy’s suggesting by advocating for the aggregation of similar search terms. As an example of Wilson and Pettijohn’s position, if one wanted to understand the volume of searches for the term “bird watching”, it may be wise to also include the volume of searches for “bird-watching”, “birdwatching”, and “birding” as well (Wilson & Pettijohn, 2007).

A final, entirely different approach to evaluating keywords is to employ the Keyword Effectiveness Index (KEI). The KEI was developed by SEO specialist Sumantra Roy as a way to judge a keyword volume in relation to the number of competitors in the market (Roy, 2006). The formula is as follows:

$$KEI = R^2/s$$

Where KEI = the Keyword Effectiveness Index, R^2 = the number of searches squared, and S = the number of competing sites (Roy, 2006). The reason that Roy proposes squaring the number of searches is to illustrate the differences between the search volume for each keyword (Roy, 2006).

Evoy does not support Roy’s model for evaluating keywords. According to him, the best way to use keywords to determine whether a niche has potential is to consider collectively the top 50 keywords (Evoy, 2006). Wilson & Pettijohn offer the opinion that including pay per click (PPC) in keyword evaluation. They put forth that a keyword’s bid price can be an indicator of the number of competitors employing the same keyword (Wilson & Pettijohn, 2007).

2.2.4 Targeting Standardization

The standardization of marketing communications across national borders, sometimes referred to as horizontal standardization, is very prevalent across digital channels. Research into how firms standardize their digital communication strategies has shown that brands tend to view their digital audiences as one large mass (Chang, 2009). Authors Okazaki and Rivas had pushed the idea in 2002 that the Internet had been a catalyst for the homogenization of consumer preferences across the globe (Okazaki & Rivas, 2002). Seemingly, in their view, it made sense to view digital audiences as homogenous. Offering an opposing view, Warden et al. argue that the world does not communicate in a single language, and therefore multinational corporations must adopt a “glocal” marketing communications strategy that respects unique cultural (Warden et al., 2002).

Studies have tried to find a middle ground to the debate. A 2004 study looked at the top 100 global brands and whether they offered a website specifically targeted for Chinese consumers. Of the hundred brands, 58 of them had websites that adopted a “glocal” strategy and offered a website specifically addressed to local Chinese Internet users (Maynard & Tian, 2004). The companies integrated many Chinese cultural elements, such as language, into their Chinese website to better adapt it for the market (Maynard & Tian, 2004). Another study of how American brands maintained standardization across their digital domains while developing unique websites for various European markets – in this case Spain, the UK, Germany, and France – found that the American brands adapted the site’s content for the regional sites (Okazaki, 2005). However, Okazaki adds that the brands tended to standardize several core features central to digital business operations: these were image reinforcement, direct sales functions, indirect sales functions, choice availability, information collection, feedback mechanism, and orientation. Okazaki notes that by far the two most important features out of this set are the process by which information is collected and availability of choice to consumers (Okazaki, 2005). The results of these two studies may represent an equilibrium in the business world’s approach to standardizing marketing communications; while the core features of a website must be standardized to accommodate business practices, it may be in a brand’s best interest to adapt

the content, language, and other similar cultural elements to the country for which the website is targeted. A 2007 study exploring how consumer style affects international segmentation strategies offered a similar conclusion, stating that a complete adaptation or a complete standardization of a firm's marketing in a foreign country is not a good approach (McCarty et al., 2007).

So far, only literature concerning marketing communications has been discussed to establish a baseline. Marketing communications and targeting are closely tied; one cannot create marketing communications content without first targeting an audience. A study of social marketing suggests that purposefully targeting segments of a population can improve the effectiveness of communications efforts (Bostrom, Böhm, & O'Connor, 2013). If effective communications follow from targeting, and firms standardize their international marketing communications to some extent, does it follow that firms also standardize their targeting and segmentation strategies?

Marketing services to international markets has been noted as particularly challenging activity given the intangibility of services, the expectations and customs of different cultures, and the desire for customization options (Patterson and Cicic, 1995). B2B firms often develop global pricing strategies for customers with different cultural backgrounds and usage behaviours (Bolton & Myers, 2003). In essence, different segments are created based on what they are willing to pay; sellers are then free to target specific segments by designing a pricing strategy that appeals to them (Bolton & Myers, 2003). Shopify is an example of this pricing strategy thanks to its "Basic", "Standard", "Advanced", and Shopify Plus subscription options. All of these subscriptions target different-sized clients across the globe, but as Bolton and Myers point out, this standardized pricing strategy often disregards important client usage behaviour and the product utility that they are seeking (Bolton & Myers, 2003). Broderick and his colleagues remind us that, while international market segmentation relies on the idea that homogeneous behavioural patterns exist across countries, in some cases heterogeneous behaviours can still exist within this segmentation strategy (Broderick, Greenley, & Mueller, 2007).

Firms may also be sacrificing competitive advantage by sub-optimally segmenting international markets. In her paper studying the segmentation of international tourists, Dolničar notes that companies, at least in the tourism industry, tend to favour “priori” or “common sense” segmentation (Dolničar, 2004). This approach to segmentation sees companies use prior knowledge to segment and target. Dolničar notes that few firms use a data-driven post hoc form of segmenting and targeting; as most firms use a “common sense” approach of applying what they know, any potential competitive advantage is lost (Dolničar, 2004). If firms in other industries practice a similar segmentation and targeting strategy, they too could see a loss of competitive advantage.

In summary, it appears that to some degree, firms standardize not only their international marketing communication strategy, but also their segmentation and targeting strategies. Applying this view to Shopify in Germany will reveal whether the company has appropriately balanced the need to standardize its targeting with the need to adapt to the unique characteristics of the German market.

3. Research Methodology

This section will discuss the methodology employed to carry out the study of Shopify in Germany.

3.1 PESTLE Analysis

PESTLE is a tool used in business studies to better understand the broader environment of a given market. The acronym stands for Political, Economic, Social, Technological, Legal, and Environmental. The PESTLE analysis was used to give an overview of the German market. Information was gathered from various sources, ranging from think tanks to statistics websites.

3.2 Industry-Based View

The industry-based view, or industry-based theory as it is sometimes called, is a theory that researchers can use to analyze the environment within a given industry. One of the most useful ways to examine an industry is to employ Porter's Five Forces. These five forces are buyer power, supplier power, the threat of substitutes, barriers to entry, and existing competition. By applying Porter's Five Forces to the e-commerce industry in Germany, this report is able to analyze and discuss the external threats and opportunities with facing Shopify.

3.3 Resource-Based View

Resource-based view (RBV) was first proposed in 1991 as a way to understand how firms gain a competitive advantage. In the words of the author who first proposed the theory, "...sustained competitive advantage is derived from the resources and capabilities that a firm controls that are valuable, rare, imperfectly imitable, and not substitutable. These resources and capabilities can be viewed as bundles of tangible and intangible assets, including management skills within a firm, its organizational processes and routines, and the information and knowledge it controls." (Barney et al., 2001). While resource-based view (RBV) is traditionally viewed as a strategic management theory, it can nonetheless be applied to better understand a firm's marketing performance (Srivastava, Fahey, and Christensen, 2001). For this reason, RBV seemed an appropriate theory to apply when examining Shopify's performance in Germany. RBV was used to get an internal perspective on Shopify's situation.

3.4 Competition Analysis

The competition analysis looked into three of Shopify's biggest global competitors, Amazon, Magento, and WooCommerce. Each company's German strategy was examined, looking into their target market and share of the market, their value proposition, and price. Data was sourced from each company's website as well as statistics found online.

3.5 Targeting

As noted in the literature review, firms may be prone to standardizing their international marketing communications, segmentation, and targeting strategies. This section of the analysis explored whether Shopify has applied a standardized targeting strategy for Germany through the use of data from market intelligence site storeleads.app. Alternative segments that may be better targets for Shopify were identified.

This section makes use of a merchant's popularity to approximate its success in the German market. Storeleads.app has calculated this popularity score by combining a given merchant's metrics on Alexa.com and the Common Crawl Project. Both of these sources use SERP results, search volume, and other digital metrics to rate a website. As storeleads.app's popularity score is determined in part by search volume, it is possible to use it to evaluate business opportunities in a similar manner to what was discussed in section 2.2.3. A site's popularity should be indicative of its traffic, which is a factor for its sustained success.

3.6 Positioning

To evaluate Shopify's positioning, the company's vision statement and an interview with the company's VP of user experience were consulted. These statements were then combined with a keyword study to provide validity to the comments.

To study Shopify's positioning, 11,500 keywords for which shopify.de ranks in the top 100 SERP results were analyzed using the principles discussed in section 2.2.3. From this list, 24 keywords were chosen for further examination according to three factors. These factors were **a)** the shopify.de site associated with the keyword must rank in the top 10 SERP results; **b)** the keyword must be in the top 50 search volume, as suggested by Evoy (Evoy, 2006); and **c)** the amount of traffic directed to shopify.de per month must also be in the top 50. Wilson and Pettijohn's (2007) suggestion of aggregating similar keywords served as the inspiration for the next step: to use these keywords to select blog posts for evaluation. Rather than focus on similar search terms, the keywords were aggregated based on the shopify.de blog URL to which they were linked. From

these 24 keywords, 15 associated blogs were chosen for further study. The topics and themes present in the blogs associated to these keywords were then analyzed to illustrate the way in which Shopify has positioned itself in Germany. As Okazaki (2005) found, American – or in this case, North American – firms are likely to adapt cultural elements to a host country. A blog is a perfect example of the type of cultural element that a firm might adapt. It is therefore hypothesized that through the study of the topics and themes present in blog posts that are associated with the highest performing keywords, it is possible to quantitatively assess Shopify's positioning in Germany.

3.7 Digital Marketing

Shopify states that it actively grows its audience through digital channels such as organic search, paid search, and social media (Shopify, 2020). This makes sense; as discussed in section 2.2, Jain & Schultz (2016) and Robinson (2012) argued that brands should seek to engage their audience over the mediums where they are active. Therefore, two components of the brand's digital marketing strategy, organic search and paid advertising, will be examined in depth. Social media marketing will be briefly mentioned, but due to the limited traffic generated through this medium, it will largely be excluded from this report. SEMRush was used to gather data for this section.

4. Analysis

4.1 PESTLE Analysis

In order to understand Shopify's performance in Germany and ways in which the company may be able to improve, one must first understand the unique environment which any e-commerce enterprise is faced with in the country. This section will do so by conducting a PESTLE analysis of Germany. Importantly, only the factors most likely to affect Shopify, either for the worse or the better, shall be discussed during the PESTLE analysis.

4.1.1 Political

This section will examine the political environment in Germany. While Germany has seen strong political leadership in the past, several factors threaten to shake things up and render the future unpredictable. Adding to the political uncertainty, Project Gaia X, a pan-European political project still in its infancy and helmed by the German and French governments, could prove to be either an opportunity or threat depending on how Shopify reacts.

4.1.1.1 Political Situation

Officially, Germany is a democratic, federal parliamentary republic. The Bundestag, Germany's equivalent to a parliament, is the nation's legislative branch of government. Angela Merkel is the current chancellor of the German Bundestag, and up until 2018, she was the leader of the Christian Democratic Union (CDU). In 2018, Merkel decided to relinquish party leadership while maintaining her position as chancellor – a role Merkel has held since she was first elected in the 2005 federal election. Merkel has made clear that she intends for her tenure to end as she will not seek re-election in the 2021 federal election (Karnitschnig, 2020).

As one of the largest political parties in Germany, the CDU has held a great deal of sway in shaping 21st century German policies. Furthermore, Merkel personally has been at the head of the CDU's reign since 2005. With Merkel set to retire next year, one must ponder the effects that such a major change to leadership will have on the country's stability. A study published in the American Journal of Political Science found that, "...succession was found to be an important political variable that operates as a mechanism of policy change in democratic states." (Bunce, 1980). A similar study examined the effects that changes in political leadership had on a nation's foreign policy decisions. The authors studied whether changes in political leadership could be linked to a nation's premature exit from a military coalition. The authors found robust support for the fact that the political turnover did in fact lead to premature exits (Pilster, Böhmelt, & Tago, 2015). Ultimately, the findings from these studies indicate that changes to political leadership will result in a nation pursuing different objectives and implementing different policies than it had under its previous iteration. With Angela Merkel on the cusp of leaving the chancellorship, Germany is

nearing a similar situation that is bound to force it on a new, potentially unpredictable path. Given the length of Merkel's chancellorship, it is likely that the differences in leadership will be more acutely felt than they might have been if she were to have held the position for a shorter period of time.

Further complicating matters is the fact that Merkel's assumed heir, defence minister Annegret Kramp-Karrenbauer, has recently decided to step down as leader of the CDU (Karnitschnig, 2020). Kramp-Karrenbauer's decision has rekindled the party leadership prospects of two, right-leaning candidates (Karnitschnig, 2020). It appears as though, even if the CDU were to retain power come 2021, intra-party divisions and politics may lead it in a different direction than it is currently pursuing. Regardless of the outcome, it seems assured that Germany's government post-Merkel will be different from the one in place today. The uncertainty that this scenario will likely cause will make it difficult for Shopify to anticipate legislative changes or plan out its continued expansion into Germany.

4.1.1.2 Far-Right Groups

Another factor that could cast uncertainty over the future of Germany's political environment is the rise of nationalist far-right groups in European politics. In Germany, the Alternative für Deutschland (AfD) party has seen a dramatic growth in support. In the 2017 election, the AfD won the third-highest number of seats, just behind Merkel's CDU and the Social Democratic Party. The AfD has risen to prominence on the back of its anti-immigration stances (Chase & Goldenberg, 2019).

For Shopify, one of the biggest concerns surrounding this group is its stance towards the Euro and European Union. According to the AfD's platform, the party is interested in either reforming or exiting the European Union, "Should we not succeed with our ideas of a fundamental reform within the present framework of the European Union, we shall seek Germany's exit, or a democratic dissolution of the EU, followed by the founding of a new European economic union" (Alternative für Deutschland, 2016). The party views the Eurozone as a failure, stating, "We call

for an end to the Euro experiment and its orderly dissolution.” (Alternative für Deutschland, 2016). It appears from its platform that the AfD would like to revive the Deutschmark as a replacement for the Euro. Should the AfD gain more seats in the Bundestag, it may have the power to push through these radical reforms. One need only look at the chaos surrounding Brexit to understand why these two stances make the AfD a problematic political party for Shopify – Germany’s departure from the EU would greatly reduce the value of basing a European HQ in the country, and replacing the Euro with the Deutschmark would bring with it worries of foreign currency fluctuation.

4.1.1.3 Project Gaia X

GAIA-X is a coalition of representatives from European political, business, and scientific spheres who have come together to propose the next generation of data infrastructure for Europe. While the effort is primarily led by Germany and France, participants from other European countries are involved. The initiative is an attempt to develop a unified ecosystem of cloud and data services that will be protected by European data laws (Hughes, 2020). The EU hopes that the project will bring together, “...a range of European telecoms and tech firms to develop a European cloud computing infrastructure to rival the US tech giants Microsoft and Amazon. The French and German ministers spearheading Gaia-X see it as central to plans to restore European technological sovereignty and reducing dependence on America providers... (Williams, 2020). Other EU members view the initiative as a good thing, “The GAIA-X project has been hailed by senior politicians across Europe as an opportunity for the continent to claim a sense of their technological sovereignty, amid a European marketplace for cloud technology dominated by US and Chinese firms.” (Stolton, 2020). GAIA-X appears to be a project that is important to the EU and that the organization will proceed with its implementation.

One of the biggest advantages for participants in the project will be access to data, “GAIA-X allows data to become more widely available, as it opens up high-value shared data spaces and datasets across the EU. It enables data sharing a next generation of smart services.” (Biegel et al., 2020). Data is essential for any company looking to develop industry 4.0 technologies, such as

artificial intelligence, and the vast access to data that GAIA-X promises will likely give an advantage to participants. Another benefit of GAIA-X is that it is supported by the EU from the outset. As will be discussed in the legal section, there may be ambiguity about what data is considered anonymous under the General Data Protection Regulation. GAIA-X “...enables a free, though secure and auditable, flow of data in accordance with the existing regulations of the EU and its member states and based on accreditation and policy enforcement.” (Biegel et al., 2020). It appears from the wording of the project that all GAIA-X participants will be able to access data with confidence that they will not be in breach of EU laws and exposed to financial penalties.

Public companies are able to apply to join the GAIA-X project, but they will be required to adhere to the project’s principles of data sovereignty, data availability, interoperability, portability, transparency, and fair participation (Tung, 2020). Microsoft has already approached the consortium in an effort to integrate itself into the GAIA-X project (Stolton, 2020). This theoretically means that Shopify would be able to participate in the same project.

Importantly, GAIA-X is focused on future innovations, “Members don’t expect it will create a rival to the likes of Amazon and Microsoft, but the hope is that Europe can grow new cloud businesses in the future.” (Tung, 2020). GAFA is soaking up all of the money in the early part of the customer acquisition: to keep up with friends, people first consult Facebook, to research products they visit Amazon, and to search for anything they go to Google (Kallerhoff, 2019). GAFA firms are able to do this because of how ubiquitous they are in the German population’s mind. As a platform, Shopify’s business model does not directly compete with Amazon’s. Shopify should be looking for ways in which it can steal more of the value chain away from GAFA. Participating in GAIA-X would not only give Shopify access to European data for its AI-development, but also be a way for the company to overcome GAFA. While GAIA-X is still in its infancy, Shopify will soon have to choose whether to participate in the project if it hopes to maximize the benefit of its involvement.

4.1.2 Economic

This section will discuss the reality of Germany's economic environment. German GDP in 2019 was €3.435 trillion, making it the fifth largest economy in the world (Plecher, 2020). As a member of the Eurozone, Germany has also adopted the Euro as its national currency and takes part in the European single market. The current state of the German economy, its predicted response to COVID-19, and what Shopify can reasonably expect for the near future will be discussed.

4.1.2.1 COVID-19's Impact and Germany's Economic Future

Despite Germany's reputation as an economic powerhouse, it was not been spared the financial hardship imparted by the COVID-19 epidemic. Per a report published by the European Commission,

“Germany's real GDP contracted by 2.2% in the first quarter of 2020. This was the second consecutive decline after -0.1% in the last quarter of 2019, indicating a technical recession. In January and February, the ailing manufacturing sector seemed to be bottoming out, hinting at a possible revival of growth. Over the course of March, the COVID-19 pandemic reached Germany and the imposition of confinement measures paralysed numerous activities, particularly in the services sector. In addition, manufacturing increasingly felt the disruption of value chains and a demand slump in key markets.” (Albers et al., 2020).

It appears from the report that, as COVID-19 set in around the world, Germany's economy began to slump. When the virus finally reached Europe, Germany responded with social distancing measures that led to a further contraction of economic activity. Per the report, “Although a relatively benign epidemiological situation allowed Germany to be among the first EU countries to start relaxing confinement measures, with significant easing beginning in mid-May, economic activity in the second quarter is still expected to show an unprecedented decline.” (Albers et al., 2020).

Looking to aid its battered economy, the German government introduced measures to help the public recover from COVID, “Since Spring, the German government took (sic) further sizeable

measures to stabilise the economy in the wake of the outbreak of the pandemic.” (Albers et al., 2020). The measures that the German government has undertaken have culminated in the announcement of, “...a fiscal stimulus package of about EUR 130 bn (3.8% of GDP) for the years 2020 and 2021 to support the economic recovery. It includes measures to boost consumption (notably lower VAT rates in the second half of this year) ... The massive fiscal stimulus is expected to boost demand, provide needed liquidity support, and avert a surge in unemployment.” (Albers et al., 2020). With the rendition of this stimulus package, the European Commission expects German GDP to rebound from its contraction and grow by 5.25% in 2021 (see Fig. 1).

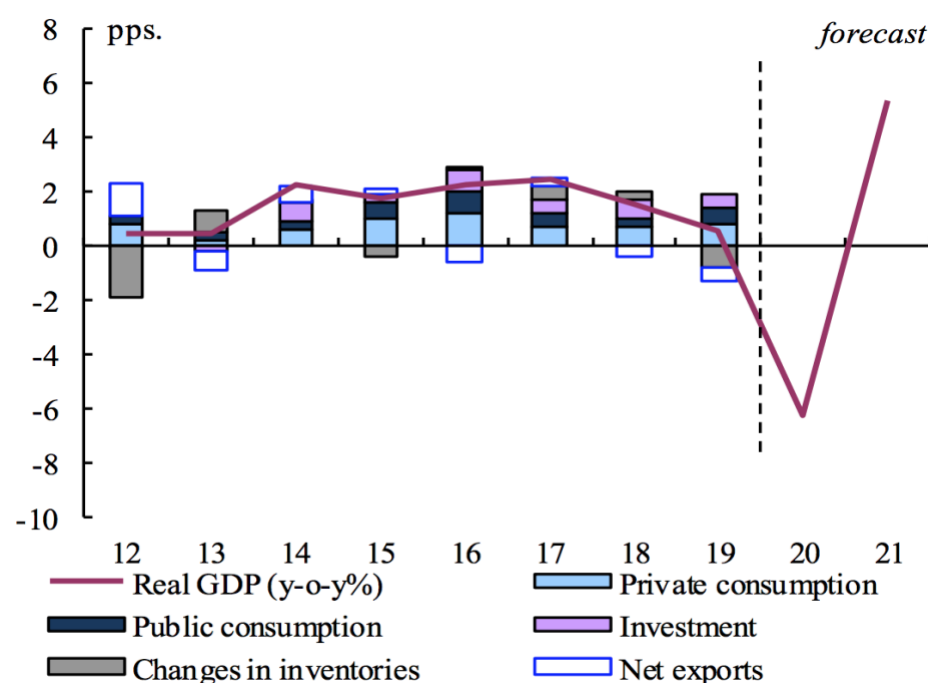


Fig. 1. Germany – Real GDP Growth and Contributions, 2012-2021. Reprinted from *European Economic Forecast: Summer 2020 Interim* by Albers et al., 2020, from European Commission website: https://ec.europa.eu/info/sites/info/files/economy-finance/ip132_en.pdf

While Germany’s GDP has been forecasted to contract by 6.9%, it is important to note that this is actually one of the better forecasts made by the European Commission among countries both in the Eurozone and in the greater European Union (see Appendix C). It is probable that most nations across the globe will see a contraction or limited growth to their GDP due to complications caused by the corona virus. Shopify should take it as a good sign that the German government’s interventions are expected to help the country avoid the worst of the disaster and

that a rebound has been projected for the year 2021. Germany will remain one of the world's largest economies, and despite the recent corona virus, German citizens will be incentivized to continue their consumption habits.

4.1.3 Social

The following section will discuss the social environment in Germany, covering demographic statistics and the German population's attitudes towards online shopping.

4.1.3.1 Demographics

Germany's population at the end of 2019 was 83,166,711 (Statistisches Bundesamt, 2020). Approximately 49.34% of the population was male at the end of 2019, and 50.66% of the population was female. According to German newspaper "Deutsche Welle", Germany's 2019 population represents the country's highest total population ever. The newspaper also noted that Germany's population is expected to decline over the coming years; in 2019, the number of deaths in Germany exceeded the number of births by 161,000 (Deutsche Welle, 2020). Nonetheless, Germany saw another year of population growth thanks in large part to the 300,000 immigrants who moved to the country (Deutsche Welle, 2020). Germany's population puts it in the top 20 globally and makes it the most populous European country outside of Russia. Nearly 50% of Germany's population falls between the ages of 15-54 (Statistisches Bundesamt, 2020). This is a prime age where consumers are likely to be somewhat technologically literate and have a discretionary income. For Shopify, this is all good news. Regardless of whether expert predictions prove true and the country's population declines, it will continue to be one of the most populous nations in Europe and on the planet. There will also be enough people in the population who are capable of using technology and able to afford goods to warrant expansion in the country. Investing in and capturing the German market appears to make sense as there is long-term benefit to be had.

In 2018, Europe as a whole had an average urbanization of 74.5% (United Nations, 2019). Germany, in comparison, had an urbanization level of approximately 77.31% during the same

period (Plecher, 2020). A study by the Hans Böckler Foundation found that the German cities of Munich, Stuttgart, Dusseldorf, Hamburg, Nuremberg, Frankfurt, Cologne, Bremen, Hannover, and Essen all had average household income levels of over €20,000 per year (McCarthy, 2019). These cities represent some of the largest in Germany, and given the income levels in these cities compared to the rest of the country, they are the most likely places to find e-commerce users. As a report from Santander bank puts it, “The profile of the average buyer is a person between 30- and 40-years old living in an urban area. In 2017, the average revenue per user was US\$ 1,251.” (Export Enterprises SA, 2020).

Germany’s above-average urbanization level may actually pose a problem for any e-commerce platform that wishes to expand their reach in the country. An increase in e-commerce in urban environments can exacerbate issues such as congestion, environmental damage, and traffic safety (Schöder, Ding, & Campos, 2016). Issues such as these will be a problem for Shopify; for example, if the company wishes to expand its fulfillment service to the German market, it may find itself facing higher-than-normal costs.

4.1.3.2 Appetite for E-Commerce

The revenue generated by German B2C e-commerce has been steadily rising over the past decade, reaching roughly €59.2 billion in 2019 (Koptuyug, 2020). This total put Germany squarely in 3rd place in Europe for the size of its B2C e-commerce, with Britain and France in 1st and 2nd place, respectively (de Best, 2020). However, if B2C e-commerce is measured as a percentage of a nation’s total GDP, Germany slips in the ranking to fall behind Norway, Denmark, Belgium, and the Netherlands. While Germany’s overall online purchases are impressive, it does not appear as though its citizens are the most prolific of online shoppers in Europe.

When it comes to the way in which Germans shop online, a report published by market analyst group Export Enterprises describes that, “Online purchases in Germany are mostly made in clothing and footwear, books, DVDs and CDs, home electronics and cosmetics. Books are most commonly purchased via mobile devices. Smartphones are increasingly popular, with the mobile

share of retail e-commerce sales amounting to 38%, making Germany one of the m-commerce leaders in Europe.” (Export Enterprises SA, 2020).

Researches have noted a trend among German consumers which they have labelled Research Online, Purchase Offline (ROPO). As the name implies, German consumers will research a product online before going to a physical store to make the purchase. The authors highlight this trend as a reason why it is essential for companies in Germany to offer a multichannel approach (Resnick & Edwards, 2018). A possible explanation for this trend is given by Export Enterprises, “Trust and security are crucial values in Germany. Traditionally, at least for durable goods, Germans will prioritise quality, trust and comfort over price. Thus, a German buyer will preferably visit a store where they can touch and try the product instead of a website.” (Export Enterprises SA, 2020).

According to one study of German millennial consumer decision-making styles, price consciousness was the biggest factor affecting German purchase decisions (Klein & Sharma, 2018). Export Enterprise alludes to the same factor, but frames it as a positive for e-commerce, “For everyday goods, Germans tend to be very concerned with price and will often seek discounts. For this type of goods, e-commerce represents an opportunity in Germany.” (Export Enterprises SA, 2020). It is likely that the reduced costs that a digital storefront offer a company allow it to pass savings on to consumers. This in turn would make e-commerce an attractive option to price-sensitive clients, which Germans appear to be.

4.1.4 Technology

This section will cover German citizens’ attitudes towards technology, including their willingness to adopt digital technologies in lieu of more mundane means. As one of Shopify’s streams of revenue is its Shopify Pay offer, this section will also explore what factors, if any, affect a German consumer’s choice of digital pay method and what impact these preferences may have on their behaviour.

4.1.4.1 Digital Competitiveness

For the past three years, the Swiss-based International Institute for Management Development (IMD) has published a World Digital Competitiveness Rankings wherein 63 countries from across the globe are measured against one another. It measures each country in 3 categories from which an overall ranking can be derived. These categories are knowledge, or the know-how necessary to discover, understand, and build new technologies; technology, or the overall context that enables the development of digital technologies; and future readiness, or the level of country preparedness to exploit digital transformation. In its 2019 rendition, the IMD ranked Germany 17th overall. For reference, the same report ranks Sweden 3rd overall, Denmark 4th overall, the Netherlands 6th overall, the UK 15th overall, France 24th overall, and Belgium 25th overall. Canada, Shopify's home country, was ranked 11th overall. While Germany is not the most digitally competitive nation in Europe, it still ranks well enough that Shopify should not be scared away by the state of digital adoption in the country.

The report also included a brief description of the state of Germany's digital landscape, "Germany rose to 17th. Despite important declines in executive's (sic) perceptions about companies' agility and flexibility to changing market conditions, the country strengthened its leadership in scientific concentration, training and education and in the adoptions of digital technologies by its citizens." (IMD, 2020). The report specifically mentions that German consumers are embracing digital tools; a trend towards digital tools bodes well for e-commerce platforms such as Shopify as it signals that there will be a growing, willing audience in Germany.

4.1.4.2 Internet Penetration

Internet Penetration measures the number of Internet users in a country versus the total population. It is important for a digital enterprise to measure Internet penetration when assessing the attractiveness of a market because the Internet will be the primary channel through which it acquires and interacts with customers. Estimates of German Internet penetration vary by source. One source stated that Germany had an Internet penetration of 86% in 2019 (Koptug, 2020). Another source predicted that the percentage of the German population actively using

the Internet on a monthly basis would only reach 82.62% by 2021 (Johnson, 2020). The European Commission estimates that in 2018, 89% of EU citizens used the Internet on a daily basis (European Commission, 2019). Despite the discrepancies that exist between these studies in terms of units of measurement (daily vs. monthly) and results (86% vs. 82.62%), it is possible to draw some conclusions about Internet penetration in Germany. First of all, it is likely that the Internet in Germany has reached at least 80% of the country. Secondly, given the European Commission's publication, it is likely that this number is in line with what one would expect from a Western European nation. Shopify should feel comfortable that Germany's Internet situation is sufficient enough for the company to operate its e-commerce business model.

4.1.4.3 Online Payments

As described in 4.1.3 Social, German consumers prioritize price, trust, and security when making a purchase. These priorities affect the behaviour Germans display when choosing a digital payment method, "When choosing the payment method, the amount of the purchase price, a high level of delivery security and guaranteed buyer protection have the greatest influence." (Seidenschwarz et al., 2020). Another factor playing into payment method selection is the average German consumers unfamiliarity with online payment procedures. As a study of German consumers shows, "Many online shoppers are not familiar with all payment procedures, even the most widely used ones. The level of awareness of many procedures is surprisingly low. 6 percent of the respondents do not know PayPal, 28 percent are unaware of the instant transfer, 44 percent know paydirekt, but all procedures are used regularly." (Seidenschwarz et al., 2020). Shopify, which offers its own payment service in North America, may find it lucrative to introduce said service to the German market if the company is able to position it properly.

Despite potential unfamiliarity with payment procedures, it is important to note that around $\frac{3}{4}$ of online shoppers in Germany do have a preferred payment method "PayPal and the bill are consistently viewed positively by the respondents; in addition, direct debit, credit card, Amazon Pay and instant wire transfer receive good reviews." (Seidenschwarz et al., 2020). The preferred method largely depends on how expensive the transaction is, "Paypal, for example, is mainly

relevant to customers in the lower and medium price range up to 100 euros... for small amounts, PayPal and direct debit are above average, for large amounts invoice an instalment purchase.” (Seidenschwarz et al., 2020). Shopify must ensure that its platform will allow merchants to offer these preferred payment methods. As the study shows, “If customers do not find their preferred payment method in checkout, they often cancel the purchase.” (Seidenschwarz et al., 2020).

If Shopify wants to be a relevant ecommerce platform for German businesses, then it will have to offer the payment methods that German consumers value. Shopify may also find that Germany, with its scattered preferences and lack of familiarity with payment procedures, is an ideal candidate to introduce its Shopify Pay tool.

4.1.5 Legal

The following section will outline the legal environment in Germany that Shopify is currently facing and will face in the future. It will also comment on how the legal environment will affect Shopify.

First and foremost, it is important to remember that Germany is a part of the European Union and is thus subject to both domestic laws and laws enacted by the European Parliament. Shopify is an e-commerce platform whose service is almost entirely provided via electronic means. As such, the main regulations that will be examined in this section are ones that affect digital enterprises and the processing/storage of data. These regulations are the General Data Protection Regulation (GDPR) and the proposed ePrivacy Regulation. It is highly probable that these two regulations will have the greatest impact on Shopify’s business practices in Germany as they may affect the company’s product offering, its product development, and its communication with clients.

4.1.5.1 General Data Protection Regulation (GDPR)

The GDPR is the EU’s attempt to secure its citizens’ right to privacy by regulating the way that companies process and store data. On May 25th, 2018, the GDPR came into effect in the European

Union. The GDPR was a landmark regulation that sought to replace the Data Protection Directive 95/46/EC that was introduced in 1995. The new regulation updated Europe's approach to personal data protection and, most importantly, was just that: a regulation (Politou, Alepis, & Patsakis, 2018). While the previous effort had been a directive, and thus open to interpretation by national legislatures, the new regulation became an enforceable law in all EU member states the day it became active.

Despite the widespread communication of the GDPR, there are still many companies that have failed to properly adhere to it. As recently as December 9th, 2019, 1&1 Telecom GmbH was fined €9,550,000 by the German Federal Commissioner for Data Protection and Freedom of Information (BfDI) for breaching the regulation (Kelion, 2019). On October 30th, 2019, Deutsche Wohnen SE was fined €14,500,000 by the same organization for similarly breaching the GDPR (Kelion, 2019). Clearly companies are still adjusting their business practices to the GDPR. Unfortunately, it is quite urgent that companies make the necessary adjustments, as breaches to the GDPR carry with them steep fines: a maximum of €20,000,000 or 4% of a company's global revenue, whichever is greater. (Wolford, 2019). For reference, Shopify saw a revenue of \$1.58 billion USD (€1.41 billion) in 2019 (Shopify, 2020). This would expose it to a potential maximum fine of €56.4 million. As a digital company responsible for the processing and storage of data, it is crucial that Shopify ensure that it is compliant with the GDPR.

It is important to note that, while the GDPR is a regulation and is thus theoretically supposed to be identical across all EU member states, critics have raised concerns about how the law is enforced in practice. As a paper from Bitkom, Germany's representative of digital companies, points out, the GDPR is in effect not harmonized across all member states. For example, the GDPR states, "... the test as to whether information is personal or not depends on a reasonable likelihood, which should take into account the costs and time required for identification by those who are reasonably likely to access and use the information at hand." (Weiß, 2020). Despite this definition within the framework of the GDPR, many Data Protection Authorities (DPAs) such as Germany's DfBI have found that it does not provide concrete guidance on how to enforce the

law. This has led to member states' DPAs having to determine what is considered "reasonable" for themselves and has led to variances.

Companies operating with AI require access to large amounts of anonymous data to develop their products and services. While the GDPR specifically allows for this, many national DPAs have seen fit to restrict the use of anonymous data beyond what had been originally intended (Weiß, 2020). With no clearly defined ruleset to govern how the DfBI is meant to determine what is to be considered reasonable, the GDPR poses another threat to Shopify beyond a financial one: confusion surrounding access to anonymized data. As discussed previously, Shopify is one of Canada's AI leaders, and has used its access to merchant data to drive AI development that benefits both the company and its clients (Abernethy, 2017). This is problematic for Shopify because it creates an uncertain choice for the company: it must choose between continuing to use data from the German market without any guarantee that it will not be severely fined for doing so, or the company must stop using anonymous data from Germany to build its AI systems. Choosing the latter option would essentially nullify the value of one of the company's potentially largest points of differentiation and increase the difficulty of competing for German clients.

In summary, the GDPR poses a myriad of risks for Shopify. As shown recently, the German data protection authority is willing to prosecute those that have infringed upon the law. There is also a cloud of uncertainty surrounding anonymized data, a resource that Shopify desperately needs if it is to continue development of AI systems that will be of benefit to the German marketplace. This will force the company to either potentially expose itself to large financial penalties, or to forgo German-specific AI systems and therefore forgo a key differentiator for the company in the German market.

4.1.5.2 ePrivacy Regulation

Aside from the GDPR, Shopify must also be aware of another proposed data protection initiative: the ePrivacy Regulation. Before discussing the ePrivacy Regulation, it is necessary to discuss its predecessor, the ePrivacy Directive. The ePrivacy Directive, also known as Directive 2002/58/EC

or the “cookie law”, was ratified by the EU parliament in July of 2002. The EU later updated the law in 2009 to help it keep pace with the changing technology landscape. It was in 2009 that it came to be colloquially known as the “cookie law” in reference to its focus on regulating web page cookies and the subsequent proliferation of cookie consent popups that followed its enactment (Koch, 2019). The ePrivacy Directive, and the ePrivacy Regulation that will eventually assume its place, are meant as a way to regulate electronic communications and ensure that EU citizens and their personal data are protected.

Some within the EU have questioned the need for an ePrivacy Regulation while the GDPR exists. This does not come as a surprise, as a cursory scan of the two laws leads one to believe that they overlap to the point of redundancy. If one were to examine the two regulations closely however, they would come to understand that the GDPR only serves to protect individual data and does not adequately cover communications (Zuiderveen Borgesius et al., 2017). To this end, the ePrivacy Regulation was proposed as a *lex specialis* to the GDPR (Green, 2020). In essence, the GDPR serves as a set of general rules regulating data privacy; the proposed ePrivacy Regulation would complement the existing GDPR by offering specific rules that are applicable to the electronic communications sector (Church, 2017). In circumstances where communication of data is concerned, one would look to the ePrivacy Regulation for a clearer interpretation of the law.

The EU’s Digital Single Market Strategy (DSM) announced in 2017 that it would be reviewing the ePrivacy Directive, “... in order to provide a high level of privacy protection for users of electronic communication services and a level playing field for all market players.” (European Commission, 2017). The findings from this review are as follows, “While the principles and main provision of Directive 2002/58/EC (ePrivacy Directive) of the European Parliament and of the Council remain generally sound, that Directive has not fully kept pace with the evolution of technological and market reality, resulting in an inconsistent or insufficient effective protection of privacy and confidentiality in relation to electronic communication.” (European Commision, 2017). According to the DSM’s review, the Directive was incapable of adequately fulfilling its purpose and

protecting EU citizens. In the same document, the DSM clarified the reasons why it felt that the directive was no longer adequate:

“The services used for communications purposes... have evolved considerably... The protection of confidentiality of communications is crucial also as regards interpersonal communications services that are ancillary to another service; therefore, such type of services also having a communication functionality should be covered by this Regulation.” (European Commission, 2017).

The DSM recognized that the methods people use to communicate have evolved and that it is no longer possible to regulate the communications under the directive; on the 25th of May 2018, the ePrivacy Directive was repealed (European Commission, 2017). A draft of the Regulation which was meant to replace the Directive had been published by the European Commission the previous year, in January of 2017. The EU had originally intended to replace the ePrivacy Directive with the ePrivacy Regulation at the same time that they enacted the GDPR, but they missed that target (Koch, 2019).

There are several implications that the ePrivacy Regulation will have for Shopify. First of all, as stated in the GDPR section, Shopify acts as a data processor for its clients. The regulation specifically mentions that the EU holds ancillary services to the same level of accountability as the main actor. For example, the EU specifically states that the law should apply to telecom companies because they provide Internet access to people (an ancillary service) which allows users to share data (European Commission, 2017).

The new Regulation would specifically regulate machine-to-machine communication, otherwise known as IoT (European Commission, 2017). One of Shopify’s value creators, and something it currently does not offer in the EU, is its POS system for brick-and-mortar stores to synchronize their offline and online shopping. For example, Shopify’s system allows customers to make a purchase online and pick up the item in a store, or to make a purchase in a store and have it expedited to their home. Shopify’s POS also allows businesses to send emails to clients with a summary of their digital shopping cart to encourage them to complete the transaction. All of

these communications fall under the purview of the ePrivacy Regulation. If Shopify wants to bring this differentiator to the German market, it may find it more challenging due to this proposed Regulation.

The fact that the proposed regulation is still only a draft and not a law is also problematic. As Bitkom author Rebekka Weiß notes, the draft, "...does not distinguish between the confidentiality of communications and a ban/overly strict rules on data processing. The scope of application is still unclear, which will create considerable legal uncertainty, as providers cannot assess when the communication and transmission process ends and from which point in the process the GDPR rules can be applied." (Weiß, 2019). As a data processor, Shopify may find it difficult to adjust its business practices until closer to the implementation date when the regulation will have been more thoroughly revised. Shopify will either have to accept the risk of the unknown if it wishes to further expand into the Germany market, or it will have to delay expansion efforts until the GDPR and ePrivacy Regulation have been more concretely delineated.

4.2 Industry-Based View Analysis

4.2.1 Existing Competition

Existing Competition in Germany is **Very High**. Fig 2 shows the top 10 e-commerce sites in Germany in 2018. While there are hundreds of potential German competitors, this section will limit itself to analyzing the three biggest German competitors as determined by revenue. Each competitor shall be compared to Shopify, and areas where each one may be vulnerable, if such an area exists, shall be dissected.

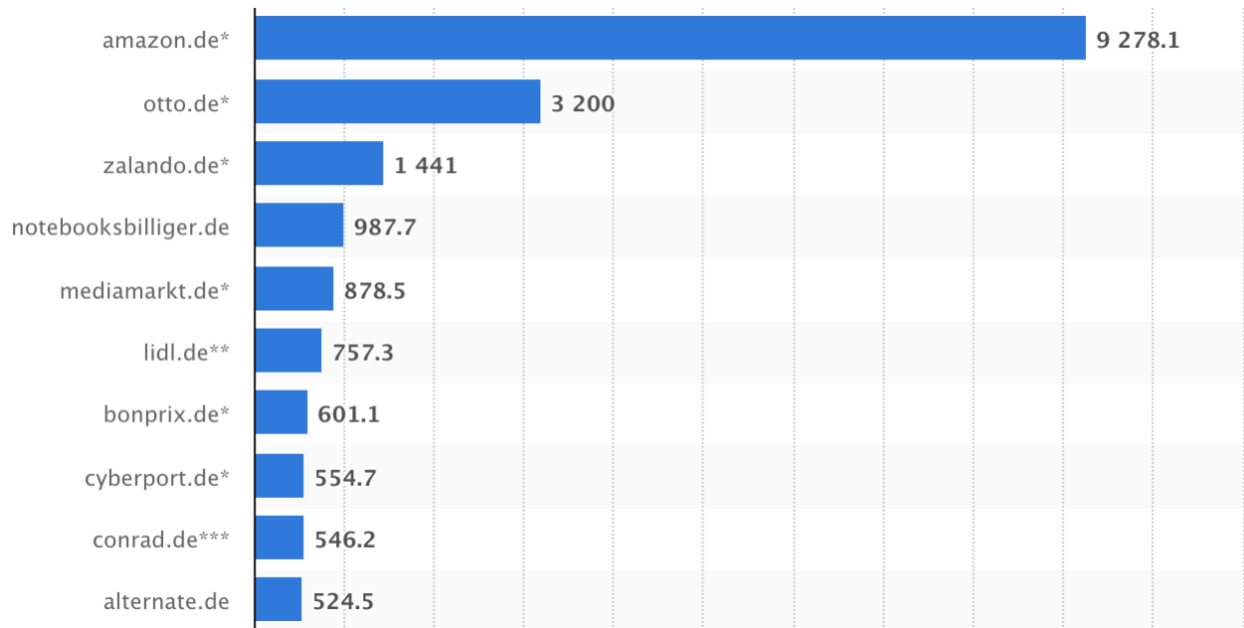


Fig. 2. Top ten German e-commerce sites ranked by revenue generated in 2018. Values in € million. Reprinted from *Revenue of the 100 most successful online shops in Germany in 2018* by Koptug, 2019, from Statista.com <https://www.statista.com/statistics/450288/leading-100-online-shops-by-revenue-germany/>

4.2.1.1 Amazon

Amazon is the largest ecommerce site in the world and the biggest in Germany. While the company has been tight-lipped about its performance in the German market, several sources have managed to accumulate enough data to arrive at an estimate. One such source estimates that in 2018, the company generated over €9.2 billion in revenue (Koptug, 2019). Another source, using figures provided by Jeff Bezos in a letter to sellers, estimates that Amazon’s German revenue in 2018 was €10.25 billion, which would equate to nearly a quarter of the entire 2018 German e-commerce market (Lommer, 2019). Amazon has come out to deny the accuracy of these figures, but regardless, the company’s dominance in the German marketplace cannot be questioned.

While Amazon is extremely large, Shopify can rest easy knowing that it is positioned well to compete with the American behemoth. As experts have pointed out, Shopify’s business model is that of a platform while Amazon has taken on the role of an aggregator. The difference between the two models is key, as Ben Thompson explains, “... platforms are powerful because they

facilitate a relationship between 3rd-party suppliers and end users; aggregators, on the other hand, intermediate and control it.” (Thompson, 2019). Thompson, who has worked at both Apple and Microsoft and now manages a tech-strategy site, simplifies his explanation further, “... Facebook and Google want to do things for you; Microsoft and Apple [are] about helping you do things better.” (Thompson, 2019). If one were to examine Walmart’s failure against Amazon, they would see that Walmart had tried to beat Amazon at its own game: the company tried to be an aggregator (Kallerhoff, 2019). Shopify has brought with it a completely different approach to e-commerce, one that may suit it well against Amazon.

4.2.1.2 Otto

Founded in 1949, Otto has been serving the German market for over 70 years. During this time, the company has embraced digital transformation and now counts e-commerce as the core of its business. Per the Otto Group’s website, more than 90% of the company’s total sales are generated through the online shop otto.de and further specialist online shops. This has led Otto to describe itself as one of the most successful e-commerce companies and the largest online retailer of fashion and lifestyle products for end-consumers in Germany.

Being a German company and having such a long history in the German market, Otto has had significantly more time to study German consumers and tailor its value proposition than Shopify has. This knowledge of German consumers, and how to appeal to them, is evidenced by the company’s 2018 performance: in 2018, Otto reportedly took in €3.2 billion in revenue in Germany (Koptuyug, 2019). This figure puts Otto squarely in 2nd place in terms of revenue generated, twice as much as the third-place German e-commerce player. Theoretically, this could give Otto a decisive advantage over Shopify as it has a better understanding of the German market than Shopify does.

Worryingly for Shopify, Otto describes on its website that it is making the move towards a platform-oriented business model. A 2019 study of Otto.de’s decision to open up its internal IT platform to external developers indicated, “... a super linear growth pattern fueled by external

developers and the introduction of microservices as well as the emergence of a structural separation within the platform.” (Fürstenau et al., 2019). In short, Otto has already begun building its own platform, and it has seen success in doing so. With its long-standing position in Germany, the sales it generates in the German market, and the adoption of a business model similar to that of Shopify, Otto may prove to be a very difficult competitor.

For Shopify, it may be best to position itself in a way where the company can focus on developing merchants outside of fashion and lifestyle industries. While Otto itself describes its dominance in these areas, it does not appear that the company has expanded beyond these industries.

4.2.1.3 Zalando

The third largest German e-commerce site in 2018 was Zalando, generating a revenue of €1.44 billion (Koptuyug, 2019). Zalando is a German company that has spread internationally. The company mainly offers fashion-related products such as clothing, sportswear, beauty products, shoes, and accessories.

Similar to Shopify, the company operates as a platform upon which nearly 2,000 different fashion brands can sell. Also similar to Shopify and Amazon, Zalando operates a fulfillment service called Zalando Logistics (Wauters, 2014). Zalando’s penetration into the German market and similar business model should worry Shopify, but not excessively. While Zalando is likely to be a fierce competitor to Shopify for any fashion brands in Germany, it is likely that the company’s niche position will prevent it from being a truly worrying competitor to Shopify.

4.2.2 Barriers to Entry

The barrier to new entrants is **very low**. Given that it is cloud-based, e-commerce is a fairly easy industry to break into. Take Shopify itself as an example: in a Q&A interview, Shopify’s CEO, Tobias Lütke, revealed that he built the program himself using the free web application framework Ruby on Rails (Lütke, as cited in Linderman, 2010). Frameworks such as Ruby on Rails are available everywhere; the ubiquity of web development tools means that anyone with

programming skills and sufficient capital to acquire a server could build an e-commerce platform, just as Shopify did.

As the USA's export.gov site notes, it is expected that all websites catering to the German market be in German. Annegret Meyer, a member of a German organization that helps foreign e-commerce sites navigate German laws, explains the legal barriers as such,

“To some extent it is indeed a challenge to enter the German market. The legal instrument of the written warning is widespread in Germany and it is used against merchants when there is a violation of, for example, consumer law, competition law, trademark law, or copyright law... The worst case would end in tremendous financial damage... It's usually severe when trademark law is infringed.” (Meyer, as cited in E-commerce Germany News, 2018).

German laws surrounding e-commerce would provide a small barrier to entry, but it appears that they are not meant to keep companies out of the market but rather are designed to protect consumers. Similarly, ensuring that a website is in German is not much of a barrier to entry.

Given the low costs to starting an ecommerce firm, and the lack of legal obstacles in entering the German market, it must be concluded that there are few obstacles preventing firms from entering the German e-commerce space.

4.2.3 Supplier Power

Supplier Power is **medium**. As Shopify does not sell a physical product, its resource requirements are limited, but not nonexistent. As a cloud-based service, Shopify will require a vast infrastructure to support its core product. Massive companies dominate the web service industry: Amazon, Google, and Microsoft together accounted for 58% of the industry revenue in the first quarter of 2020, with Amazon single-handedly accounting for 32% of the revenue (Holst, 2020). Figure 3 shows a breakdown of the industry from 2017 to 2020.

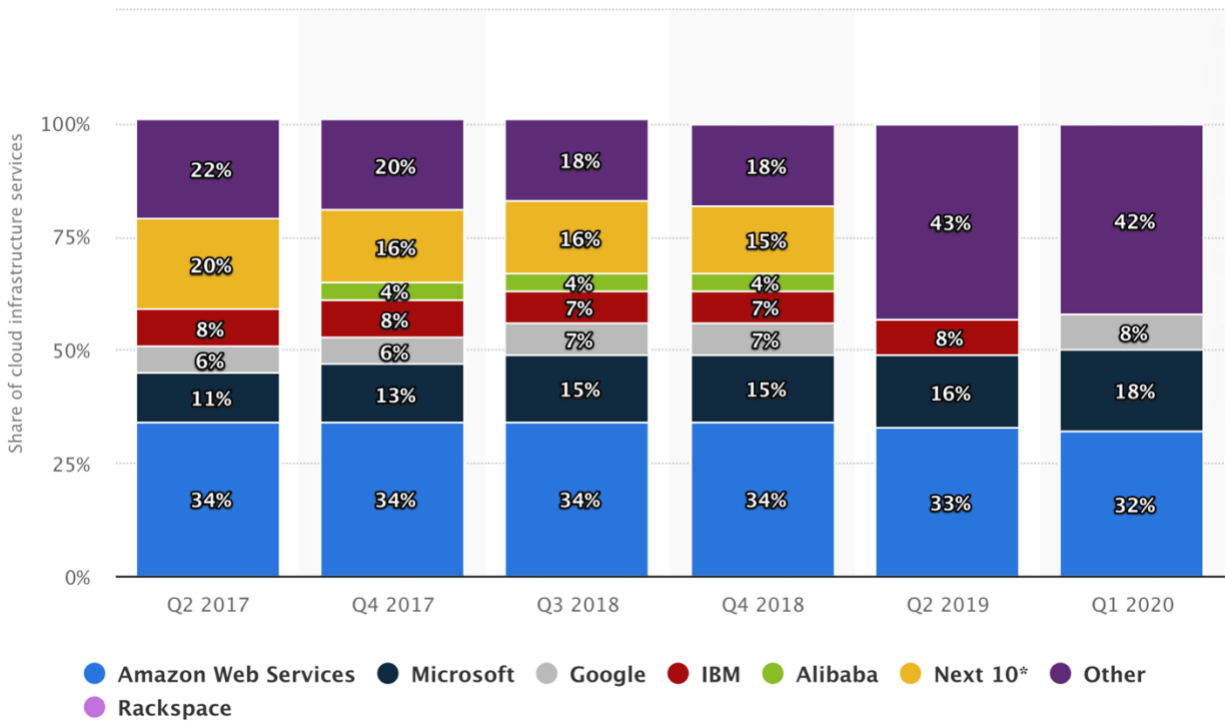


Fig. 3. The global market share of cloud infrastructure services from 2017 to 2020. Reprinted from *Global market share of cloud infrastructure services from 2017 to 2020, by vendor* by Holst, 2020, from <https://www.statista.com/statistics/477277/cloud-infrastructure-services-market-share/>

Owing to its lack of reliance on physical resources, one would assume that the supplier power Shopify faces would be low. However, given that three large corporations dominate the industry which supplies the cloud-computing infrastructure at the heart of Shopify's business, it is more likely that the company faces medium supplier power.

4.2.4 Buyer Power

Buyer power in Germany is **Low – Medium**. Shopify reportedly “powers” approximately 600,000 merchants across the globe (Lewis, 2019). Of this, 29% of Shopify merchants are located outside of Shopify's main markets of Canada, USA, Australia, the UK (Shopify, 2020). Shopify reports that 7,000 brands are using its premium Shopify Plus service. The difference between Shopify Plus and standard Shopify is that Shopify Plus is meant for large companies that handle thousands of transactions a day and whose annual revenue is between \$1 million USD and \$500 million USD (Thomas, 2020). The overwhelming majority of Shopify's customers are small-to-medium-sized

businesses (SMBs). Currently, because of the large number of SMBs that Shopify serves and the low power between them, it must be said that buyer power is low. However, Shopify reports that its Shopify Plus's average year-over-year growth rate was 126% at the end of 2019 (Thomas, 2019). If this growth trend persists among Shopify's large customer accounts, Shopify may find that buyer power will similarly rise. The buyer power has been rated low-medium as a reflection of the potential shift in buyer power in the near future.

4.2.5 Threat of Substitutes

The threat of substitutes is **low**. One alternative to opening a digital storefront would be to open a physical store. As mentioned previously, German consumers tend to prefer to research products online before purchasing them at a physical store. Despite this preference, Germans are continuing to embrace e-commerce, a trend that has only accelerated during the Covid-19 epidemic (von Abrams, 2020). It is more likely than not that stores German where shop will look to incorporate e-commerce into their business operations in some form or another.

Another alternative to selling online would be to sell your products through an aggregator such as Walmart or Amazon. As mentioned earlier in this section, Amazon is likely to be Shopify's largest competitor in Germany. Shopify has launched its fulfillment service in North America as a way to offer a key point of parity between itself and any aggregators, thus nullifying a key part of this substitute's value proposition.

4.3 Resource-Based View

The following section will apply Barney's Resource-Based View (RBV) theory to Shopify to analyze how the company maintains a competitive advantage. The first step in understanding how Shopify may be able to gain a competitive advantage in the German market is to identify those resources the company possesses that are valuable, rare, imperfectly imitable, and not substitutable. A general study applying RBV to e-commerce companies in 2006 found that resources related to business and e-commerce technologies, as well process redesign, were predictive of a firm's e-commerce performance (Zhuang & Lederer, 2006). The same study found

that human resources was not a significant predictor of e-commerce performance (Zhuang & Lederer, 2006). Therefore, this section will discuss areas that correspond to the those identified by Zhuang and Lederer as most likely to influence e-commerce performance.

4.3.1 Artificial Intelligence

Shopify has been touted as Canada's leader in artificial intelligence development. Specifically, Shopify is a leader in the complicated practice of machine learning – one of the more advanced forms of AI, and, accordingly, one of the most useful. Shopify is one of the founding partners of the Vector Institute in Toronto, an effort by the government of Ontario, private industry, and the University of Toronto to foster AI development. Through this institute, Shopify is funding research that will help to personalize the experience for its merchants and the merchants' customers (Abernethy, 2017). Shopify has put AI at the core of its business, and given AI's advanced nature, it is likely that the correct deployment of this resource can give Shopify a competitive advantage.

To understand why AI can be the source of a competitive advantage, one must first understand the role that data plays in developing the technology; a key determinant as to whether a firm's AI efforts will be successful is its access to high-quality data. After researching AI's applications in manufacturing, Willem Sundblad posited that data is, "... both the most underutilized asset of manufacturers and the foundational element that makes AI so powerful." (Sundblad, 2018). With the massive number of merchants using Shopify's service, the company has access to vast amounts of data, "Our software is delivered to merchants as a service and operates on a shared infrastructure. With each new transaction processed, we grow our data proficiency. This cloud-based infrastructure... consolidates data generated by the interactions between buyers and merchants' shops, as well as those of our merchants on the Shopify platform, providing rich data..." (Shopify, 2020). This data is therefore valuable, it is hard to imitate it, and it is difficult to substitute it. Any AI programs that are developed from such rare data stores should therefore themselves meet the criteria of an advantage-lending resource set out by Barney in 1991.

Shopify is currently focused on deploying its AI to build a strong fulfillment service. By late 2019, Shopify had doubled down on its commitment to deploy AI in its fulfillment service by acquiring 6 River Systems, an American company specializing in applying AI to warehouse and fulfillment solutions. In Shopify's annual report, the company states that it made this move to, "... accelerate the growth of Shopify Fulfillment Network while also supporting 6 River Systems to continue building and selling their solution for warehouses." (Shopify, 2020).

By applying RBV, one can see that Shopify has developed a resource that meets the criteria laid out in the theory. AI meets these criteria because of the underlying data that is central to AI development and the tacit knowledge the company has acquired through acquisitions. Shopify has now deployed its resource to improve its value proposition and create a competitive advantage.

4.3.2 IT infrastructure

A company's IT infrastructure is a critical determinant in its e-commerce success. As a 2014 study found, there is, "... a strong positive interaction effect between IT infrastructure and e-commerce capability... The results are consistent with the resource-based theory and provide empirical evidence to the complementary synergy between front-end e-commerce capability and back-end IT infrastructure." (Zhu, 2014). Another study conducted in 2015 posited that IT infrastructure is a valuable resource for companies, "The resource-based view (RBV) argues for IT innovation capabilities as being valuable resources for competitive performance... The empirical findings indicate the importance of a diffusion structure in realizing competitive performance." (Wu & Chiu, 2015). Due to the body of research suggesting that IT infrastructure could be a resource from which a competitive advantage is derived, Shopify's IT infrastructure has been selected as an area of interest.

Shopify has spent many years developing its IT infrastructure to offer the best possible service to clients. In that time, the company has managed to merge its efforts into a single integrated backend that provides, "... one single integrated, easy-to-use back end that merchants use to

manager their business and buyers across these multiples sales channels.” (Shopify, 2020). As Shopify puts it, the company’s development strategy is to, “...build [its] platform to address the growing challenges facing merchants with the aim of making complex tasks simple. The Shopify platform is engineered to enterprise-level standards and functionality while being designed for simplicity and ease of use. We also design our platform with a robust technical infrastructure able to manage large spikes in traffic...” (Shopify, 2020). The investment of time and money that is required to reach the point that Shopify has necessarily makes its IT infrastructure a resource that is difficult to imitate and not easy to substitute. Furthermore, it is a valuable resource for Shopify because the company is able to leverage its IT infrastructure to offer clients a service that is easy to use – likely a positive for the target market.

4.3.3 Shopify’s 3rd Party Ecosystem

As previously mentioned, the first thing one will notice when comparing Shopify’s business model with Amazon’s is that Shopify has adopted a platform model. As a refresher, a platform model means that the company is trying to facilitate interactions between a seller and a buyer. Platforms are also excellent models for building ecosystems. Ecosystems, at least in a business context, have been defined by senior McKinsey partner Miklos Dietz as, “... a complex network of interconnected businesses that depend on and feed on each other to deliver value for their customers, to the end users, and their key stakeholders.” (Dietz as cited in Atluri, 2017). One of the greatest examples of a successful ecosystem is that of Apple. As Business Insider’s Antonio Villas-Boas explains, Apple’s ecosystem drives part of the brand’s value proposition, “That ecosystem is part of the reason why many iPhone users will also use a Mac computer and vice versa, as some features wouldn’t work if you mixed it up with a Windows computer or an Android phone. In the grand scheme of things, the features themselves aren’t must-haves... Yet as small as the features are, you’ll certainly notice it when you can’t use them.” (Villas-Boas, 2016).

Developing a value-adding ecosystem takes time, it takes great technical know-how, and it requires constant communication with end-customers (Grenacher, 2019). This is why Shopify’s platform can be considered an advantage-creating resource: the skills and time required by the

company to develop its ecosystem to its current size necessarily mean that it is valuable and difficult to imitate without serious investment.

Shopify doesn't only point to the range of offerings as proof of the extent of its ecosystem, the company has also made great strides to include 3rd parties in the ecosystem. In its annual report, Shopify has identified growing its ecosystem as a growth driver going in to 2020. To date, nearly 26 million apps have been installed with approximately 80% of them having come from third-party developers (Thomas, 2020). An astounding 87% of Shopify's clients use apps and merchants have an average of 6 apps installed at any given time (Thomas, 2020). The number of users is a testament to the effort Shopify has invested into developing a unique, value-providing resource. Shopify states that at the end of 2019 there were over 3,700 apps on its Shopify app store and that this serves as a testament to how large the ecosystem has grown over the years (Shopify, 2020).

4.4 Analysis of Select Key Competitors

The following section will analyze three of Shopify's largest global rivals that have a presence in Germany. The target customers, market share, and value proposition of each competitor will be discussed.

4.4.1 Amazon

4.4.1.1 Target Customers

Amazon is large enough that it can cater to a wide range of segments. Some sources state that Amazon has over 120 million different products available across the globe (Dudovskiy, 2020). It has also been noted that Amazon practices adaptive positioning, where the company will monitor changes in the external environment and periodically adapt the positioning of its products to remain aligned with its different target segments (Dudovskiy, 2020). Amazon targets consumers from all social classes, from the age of 14 and up, across the globe.

4.4.1.2 Share of Market

Global: Amazon's Global market share is predicted to be 38% in 2020 (Levy, 2020).

German: Amazon is estimated to control approximately 27% of the German e-commerce market in 2019 (Burkholder, 2019).

4.4.1.3 Value proposition

In 2001, Amazon founder Jeff Bezos sketched out his idea for what he dubbed the Virtuous Cycle (see Fig. 4). This model places the customer experience at the forefront. Amazon's value proposition to businesses is reflected in this business model: Amazon's focus on customer experience lends other companies using the e-commerce site credibility when they sell their wares. Of course, this focus on the end-user experience has caused Amazon to introduce marketplace fulfillment standards that are strict and unforgiving (Goldmeier, 2019).

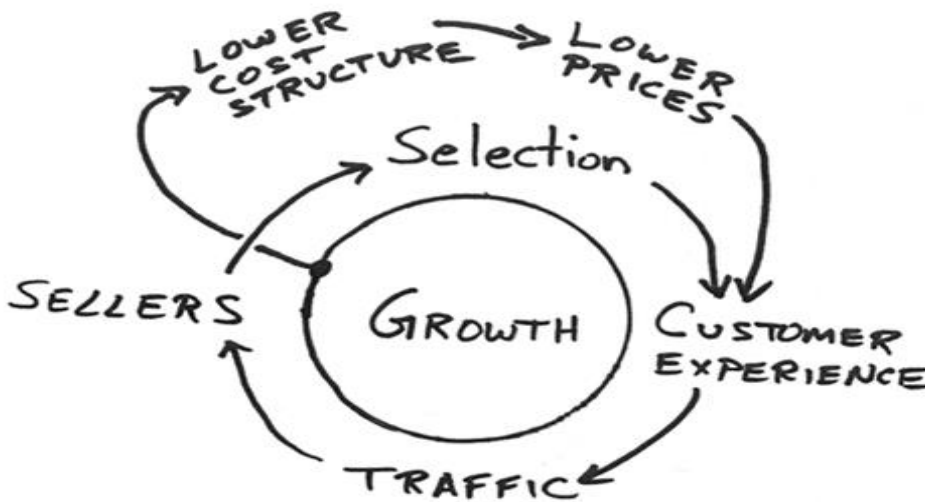


Fig. 4. The Virtuous Cycle as first proposed by Jeff Bezos in 2001. This business model puts the customer experience at the forefront and develops the value proposition around it. Reprinted from *Learn from the Bezos Virtuous Cycle: Leverage and Invest in Infrastructure* by Zentail, from <https://www.zentail.com/blog/bezos-virtuous-cycle-leverage-invest-infrastructure>

Regardless of the strain that Amazon's business model places on those businesses which use its services, it has undeniably been a success among customers. For these end users, Amazon offers low prices, fast delivery speed, and a vast selection (Uenlue, 2020). Amazon's ability to offer customers an excellent experience – an ability that attracts hordes of consumers as a result – is

another clear value proposition for its clients. Amazon's sheer size and reach mean that the service offers businesses the possibility to reach a massive market immediately.

4.4.1.4 Price

According to Amazon.ca, a professional plan would cost \$29.99 CAD/month (€18.99/month). A professional plan grants access to the Amazon Marketplace, grants the option of letting Amazon handle shipments, propose promotions, and benefit from priority ranking on Amazon search pages. This price is about equal to Shopify's most basic plan – the key difference between the two is that with Shopify you maintain complete ownership over the business and website whereas with Amazon you have to sell through the company's website.

4.4.2 Magento

Magento is an e-commerce platform that helps businesses develop and launch their own e-commerce sites. Magento offers several e-commerce "solutions" to firms of all sizes across several industries.

4.4.2.1 Target Customers

Magento is a B2B firm that claims to offer solutions for small, medium, and larger "enterprise" firms. According to the company's website, it has solutions for businesses operating in the fashion, food & beverage, health & beauty, and automotive industries. This suggests that businesses of any size that operate within those industries comprise Magento's target customers.

Worryingly for Shopify, Magento's ten clients stores in Germany all generate more revenue than Shopify's single-largest German merchant (See [Appendix D](#)). Furthermore, Magento's ten most popular stores are some of its most popular company-wide and in the greater global e-commerce industry. 8 out of Magento's 10 most popular stores are part of either the Apparel or Fashion & Beauty industries, with mytheresa.com in particular ranked as the 2nd most popular store in Magento's merchant base. Overall, Shopify should be wary of competing with Magento for clients

in its strongest industries as Magento clearly has a much firmer foothold in the market than Shopify does. Fig. 5 gives a breakdown of Magento's German merchants, by industry.

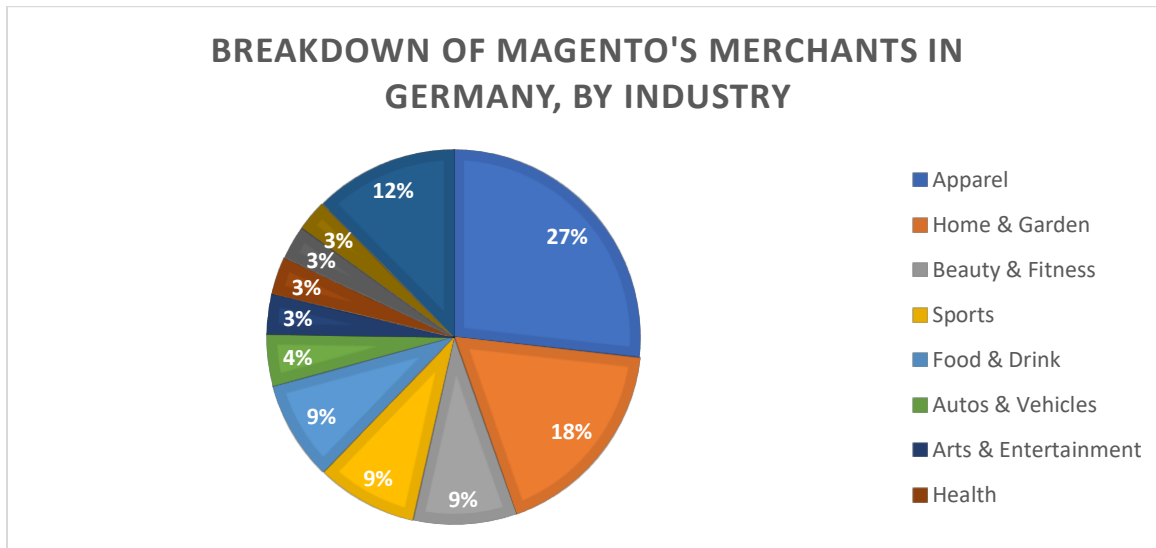


Fig. 5. A breakdown of Magento's merchants in Germany. The vast majority of merchants did not have industry data associated with them, leading to an incomplete view of Magento's segments, data from <https://storeleads.app/reports/magento/DE/top-stores>

4.4.2.2 Share of Market

Global: As of April 2020, Magento controlled 3.44% of the global e-commerce market (Liu, 2020).

German: Magento held 14.16% of the German e-commerce market in 2018 (Weber, 2018).

4.4.2.3 Value proposition

Magento's slogan is, "Designed to grow, built for flexibility." Essentially, Magento has set up its proposition to appeal to companies of every size. For example, according to Magneto, a small company could begin with the most basic e-commerce features and grow the functionality of the platform as the company itself grows (Magento, 2020). Alternatively, a larger company can begin with a full-fledged platform right from the beginning. Magento also offers customers the possibility to add custom modules from scratch by engaging specialized Magento developers (Magento, 2020). While Magento promises the possibility of enhanced functionality through these custom modules, it does not appear that the company offers any physical services or products the same way Shopify does.

4.4.2.4 Price

Magento's pricing strategy does not seem coherent with the way the company describes itself; while the brand states that it is designed for all sizes, it is quite expensive in relation to competitors. Capterra, an online marketplace vendor specialized in helping people select software, states that Magento's starting price is around \$1,988 USD/month (€1686.61/month) (Capterra, 2020). Another source states that the optimal budget when engaging Magento's services is between \$1,834 and \$4,166 USD/month (€1,556.88 - €3536.50/month) (AITOC, 2018). Based on these price estimates, it would seem that Magento is not made for all sizes but rather is targeting large clients. For smaller merchants, Shopify offers a better price point thanks to its various subscription plans.

4.4.3 WooCommerce

WooCommerce is another company that acts as an e-commerce platform upon which other businesses are able to build digital stores. WooCommerce describes itself as a customizable, open-source e-commerce platform built on WordPress.

4.4.3.1 Target Customers

WooCommerce seems to be geared for B2B and does not appear able to conduct B2C itself; rather, the company serves as a platform for its B2C and B2B clients. Despite the fact that the company does not explicitly state its target market, it is likely that it is directed towards small-to-medium sized-companies. Unlike Magento and Shopify, there does not appear to be an enterprise-level option on WooCommerce's site. Furthermore, unlike Magento and Shopify, WooCommerce is not a customer made application but rather is a WordPress plugin that adds e-commerce to a website. This is unlikely to satisfy larger brands that want to establish digital storefronts, but it does seem capable of appealing smaller businesses.

Unfortunately, the majority of WooCommerce's merchants do not have data tied to them which designate their industry. Out of those who do pertain to an industry, the majority are part of

either apparel, food & drink, beauty & fitness, home & garden, and sports. It is also worth noting that at 54,561 stores in Germany, WooCommerce has greatly outstripped Shopify in the market. However, WooCommerce's stores they seem to be relatively unpopular when compared to Shopify's merchants. This suggests that WooCommerce has focused primarily on acquiring many small clients, which would fit its business model. Fig. 6 shows a breakdown of WooCommerce's German merchants by industry.

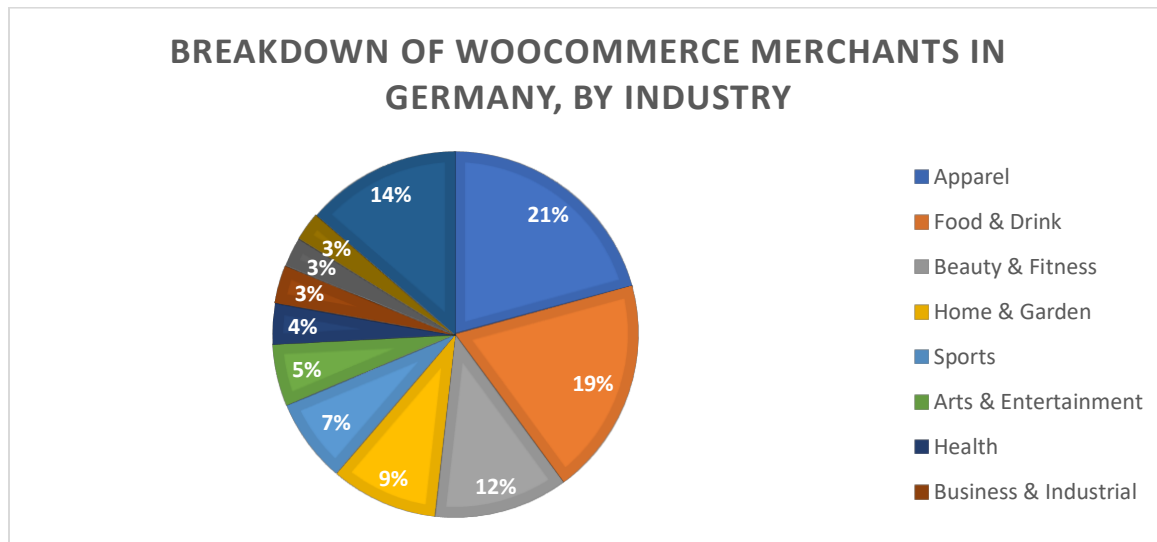


Fig. 6. WooCommerce's German merchants broken down by industry. The majority of merchants did not have industry data associated with them and could not be classified, data from <https://storeleads.app/reports/woocommerce/DE/top-stores>

4.4.3.2 Share of Market

Global: As of April 2020, WooCommerce controlled 28.24% of the global e-commerce market (Liu, 2020).

German: WooCommerce held 14.37% of the German e-commerce market in 2018 (Weber, 2018).

4.4.3.3 Value proposition

WooCommerce provides a suite of services and products – both digital and physical – to its clients. These offerings include the core e-commerce platform, a payment option, and marketing tools. On top of the options that WooCommerce offers, the company describes itself as completely customizable. Clients are able to add features and extensions from the official

WooCommerce marketplace, or they can work on the open-source code to develop features themselves. WooCommerce is also one of the few e-commerce platforms, if not the only, that is free to use. Finally, the company strongly emphasizes its large community of users and promotes interaction between members with “meet-ups”.

4.4.3.4 Price

WooCommerce is free, but it offers additional features for a one-time fee such as plugins, extensions, and themes ranging from \$25 USD (€21.22) to \$59 USD (€50.08) and developer fees that range from \$20 USD/hour (€16.98/hour) to \$150 USD/hour (€127.33/hour). At this price point, WooCommerce competes with Shopify’s “Basic” and “Standard” subscription plans.

4.5 Targeting

This section will examine Shopify’s targeting strategy. The general strategy and German-specific strategies will first be examined to see if Shopify has imposed a standardized targeting strategy. Alternative segments will then be analyzed to see if they would be better targeting choices for the brand.

4.5.1 Shopify’s General Targeting Strategy

Shopify relies on its subscription model and upselling services such as its Payments, POS, and Fulfillment services to generate the majority of its revenue. To see a maximum return, Shopify needs to ensure that the merchants using its platform are successful and thrive; thriving merchants not only provide monthly revenue, but also offer Shopify the chance to escalate them to more lucrative subscription plans. Ideally, Shopify’s clients would belong to industries that offer the best possibility for growth and long-term success.

It appears as though Shopify has identified brands from the apparel industry & beauty industry as the most likely to fit its ideal segment. Globally, 8 of Shopify’s most popular merchants are part of the apparel or beauty & fitness industry; Table 1 shows an exact breakdown of Shopify’s most popular clients.

Domain	Date Opened Shopify Store	Rank among Shopify Stores	Global e-commerce Popularity Rank	Industry
fashionnova.com	27-01-17	1	10	Apparel
jbhifi.com.au	20-09-19	2	19	Consumer Electronics
stevemadden.com	22-03-19	3	36	Apparel
allbirds.com	27-01-17	4	51	Apparel
staples.ca	28-06-19	5	58	Other
colourpop.com	25-08-17	6	64	Beauty & Fitness
gymshark.com	30-12-16	7	68	Apparel
morphe.com	25-09-09	8	83	Beauty & Fitness
vicicollection.com	10-02-17	9	87	Apparel
skims.com	20-09-19	11	89	Apparel

Table 1. A breakdown of Shopify's ten most popular clients globally including their ranking among other e-commerce stores, the industry in which they operate, and the date they opened their Shopify Store. The rankings are calculated through Alexa.com and the Common Crawl Project. Raw data obtained from storeleads.app.

In the United States – by far Shopify's largest market – Shopify has similarly focused on acquiring merchants from the apparel and beauty & fitness industries. As Fig. 7 shows, out of 580,168 American merchants, 49% of Shopify's American merchants operate in either the apparel or beauty & fitness industries. From this data, one can draw the conclusion that apparel and beauty brands have historically been some of Shopify's most popular clients and probably some of its top-performing ones. If the company views its targeting strategy as a core business process, then it is likely to try and standardize its targeting strategy internationally. This would be in-line with Okazaki's (2005) findings discussed in section 2.2.4.

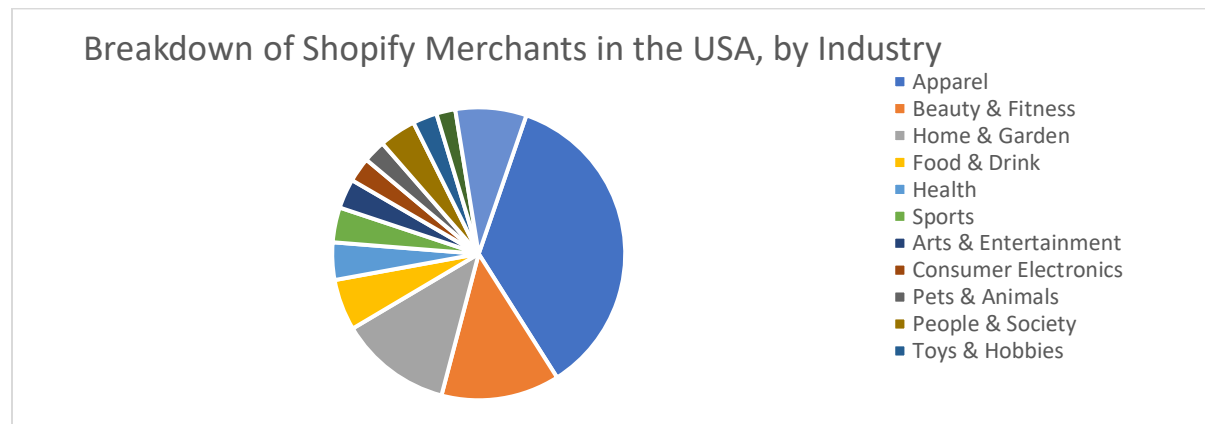


Fig. 7. A breakdown of Shopify merchants in the United States. Only those merchants which are active in a specific industry have been included in the data set, leading to a total of 580,168 merchants. Data from *List of Shopify Stores Leads* by Store Leads, 2020, from <https://storeleads.app/reports/shopify/US/top-stores>

4.5.2 Shopify's Targeting Strategy in Germany

To test the assumption that Shopify would apply a standardized targeting strategy to Germany, an analysis of the companies approximately 21,000 German merchants was conducted. Of these clients, only 9,110 of them had data available concerning the industry to which they belonged. Fig. 8 shows the breakdown of this data.

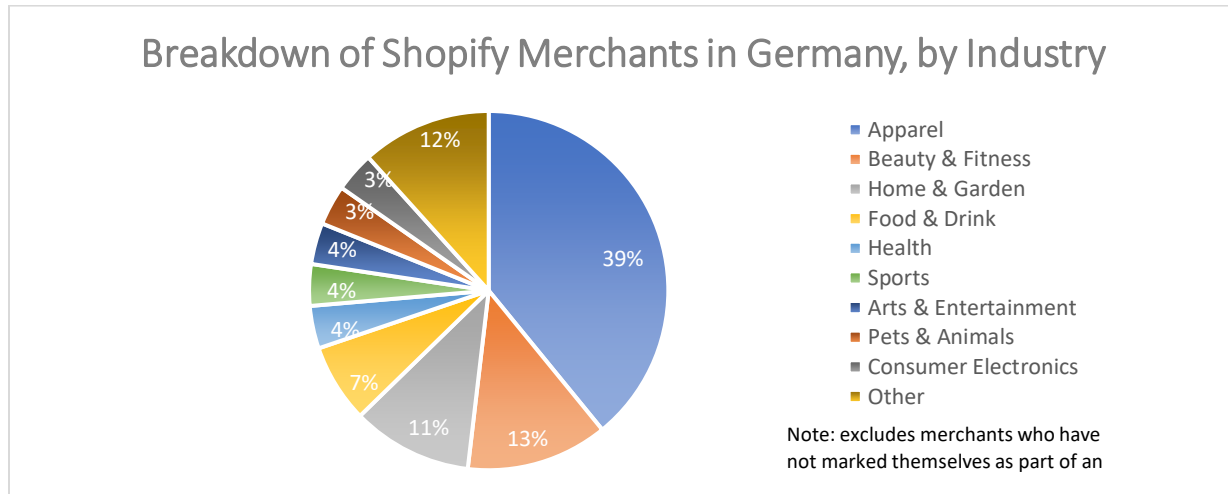


Fig. 8. A breakdown of Shopify merchants in Germany. Only those merchants which are active in a specific industry have been included in the data set, leading to a total of 9,110 merchants. Data from *List of Shopify Store Leads by Store Leads, 2020*, from <https://storeleads.app/reports/shopify/DE/top-stores>

From the data provided, merchants operating in the apparel and beauty & fitness industries account for a combined total of 52% of Shopify merchants in Germany that are active in a specific industry. As can be seen when comparing Fig. 7 and Fig. 8, the industry ratios of Shopify's US merchants and German merchants are very similar. From the data, it appears as though Shopify has prioritized acquiring apparel and beauty & fitness clients on its platform, just as it has done in North America. The implications of this data are that Shopify may have employed a standardized targeting strategy when initially entering Germany; the company could have prioritized acquiring clients from the industries in which it has seen previous success.

The issue for Shopify is that these are two highly competitive industries in Germany. Otto and Zalando, for instance, are specifically focused on e-commerce activities in those industries. These

companies have the advantage that Germany is their home market and they have long histories in the country. It will be difficult for small fashion and beauty firms to compete with these giants, thus endangering Shopify's revenue streams. Furthermore, Shopify will have to fight extremely hard to acquire large clients in these industries. Magento, one of Shopify's largest global rivals, has already captured many of the most popular German e-commerce merchants in these industries. As discussed in section 4.4.2, all of Magento's top-10 German stores rank higher in popularity than any of Shopify's German merchants do. Magento's German apparel merchants are also some of the largest in the company's stable and rank well in terms of global e-commerce stores. It is clear that Magento has solidified its foothold in Shopify's preferred industries.

4.5.3 What Should Be Shopify's Target?

If Shopify's current targeting strategy has put it into fierce competition with strong rivals, is there a target segment that could prove to be more promising?

4.5.3.1 Target Industry

According to one study from 2018, 59% of Germans have shopped for apparel online at some point in their lives. 30% of Germans also state that they have shopped for beauty products online. Unfortunately, despite the high traffic, as shown previously these industries are extremely competitive. However, the same 2018 study found that 27% of Germans claim to have purchased products from the home & garden industry, and 36% claim to have purchased from the home electronics industry (Weber, 2018). Another source claims that 69% of Germans have purchased consumer electronics online and that 62% have purchased home & garden products online (Giersemehl, 2018). These figures are so far apart that it is impossible to know the true figure, but it is not hard to imagine that both consumer electronics and home & garden attract similar levels of traffic to the beauty industry, if not the apparel industry.

As stated by Wilson & Pettijohn, and discussed in section 2.2.3, traffic is usually a good indicator of the size of a segment (Wilson & Pettijohn, 2007). Therefore, similar levels of traffic imply that there is opportunity in the home & garden and consumer electronics industries. The key

difference is the number of merchants that Shopify's main competitors have acquired is far lower in these two industries. 369 of Magento's merchants belong to the home & garden industry and 61 belong to consumer electronics, versus 554 merchants in apparel. 937 of WooCommerce's clients are from the home & garden industry and 214 belong to consumer electronics, versus 2051 merchants in apparel. Consumer electronics and home & garden have similar levels of traffic to the apparel and beauty industries, but they are far less competitive. Merchants in these spaces may find it easier to sustain long-term success, which in term would make these segments far more attractive targets for Shopify.

Looking deeper into these two potential segments, one can see that Shopify already has experience acquiring merchants in the home & garden industry. Merchants from this industry make up Shopify's 3rd largest segment in both the US and in Germany. Targeting the home & garden industry could be a stable, familiar area for Shopify to grow its presence in Germany. Consumer electronics on the other hand could be a growth segment for Shopify. In both the US and in Germany, 3% of merchants belong to this industry.

4.5.3.2 Geographic Targeting

As discussed in section 2.2.4, while firms like to think of a nation as homogenous, there are often heterogenous trends that can emerge (Broderick, Greenley, & Mueller, 2007). As such, Shopify should consider the differences in the different geographic regions within Germany and whether one region is a more promising target than another. Table 2 breaks down the dispersion of Shopify merchants in Germany's five largest cities: Berlin, Hamburg, Munich, Cologne, and Frankfurt. Together, these cities are home to approximately 47% of all German Shopify merchants with a known location.

Region	# of stores in Region	% Total German Stores	% Total of German Stores with Known Geographic Location	Top 5 Shopify Stores in City	Store Industry	Global Rank
Berlin	845	3.95%	23.01%	nu3.de	Beauty & Fitness	4,219
				babbelforbusiness.com	Other	8,697
				evilgreed.net	Apparel	12,282
				rockanutrition.de	Beauty & Fitness	12,683
				gute-ukulele.de	Arts & Entertainment	15,040
Hamburg	326	1.52%	8.88%	paperlike.com	Consumer Electronics	2,317
				sternglas.com	Apparel	8,274
				awn.de	Other	10,826
				coffeetablemags.myshopify.com	Other	39,817
				kittels.myshopify.com	Food & Drink	65,226
Munich	315	1.47%	8.58%	fragrance.one	Beauty & Fitness	10,856
				stilform.com	Other	33,988
				schuhbeck.de	Food & Drink	82,406
				royalfern.com	Beauty & Fitness	91,106
				kuchentratsch.com	Food & Drink	91,125
Cologne	152	0.71%	4.14%	blackscreenrecords.com	Arts & Entertainment	3,655
				pressureandink.myshopify.com	Arts & Entertainment	66,591
				aufdemkerbholz.de	Apparel	83,072
				wildling.shoes	Apparel	83,971
Frankfurt	107	0.50%	2.91%	oatsome.de	Food & Drink	42,917
				worthiclothing.com	Apparel	74,286
				cocoelif.de	Other	84,042
				form.de	Other	87,084
				tee-fee.de	Food & Drink	101,116

Table 2. A breakdown of Shopify's most popular merchants in the 5 largest German cities. Raw data from storeleads.app.

Berlin, which holds approximately 4.54% of Germany's population, accounts for over 23% of Shopify stores whose geographic location is known. Hamburg meanwhile, which holds 2.29% of Germany's population, only accounts for 8.88% of stores with a set geographic location. Similarly, Munich holds 1.77% of Germany's population but only accounts for 8.58% of merchants. This suggests that Berlin merchants are overrepresented on Shopify's platform. One possible explanation for this could be the fact that Shopify's German HQ is in Berlin, thus giving the company easier access to partnerships and marketing events in the surrounding area.

Regardless the reason, Berlin's overrepresentation is problematic for Shopify: a closer look at the most popular merchants in each city and the industries to which they belong reveals that 3 of Berlin's 5 most popular merchants belong to segments Shopify should avoid. The high demand may imply that Berlin is home to large percentage of firms belonging to those industries. Hamburg and Frankfurt, and to some extent Munich and Cologne, are the opposite: the majority of the most popular merchants in those cities come from industries outside of apparel and beauty.

4.5.3.3 Size of Target

A final consideration to be made for targeting is the size of the client that Shopify should be targeting. As discussed in section 2.2.4, B2B firms often develop pricing strategies to target different horizontal segments (Bolton & Myers, 2003). Shopify is able to meet different-sized horizontal segments thanks the 4 plans it offers; one plan target at small firms, one for medium-sized ones, one for large ones, and one for enterprise-level clients. While Shopify generates most of its revenue from its large and enterprise-level clients, the majority of its merchants are small-to-medium sized. While the company should pursue any opportunity that it encounters, it should be strategically selective about the segment it targets.

Despite the company's claims otherwise, Magento's pricing model means that it is primarily set up to acquire large clients. As a result, Magento's stable of merchants boasts some of the biggest and most popular clients. The company also has the least number of overall clients in Germany with a total of 9,832 (storeleads.app, 2020). Competing with Magento for large clients would be fierce and would require Shopify to develop a significantly better value proposition to overcome any switching costs that Magento's clients would face.

WooCommerce's merchants do not have the same popularity score as Shopify and Magento, but the company has a staggering number of clients in Germany. WooCommerce's freemium model is most likely to appeal to small firms – as a result, WooCommerce currently has 54,561 clients in Germany, over twice as many as Shopify (storeleads.app, 2020). The potential revenue to gain by

competing with WooCommerce for small clients, a segment in which they are firmly established, would most likely not be worth the effort.

Shopify's key to growth may be to focus on medium-sized clients that would be interested in its "Standard" plan. Shopify's biggest competitors seem unable to adequately serve this segment.

4.5.3.4 Summary

There are 3 methods by which Shopify can segment the German market: by industry, by firm size, and by geographic location. Aggregating data from all three, it seems that two promising segments for the brand would be medium-sized firms in the home & garden or consumer electronics industries. Firms from these target segments would ideally be based in Hamburg, Munich, Frankfurt, or Cologne.

4.6 Shopify's Positioning

Shopify's vision statement reads as follows, "Make commerce better for everyone, so business can focus on what they do best: building and selling their products." (Shopify, 2020). When asked, Shopify's VP of user experience, Lynsey Thornton, clarified his views on Shopify's vision statement. According to Thornton, Shopify's vision statement involves management's acceptance that it is playing an "infinite game" (Thornton as cited by Kirkwood, 2019). Infinite games are a concept proposed by author James P. Carse. Infinite games are played with the understanding that the goal is not to win, but to ensure the continuation of play (Carse, 1986). They are also played with the understanding that rules, boundaries, and even participants may change (Carse, 1986).

According to Thornton, Carse's theory of the infinite game is of massive importance to the business world, "Business writers and analysts agree, the longest-lasting companies inherently know that they are playing an infinite game." (Thornton as cited by Kirkwood, 2019). Taken together, Shopify's vision statement and Thornton's comments suggest that Shopify's positioning is long-term oriented but that the company is flexible so as to be able to adapt to the changing

boundaries and rules inherent in an infinite game. Shopify has chosen to focus its efforts on entrepreneurs, and on making entrepreneurship better: as Thornton explained, Shopify could have focused all of its efforts on the very lucrative enterprise segment, but that would not serve to better entrepreneurship as a whole (Thornton as cited by Kirkwood, 2019).

To determine whether Thornton's words hold true for Shopify's positioning in Germany, a keyword analysis was performed to determine shopify.de's top blogs. Table 3 shows the top 15 shopify.de blog post as a function of Shopify's SERP ranking for the associated keyword, yearly search volume for the related term, and monthly traffic that the related keyword directs to shopify.de. Shopify has several thousand keywords that its blogs rank for in Germany.

Blog Name	SERP Rank	Associated Keywords	Avg. search volume/year	Est. Avg. Traffic/month
Der ultimative Guide: So geht Dropshipping mit AliExpress	1	Aliexpress dropshipping	720	338
So punkten zwei erfolgreiche YouTube-Sternchen von CONSIDER COLOGNE mit dem eigenen Onlineshop	10	considercologne	3600	108
So verfasst du den perfekten Elevator Pitch (mit 3 Vorlagen zum Nachmachen)	3	elevator pitch, elevator pitch beispiele	4490	490
Error 500: Definition, Ursachen und Lösungen zur Behebung des Fehlers	6	http error 500, error 500, http 500	3400	170
Mit YouTube Geld verdienen: Der ultimative Guide zur Monetarisierung eines Vlogs	6	mit youtube geld verdienen, youtube geld verdienen	2400	120
Das Einmaleins der Instagram Hashtags und welche besonders beliebt sind	9	instagram hashtags, hashtag instagram	8600	258
Impressumspflicht: Antworten auf 13 wichtige Fragen zum Impressum & Pflichtangaben für Webseiten	8	impressum, impressumspflicht	12550	377
22 tolle Websites: Hier gibt es kostenlose Bilder für Onlineshops, Blogs und Social Media	5	kostenlose bilder, bilder kostenlos	19850	199
Wie man Kunst online verkauft: Der ultimative Leitfaden	5	kunst verkaufen	1300	65
Geld verdienen mit Instagram (Egal, ob du 1.000 oder 100.000 Follower hast)	4	mit instagram geld verdienen, instagram geld verdienen	2650	191
Print-on-Demand: Ohne großes Risiko selbst gestaltete T-Shirts, Bücher und mehr verkaufen	2	print on demand	1890	246
Wie du in wenigen Schritten eine perfekte „Über uns“-Seite erstellst	5	über uns	1900	95
Value Propositions: Was das ist und wie man sie erschafft (mit Beispielen)	2	value proposition	5400	702
Aus dem Verkauf von selbst gemachten Produkten wird mehr: Eine Familie wechselt von Etsy zu Shopify	9	etsy erfahrungen	2400	72
Wie du YouTube Abonnenten gewinnst: 8 Tipps für mehr Follower	1	youtube abonnenten	1300	611

Table 3. Top 15 blogs on shopify.de's site. The top 15 were selected as a matter of traffic, search volume, and keyword ranking. Raw data obtained from SEMRush.com

When examining common topics and themes in these blogs, it was found that those topics most-closely related to digital entrepreneurship were discussed frequently. Fig. 9 shows the prevalence of the topics and themes identified in the blogs.

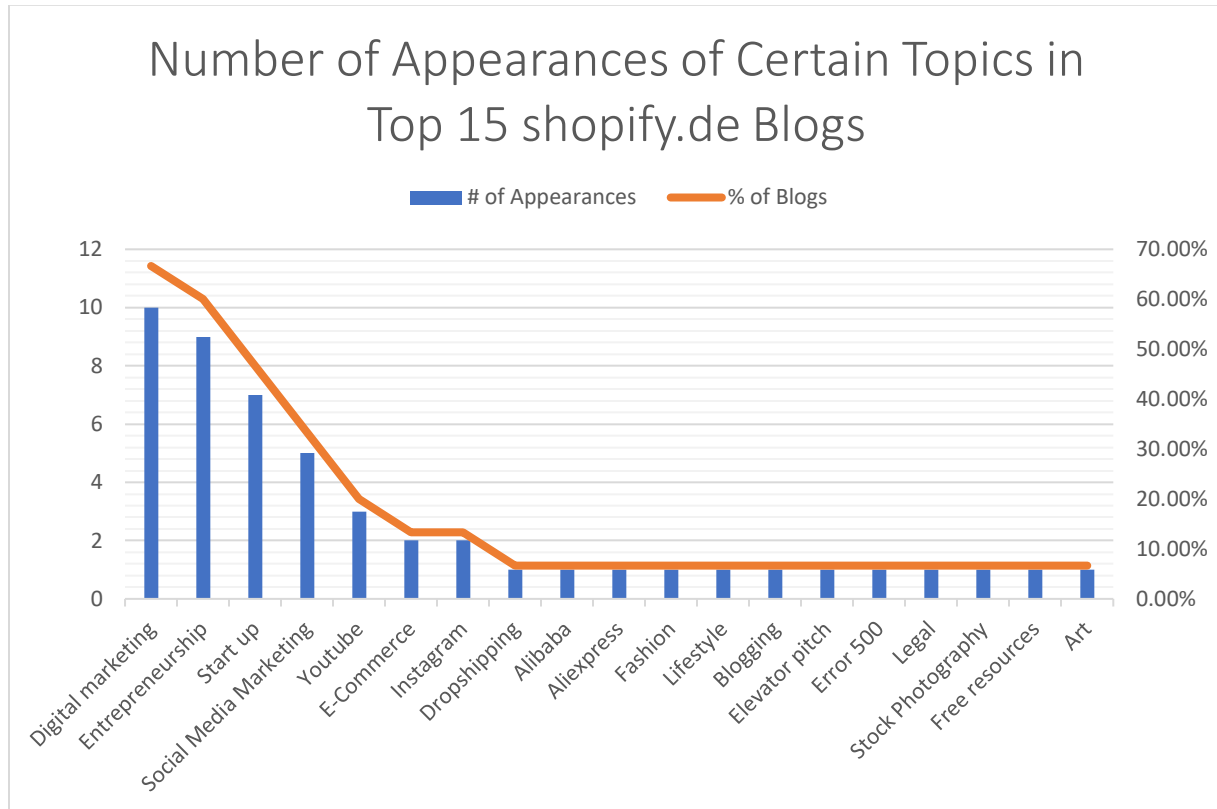


Fig. 9. The most frequent topics and themes from shopify.de's top 15 blog posts. Left scale shows total number, right scale shows percentage of total blogs in which a theme is present. Topics related to digital entrepreneurship were most frequently covered in the blogs. Raw data obtained from SEMRush.com.

As can be seen from the chart, the three most common topics and themes in Shopify.de's blog posts are digital marketing, entrepreneurship, and start ups. These topics closely relate to building business, particularly digital businesses. As such, it would appear that the findings from the keyword research mirror the company's vision statement and the comments made by Shopify's VP of user experience. It can be concluded with relative certainty that Shopify's has positioned itself in Germany with the long-term goal of being a proponent of entrepreneurship and an ally to all undertaking the endeavour, just as the company seems to have done on a global scale.

4.7 Digital Marketing

The following section will analyze Shopify's digital marketing situation, focusing primarily on the brand's SEO and SEM efforts in Germany.

4.7.1 Organic Search

When Shopify's CMO joined the company, he immediately rebranded the marketing team as the "growth team", pushing the organization to use marketing tools to achieve growth by targeting "low hanging fruit" (Miller as cited in Veerasamy, 2020). It appears as though one of the low hanging fruits over the last year was to improve the company's organic search traffic. Fig. 10 displays the trend in the number of organic visitors to shopify.de in Germany since September, 2019.

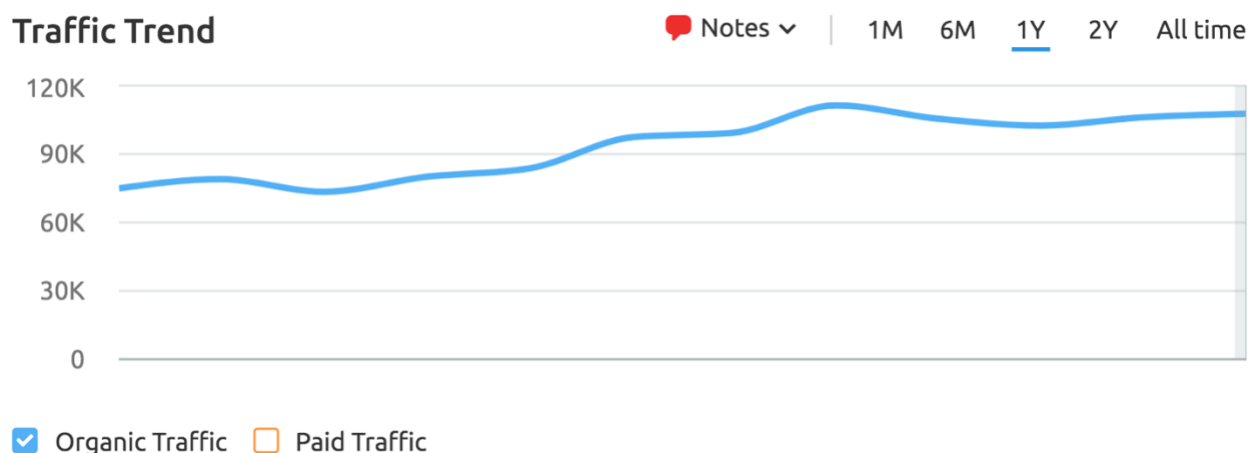


Fig. 10. The trend in German traffic to shopify.de originating from organic search since September 2019. Reprinted from SEMRush, from <https://www.semrush.com/analytics/overview>

Organic traffic has been on a steady upward trend since September, 2019. SEMRush predicts that monthly organic traffic to shopify.de will grow to 107,700 visitors for August, a figure that represents a 1.5% increase over July's traffic. For reference, Shopify had 74,960 visitors in September, 2019. This growth in organic traffic coincides with an improvement in Shopify's keyword rankings. Fig. 11 shows a breakdown of shopify.de keyword rankings over the same period.

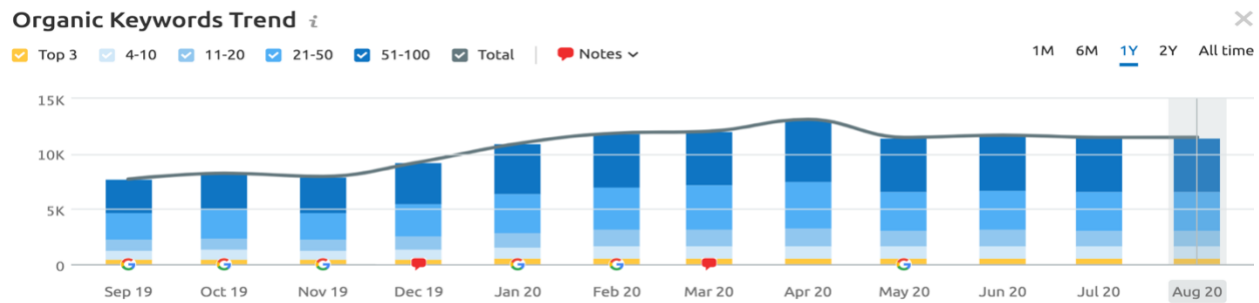


Fig. 11. The trend in German traffic to shopify.de originating from paid search engine advertising since September 2019. Reprinted from SEMRush, from <https://www.semrush.com/analytics/organic/overview>

In July 2020, shopify.de ranked in the top 100 SERP results for 11,500 keywords. Shopify.de ranked in the top 3 SERP results for 635 keywords. This constitutes a 49% increase in total keywords and a 29% increase in the top 3 keywords over September 2019. The improvement in shopify.de's keywords closely mirrors its organic traffic numbers; this is in line with literature that was reviewed in section 2.2.2 where Killoran (2013) found that a higher SERP ranking can increase traffic flow. Here we see that a boost in the number and quality of Shopify's keywords led to a boost in organic traffic of nearly 44% since September 2019. If the company can continue to improve the quantity and quality of its keywords, then it is likely that it will see continued growth in organic traffic.

4.7.2 Paid Search Engine Advertising

A look at Shopify's paid advertising for its main domain, shopify.com, to American search engine users shows a steep dropoff in investment in the practice. Fig. 12 shows the number of paid keywords for which shopify.com ranks in the United States since September 2019.

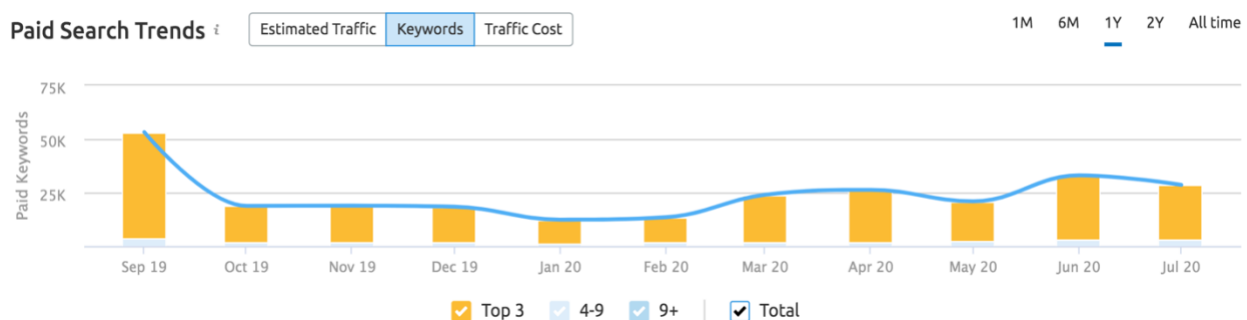


Fig. 12. The trend in shopify.com paid keywords for its American audience since September 2019. Reprinted from SEMRush, from <https://www.semrush.com/analytics/adwords/positions>

In contrast to the United States, Shopify's German marketing managers have actually invested more into paid advertising since September 2019. Figure 13 shows the trend in the number of keywords for which shopify.de ranked in Germany since September 2019, as well as the trend in paid traffic over the same period.

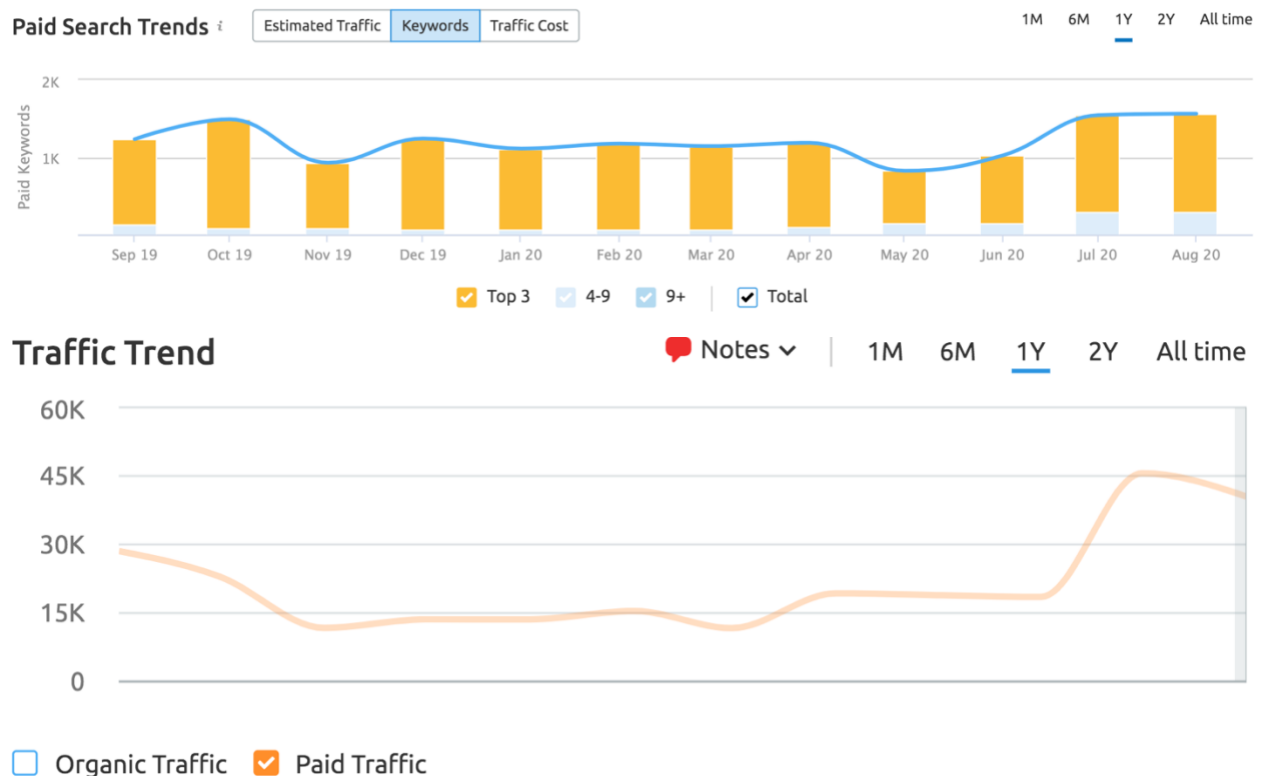


Fig. 13. The trend in paid advertising keywords and the resultant paid traffic to shopify.de's German audience from September 2019 to August 2020. Reprinted from SEMRush, from <https://www.semrush.com/analytics/overview>

Shopify's investment in paid advertising appears to be paying off for the company. It has seen a 26% increase in the number of paid keywords for which shopify.de ranks, and as a result, a 47% increase in traffic through this channel. Furthermore, SEMRush estimates a declining cost for Shopify to maintain its current level of ranked paid keywords. Fig. 14 shows the trend in estimated monthly cost of shopify.de's paid advertising since September 2019.



Fig. 14. The trend in the cost of traffic advertising keywords and the resultant paid traffic to shopify.de from September 2019 to August 2020. The term “Traffic Cost” does not refer to CPC in this instance. SEMRush itself defines the term as “the estimated average monthly cost to rank for the listed keywords in Google Ads.” Reprinted from SEMRush, from <https://www.semrush.com/analytics/overview>

July 2020 saw a large spike in shopify.de’s monthly cost, reaching a peak of \$111,036 USD (€94,402.81). The monthly cost for August is predicted to be \$98,022 USD (€83,338.30). Despite the dramatic rise in July, the price is set to drop by over 11% in just one month’s time. If the company can maintain the same level of paid keywords at a lower cost – as predicted in Fig. 13 – then it opens up the possibility to invest more in the channel. Given the success that Shopify has seen with its paid advertising in Germany, it may be a wise decision to keep investing.

4.7.3 Social Media

While Shopify has identified social media marketing as a core part of its digital marketing strategy, it was largely excluded from this research due to its negligible traffic generation. Fig. 15 shows the breakdown of traffic by source for the month of June.

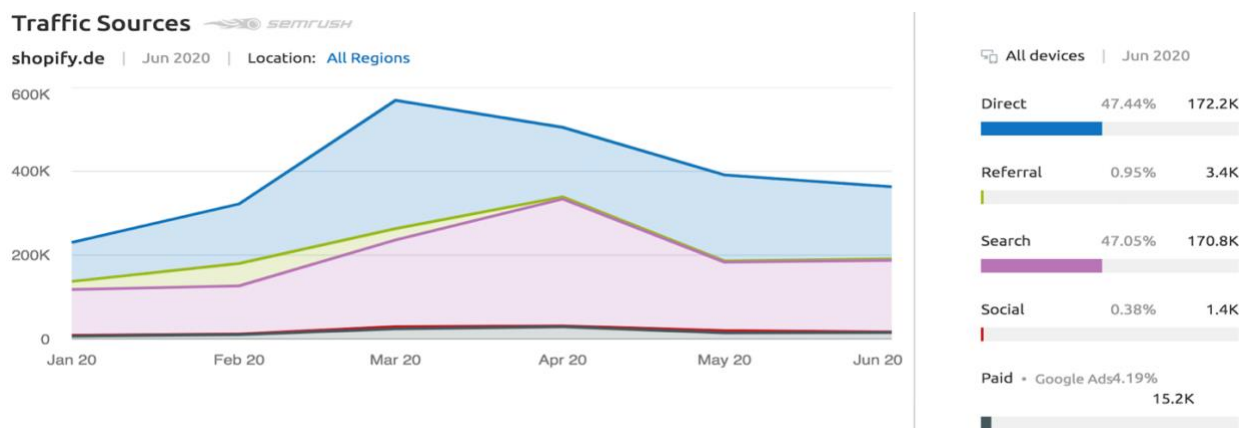


Fig. 15. A breakdown of German traffic to shopify.de in June 2020. Reprinted from SEMRush from <https://www.semrush.com/analytics/traffic/overview/shopify.de>.

Social media marketing only contributed 0.38% of shopify.de's June 2020 traffic. While paid advertising may offer a similarly poor performance, Miller's (2007) findings that a healthy balance between organic search and paid advertising led to higher purchase intent was reason enough to include it in this research project. Furthermore, paid advertising in Germany saw dramatic investment starting in July 2020, meaning the paid traffic numbers shown in June are out of date. Social media does not offer Shopify the same benefit.

5. Recommendations

5.1 Targeting Recommendations

The analysis of Shopify's targeting strategy in section 4.5 revealed that the company may have applied a standardized targeting strategy to the German market; if this is indeed the case, then this decision has led to Shopify facing fierce competition in the market. It may be better for the company to adapt its targeting strategy to the market realities present in Germany and target different segments.

The analysis in section 4.5.3 suggested that home & garden and consumer electronics would be good industrial segments for Shopify to focus on. In terms of geographic segmentation, it was proposed that Shopify may benefit by shifting its focus to German geographic areas besides Berlin. Specifically, Frankfurt and Hamburg were identified as two very promising geographic regions, with Munich and Cologne being good secondary targets. Analyzing Shopify and its competition's client size revealed that a gap exists: Magento's pricing suggests it only serves larger clients, and WooCommerce's freemium model suggests it targets smaller ones. Shopify, with its tiered subscription plans, is able to serve the gap in between these two.

It is recommended that Shopify prioritize targeting by industry. Moving from the highly competitive industries of apparel and beauty & fitness to the equally demanded yet less

contested industries of consumer electronics and home & garden may help the brand find clients that will find long-term success. Shopify should use geographic targeting as a secondary measure; focusing on expanding its presence in Hamburg and Frankfurt will likely help the e-commerce platform to find clients from outside the apparel and beauty industries. Finally, when it comes to targeting by size, Shopify should target medium-sized firms. While this strategy would not forbid the company from acquiring smaller or larger clients, it would keep the bulk of the company's marketing focus on a client size that is underserved by its competitors.

5.2 Organic Search Recommendations

Since September 2019, Shopify has been growing its organic search traffic in the German market. The recommendations this paper proposes will help the company leverage its organic search marketing to grow organic traffic in the industries suggested in 5.1. As Dou et al. (2010) found in their research, when an unknown brand ranks highly for a given search term and is surrounded by familiar brands, search engine users are likely to associate it with the well-known brand's qualities. Therefore, the proposed recommendation would see Shopify try to rank well for keywords related to industries in the home & garden and consumer electronics industries. Importantly, the brand will have to find a balance between ranking for these keywords and producing content that is coherent with its positioning strategy.

For the German home & garden industry, Obi, Hornbach, and Toom were selected as the anchor brands against which Shopify can rank; all three are German home & garden brands that are well-known across their home country. Obi receives 10.6 million organic search visitors monthly and ranks in the top 100 SERP results for 727,200 keywords. Hornbach receives 9.7 million organic search visitors monthly and ranks in the top 100 SERP results for 616,400 keywords. Toom receives 2.4 million organic search visitors monthly and it ranks in the top 100 SERP results for 344,500 keywords.

The keywords were first sorted by SERP rank to select only those for which the anchors rank in the top 3. These key words were then filtered by search volume and the top 50 were selected.

The keywords were finally filtered by “difficulty”, a score between 0 and 100 representing how difficult SEMRush estimates it would be to rank for said keyword. The top 15 keywords with the lowest difficulty scores from each brand were kept. The results of this process can be seen in Table 4.

Brand	Keyword	English Translation	Difficulty
Obi	staketenzaun	chain fence	69.91
Hornbach	fenster kaufen	buy window	70.17
Hornbach	fenster	window	71.36
Obi	rollrasen	turf	73.38
Hornbach	trapezblech	trapezoidal sheet	75.39
Hornbach	doppelstegplatten	double wall sheets	75.46
Obi	doppelstabmattenzaun	Double bar mat fence	76.88
Hornbach	gabionen	gabions	76.9
Obi / Hornbach	vinylboden	vinyl floor	77.44
Hornbach	siebdruckplatten	screen printing plates	77.48
Hornbach	garagentor	garage door	77.85
Hornbach	zimmertüren	room doors	78.48
Obi / Hornbach	carport	carport/garage	78.78
Toom	ruck zuck beton	quick concrete	79.35

Table 4. Top 15 home & garden keywords by difficulty. These keywords would be the easiest for shopify.de to rank for while generating a considerable number of impressions. Data from SEMRush.

To determine which keywords should be targeted for the German consumer electronic industry, an identical process to the one above was used. The anchor brands chosen for this industry were Mediamarkt, Saturn Hansa, and Expert. Mediamarkt receives 15.3 million visitors monthly and ranks in the top 100 SERP results for 1.1 million keywords. Saturn Hansa receives 7.4 million monthly visitors and ranks in the top 100 SERP results for 785,200 keywords. Expert receives 2.3 million visitors monthly and ranks in the top 100 SERP results for 425,600 keywords. Table 5 shows the results of this evaluation.

Brand	Keyword	English Translation	Keyword Difficulty
Media Markt	handy reparatur	mobile phone repair	75.47
Saturn Hansa	beamer leinwand	projector screen	83.34
Saturn Hansa	gaming	gaming	85.08
Media Markt	lautsprecher	speaker	86.04
Expert	küchengeräte	kitchen appliances	86.84
Media Markt	plattenspieler	record player	86.91
Media Markt	handy mit vertrag	cellphone with contract	86.92
Media Markt	gaming laptop	gaming laptop	86.93
Media Markt	dyson v10	dyson v10	87.35
Saturn Hansa	av receiver	av receiver	87.38
Media Markt	kamera	camera	87.63
Saturn Hansa	ps4 games	ps4 games	87.65
Saturn Hansa	verstärker	amplifier	87.72
Expert	küchenradio	kitchen radio	88.56
Saturn Hansa	vr brille	vr glasses	88.57

Table 5. Top 15 consumer electronic keywords by difficulty. These keywords would be the easiest for shopify.de to rank for while generating a considerable number of impressions. Data from SEMRush.

Tables 4 and 5 show the keywords for which Shopify will have the easiest time ranking well. The anchor brands also rank in the top three for all keyword suggestions, increasing the likelihood that search engine users will associate Shopify with the targeted industries. It is recommended that shopify.de should adapt its content marketing strategy to focus on these keywords.

While it is beyond the scope of this report to make recommendations as to exactly what form shopify.de's content marketing strategy should take, it is possible to give some guidance. While ranking for these keywords, it is important that Shopify does not stray from its positioning strategy. As seen in section 4.6, Shopify has set a position in Germany centred on digital entrepreneurship. Any blog posts or other content created should therefore fall within the jurisdiction of this positioning strategy. An example of a blog topic for the home & garden industry could be to discuss German start ups who incorporate IoT into windows, garages, or other areas of the home. An example of a piece of content for the consumer electronic industry could be a blog on how to make money through video game streaming sites, similar to existing blogs on shopify.de whose topics are how to make money on Youtube and Instagram. Again, this

is not meant to be an exhaustive list of ideas, but rather examples of how Shopify can adapt its content marketing for the proposed keyword strategy.

5.3 Paid Advertising Recommendations

An analysis of shopify.de's overall bidding trend for paid advertising since September 2019 showed that it had invested more in keyword bidding over the last several months, with a sharp uptick in keyword rankings in July 2020. Consequently, the company had seen a significant growth in the amount of traffic directed to its site via paid ads. A further analysis of the cost of paid advertising showed that the amount Shopify must pay to maintain its current level of keyword bids is decreasing; this decrease theoretically frees up some of Shopify's budget. It is recommended that Shopify invest more in its paid advertising tool as a way to increase traffic to the site. SEMRush estimates that Shopify will save at least \$13,014 USD (€11,061.31) in the month of August without slipping in paid keyword rankings. The company should at the very least reinvest these savings in the tool, if not more.

Despite the increased traffic shopify.de has seen via paid ads, the number of visitors pales in comparison to the amount of traffic generated via organic search. However, drawing upon Miller's (2007) paper, Shopify can justify increased expenditure in paid advertising as not only a traffic generation tool, but also as a support tool for its organic search. As Miller noted, obtaining the top spot in both organic traffic and paid advertising can increase a consumer's intent to buy. It is therefore recommended that Shopify focus its bidding on the same keywords listed in section 5.2. Importantly, the keywords on which Shopify bid should not necessarily direct to the same content as its organic keywords might. If possible, Shopify should build separate, gated content that will allow the company to capture valuable information in exchange for the increased costs associated with paid advertising.

6. Limitations

Over the course of this research project, several limitations were encountered that impacted the manner in which the research was conducted and the conclusions that could be drawn. The following section will discuss said limitations, offer an explanation as to how it may have affected the project, and offer a possible remedy for future studies.

6.1 First-Hand Sources

The first limitation encountered while researching this subject was the limited access to firsthand data and information. While several Shopify employees were contacted to partake in this research, very few of them actually participated. Many times, to understand the thoughts and opinions of Shopify's staff, previous third-party interviews had to be consulted. While these were serviceable in understanding Shopify's goals and strategies, they were not as reliable, relevant, and thorough as a firsthand interview would have been. As a consequence of this limitation, the data from which conclusions were drawn may not be an entirely accurate representation of Shopify's situation; without the internal perspective that employees would have provided, it is impossible to be certain that the full picture has been captured. It would be best in future studies to endeavour to increase the participation rate amongst Shopify employees. Offering incentives to participate may be one possible method to increase the participation rate.

6.2 Data Inconsistency

Another limitation that was encountered was the inconsistency present in data sources. On several occasions, sources would disagree on exact figures. In the end, when these situations arose, the data was taken as an aggregate so as to, at the very least, illustrate trends and generalities – a less than ideal solution, but useful nonetheless. For example, different sources offered different estimations of Amazon's sales figures in Germany. It was therefore necessary in this particular example to draw a broad conclusion that Amazon was the largest in the German market without certainty of the company's exact performance. Another example would be when trying to determine Shopify's targeting: many of the stores listed on storeleads.app do not have

geographic or industrial data associated with them. In this case, it was necessary to accept the data provided by storeleads.app as a representative sample; the exact figure would have been a much more accurate and useful metric in the situation.

While third-party data sufficed for the purposes of this project, it is likely that a deeper, more granular examination of Shopify's data could have led to more profound conclusions and recommendations. Perhaps this problem too could have been overcome had more first-hand information been made available rather than relying on third-party sources.

6.3 Covid-19

Covid-19, and the social distancing initiatives that followed, imposed several limitations upon this research. Firstly, due to the social distancing requirement, Covid-19 made it difficult to schedule meetings with the thesis supervisor and Shopify employees as these meetings could no longer take place in person. Thankfully, most the negative effects resulting from this limitation were mitigated thanks in large part to digital resources such as Skype, Zoom, and Microsoft Teams.

The greatest limitation that Covid-19 imposed was that it restricted access to high-quality resources. As a consequence of Covid-19, UCL chose to close its campuses. Without access to the library and on-campus resources, finding reliable third-party data became much more difficult. As mentioned previously, third-party data was crucial to completing this research due to limited participation on Shopify's part. Therefore, anything that threatened access to high quality data, such as Covid-19, was a major limitation on this research project.

7. Conclusion

This report has examined Shopify's marketing activities in the foreign market of Germany. Theory regarding targeting and targeting standardization, keyword research and applications, and SEO and SEM was reviewed. This theory was used as the basis of the analysis that looked into

Shopify's marketing activities in Germany. It was found that the company had likely applied a standardized targeting strategy to the country, one which put it in fierce competition with rival firms. It was found that Shopify had implemented a positioning strategy that saw the brand fashion itself as a tool to empower digital entrepreneurship. Finally, several tools that comprise Shopify's digital marketing were analyzed.

It was recommended that the company adapt its targeting strategy to focus on the home & garden industry and the consumer electronics industry. Ideally, Shopify would target medium-sized companies in these industries in Hamburg and Frankfurt. It was also recommended that Shopify modify its organic search activities to support the transition towards these new targets. Finally, it was recommended that Shopify invest more in paid advertising.

Shopify is a Canadian company, but due to the founder and CEO's German heritage, it is likely that this market holds a special place in his heart. Through the recommendations proposed in this paper, Shopify will stand a better chance of solidifying its foothold in Germany.

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Appendix

Appendix A

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The following is a paraphrased conversation with Herbert Bempah, a Retail Developer at Shopify. This conversation took place on May 21st, 2020 and lasted approximately 1.5 hours. The information that Herbert provided during this call was fundamental in gaining an inside perspective into the company near the beginning of the research and has been included here to provide additional context to the research project.

1) Can you describe your role in the organization?

- a. How long have you occupied this role?
 - Didn't study sales at UNB, he learned in a competition
 - About 6 months in the role
 - o Worked for a Salesforce partner in sales
 - At Shopify he works for the retail development team
 - Tries to work with customers with a physical location and helps them install a POS and integrate an e-commerce solution.
 - o Supporting brick and mortar stores
 - Works with brick mortar
 - Herbert works with huge businesses (Steve Madden) and smaller single-store companies. His team specifically works with \$250,000 or more
 - Depends on the complexity → the team specializes in revenue amounts
 - o Complexity refers to how hard it is to link different elements of the business

2) What is Shopify's main product (ie. its digital store)

- a. Would you describe this as more of a service or more of a product?
- b. Do you believe that Shopify acts more as a platform or an aggregator? A platform in this case meaning a way to link different parts of a value chain (ie. link customers and sellers). An aggregator would
 - Shopify's main product started as e-commerce.
 - o As Shopify has grown, it's about commerce in general. Omnichannel
 - o POS, and new features everyday. Pivoted from being an e-commerce platform to being a
 - o Omnichannel platform
 - Where is the revenue generating its
 - o Shopify is a subscription platform. That is how they generate income. Different plans for different sizes of business.
 - o Most merchants are in the 29-79 dollar range. This is a guaranteed stream from all merchants
 - o Shopify payments. Shopify takes a certain percentage

- Fulfillment centres.
- Ecommerce is where the money is
- The idea of Shopify is to make commerce for everyone. The company creates tools that let new businesses launch themselves. Herbert would agree that it is more of platform. Herbert was able to create a website and business in under two hours. Shopify will give you the tools.
 - Shopify is succeeding because it gives the power back to the merchants

3) What steps is Shopify taking to market and sell this product in North America?

- a. Would you define these as push activities or as pull activities?
- b. Do you find that potential customers require a lot of personal selling to get onboard, or are they drawn in by different forms of marketing.
- c. How important are partnerships to developing the market in North America
- d. After acquiring a customer, do you find that they require a lot of face-to-face contact and help to set up their store fronts?
- People come to Shopify. Herbert has never had to chase the merchant.
 - Shopify has reached the stage in North America where companies are coming to them.
 - E-commerce doesn't require them to chase. Either you are using Shopify for ecommerce or you are using a competitor, and Shopify has a dominant position in the market.
 - 5 years ago, may be a different case.
- After acquisition. When it comes to ecommerce, there is a 24/7 support line. The ecommerce is setup in such a way that it doesn't require much effort. There is no dedicated team to support this specifically.
 - Maybe questions about taxes
 - POS is different. It is a software and hardware. There is a dedicated team that helps with data migration, setup, and training.
- Marketing helped get Shopify launched

4) Most of Shopify's revenue comes from North America, but it has a presence in several dozen countries. Can you think of any reason that might be the case? To the best of your knowledge, what are Shopify's goals for its international markets, especially Germany?

- a. Do you think Canada's reputation for high-tech (or lack thereof) influences Shopify's performance abroad?
- In Germany. The company is actively looking to grow. There is still a lot of work to do in North America.
 - POS is only supported in Canada, UK, US, and Ireland.
 - Europe needs to be captured by the business.
 - It's still a young company
- Innovative products are being created every day, but they are targeted to NA. It feels that the company is still largely focused on securing the home markets of USA and Canada.
 - LightSpeed → a competitor

- Herbert seemed to think that gaining foreign market share is a priority for the company, but that it is still largely focused on securing its foothold in NA. A competitor (Lightspeed?) is making big gains. As such, current product developments are largely focused on satisfying the NA market. Need more info on the German market.
- A) Shopify has established itself beyond being in Canada. When the CEO was asked to relocate to Silicon Valley, he chose to stay in Canada. The company has been able to separate itself from its country image and it has achieved success. It would be weird if it were younger and smaller, but its current reputation lets it largely ignore this.

5) **A review of different sources fails to provide a coherent definition of what “high tech” really means.** Nonetheless, elements that are similar across the different definitions can be brought together to help us understand high tech. Based on the elements below, do you believe that Shopify can be considered as “high tech”?

- High tech
 - o Number of engineers/developers in a company far outnumbers anyone else
 - o Technology is near the leading edge of a particular field
 - o Generally involve high levels of market and product uncertainty
 - o Technology that requires a substantial shift in usage behaviours
- Yes. Definitely high-tech.
 - o Shopify’s money (more than half) goes into R&D. “Merchant obsessed”. Create new products, ideas, and tools through R&D.
 - o Lots of engineers

6) **Disruptive technologies can be defined as**

- a. Creating a new WHAT, WHO, HOW
- b. Enlarging the pie (bringing more money into current market)
- c. Being incongruent with a company’s current business model

Given this definition, do you think that Shopify can be considered to be a disruptive company?

- It creates a new What, Who, or How
- It enlarges the pie by adding new dollars to the pile
- Incongruent → How can we support our customers. In Herbert’s opinion
 - o Herbert views it as an all-encompassing tool
 - o Shopping models and storefronts.
- It fulfills 2/3 requirements to be considered a disruptive business model. It most likely would meet the criteria of a disruptive technology. The incongruency with current business model was a sticking point as Herbert viewed the product as more than just ecommerce; to him, it is an all-encompassing commerce solution.

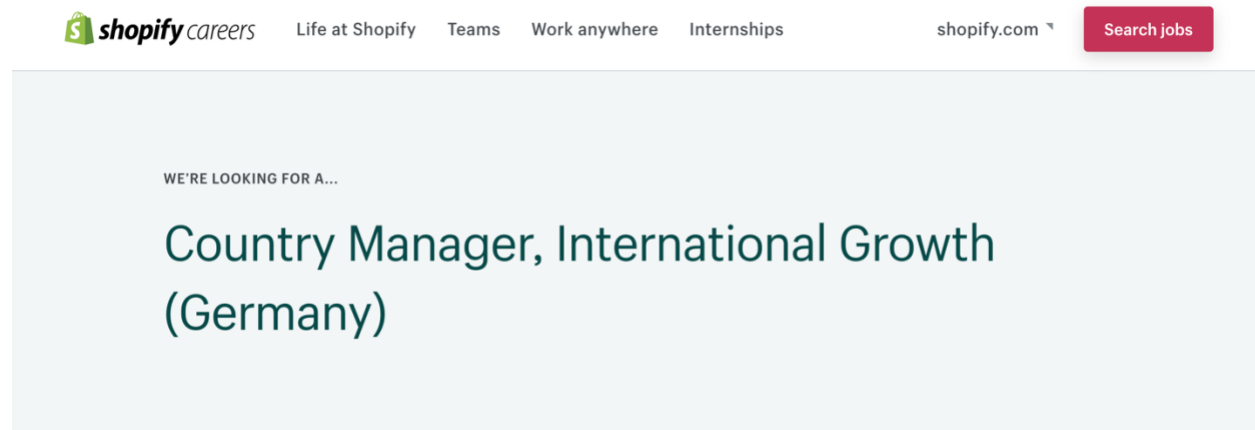
7) **Seeing the questions above, is there anyone else that you would recommend I speak to?**

- Herbert will let me know if he thinks of someone.
 - o A week from now contact Herbert to see if he has thought of anyone else to speak to.

Appendix B

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The following is a screen shot of a job posting on Shopify's website from July 8, 2020. It is the most recent in a number of postings for positions in Germany that the company has created throughout 2020. The responsibilities for this post, as stated in the job description, include developing and executing Shopify's local strategy, generating data-fuelled insights, and building local partnerships to grow the brand's presence.



Appendix C

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Table published by the European Commission showing the real and forecasted growth among EU countries for the years 2001-2021.

Table 1: Gross domestic product, volume (percentage change on preceding year, 2001-2021) 30.6.2020

	5-year averages							Summer 2020 forecast		Spring 2020 forecast	
	2001-05	2006-10	2011-15	2016	2017	2018	2019	2020	2021	2020	2021
Belgium	1.9	1.5	1.3	1.5	1.9	1.5	1.4	-8.8	6.5	-7.2	6.7
Germany	0.5	1.2	1.7	2.2	2.5	1.5	0.6	-6.3	5.3	-6.5	5.9
Estonia	7.3	-0.3	3.3	2.6	5.7	4.8	4.3	-7.7	6.2	-6.9	5.9
Ireland	5.3	0.4	6.7	3.7	8.1	8.2	5.5	-8.5	6.3	-7.9	6.1
Greece	3.9	-0.3	-4.0	-0.2	1.5	1.9	1.9	-9.0	6.0	-9.7	7.9
Spain	3.3	1.0	0.0	3.0	2.9	2.4	2.0	-10.9	7.1	-9.4	7.0
France	1.7	0.8	1.0	1.1	2.3	1.8	1.5	-10.6	7.6	-8.2	7.4
Italy	0.9	-0.3	-0.7	1.3	1.7	0.8	0.3	-11.2	6.1	-9.5	6.5
Cyprus	4.0	2.7	-1.7	6.7	4.4	4.1	3.2	-7.7	5.3	-7.4	6.1
Latvia	8.2	-0.5	3.6	1.8	3.8	4.3	2.2	-7.0	6.4	-7.0	6.4
Lithuania	7.6	1.1	3.8	2.6	4.2	3.6	3.9	-7.1	6.7	-7.9	7.4
Luxembourg	2.9	2.4	2.9	4.6	1.8	3.1	2.3	-6.2	5.4	-5.4	5.7
Malta	2.1	2.0	5.7	5.8	6.5	7.3	4.7	-6.0	6.3	-5.8	6.0
Netherlands	1.3	1.4	0.7	2.2	2.9	2.4	1.7	-6.8	4.6	-6.8	5.0
Austria	1.8	1.3	1.1	2.1	2.5	2.4	1.6	-7.1	5.6	-5.5	5.0
Portugal	0.9	0.6	-0.8	2.0	3.5	2.6	2.2	-9.8	6.0	-6.8	5.8
Slovenia	3.6	1.9	0.4	3.1	4.8	4.1	2.4	-7.0	6.1	-7.0	6.7
Slovakia	5.0	4.9	2.6	2.1	3.0	3.9	2.4	-9.0	7.4	-6.7	6.6
Finland	2.6	0.9	0.1	2.8	3.3	1.5	1.1	-6.3	2.8	-6.3	3.7
Euro area	1.5	0.8	0.8	1.9	2.5	1.9	1.3	-8.7	6.1	-7.7	6.3
Bulgaria	5.7	3.2	1.8	3.8	3.5	3.1	3.4	-7.1	5.3	-7.2	6.0
Czechia	3.9	2.4	1.7	2.5	4.4	2.8	2.6	-7.8	4.5	-6.2	5.0
Denmark	1.3	0.2	1.3	3.2	2.0	2.4	2.4	-5.2	4.3	-5.9	5.1
Croatia	4.5	0.5	-0.2	3.5	3.1	2.7	2.9	-10.8	7.5	-9.1	7.5
Hungary	4.4	-0.2	2.1	2.2	4.3	5.1	4.9	-7.0	6.0	-7.0	6.0
Poland	3.1	4.8	3.0	3.1	4.9	5.3	4.1	-4.6	4.3	-4.3	4.1
Romania	5.6	2.8	3.0	4.8	7.1	4.4	4.1	-6.0	4.0	-6.0	4.2
Sweden	2.6	1.8	2.2	2.1	2.6	2.0	1.2	-5.3	3.1	-6.1	4.3
EU	1.7	1.0	1.0	2.1	2.7	2.1	1.5	-8.3	5.8	-7.4	6.1
P.M.: United Kingdom	2.8	0.5	2.0	1.9	1.9	1.3	1.5	-9.7	6.0	-8.3	6.0

Appendix D

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Magento Merchant Analysis (4.4.2)

Magento Top 10 German Stores	Date Created	Rank among other Magento Stores	Global e-commerce rank	Industry
mytheresa.com	27-01-17	2	4	Apparel
wardow.com	30-12-16	191	546	Apparel
overkillshop.com	02-08-19	249	685	Apparel
parfum-zentrum.de	30-12-16	325	898	Beauty & Fitness
ortlieb.com	30-03-18	331	914	Apparel
werkzeugstore24.de	26-05-17	418	1,130	Other
impericon.com	16-08-19	492	1,311	Apparel
fashionesta.com	16-08-19	505	1,335	Apparel
hepco-shop.de	03-02-17	510	1,345	Other
amorelie.de	27-10-17	567	1,490	Apparel