

Shopify (NASDAQ/TSX: SHOP) rents merchants the store, then earns most of its money on the checkout. The subscription (\$29–\$299 a month self-serve, Plus from \$2,300) is the on-ramp: \$2.75B in FY2025, 24% of revenue at roughly 81% gross margin (INFERENCE). The money is in merchant solutions — above all Shopify Payments (card rates from 2.9% + 30¢ down to 2.25% + 30¢), plus lending, shipping, POS hardware and ads — \$8.80B or 76% of revenue but only ~38% gross margin (INFERENCE) because card-network fees pass through, so it is ~60% of gross profit. It scales with merchants' sales: GMV \$378.4B (+29%), 65.6% of it through Shopify Payments (68% in Q2 2026), revenue \$11.6B (+30%), operating income \$1.47B and free cash flow \$2.0B. The price of being the finance layer is \$417M of transaction and loan losses (+84%) and a gross margin that slid from 50% to 48%. The new surface is AI: Agentic Storefronts and the open Universal Commerce Protocol put merchants' catalogs inside ChatGPT, Copilot, Google and Meta. Q2 2026: GMV \$115.6B (+32%), revenue \$3.58B (+34%), operating income \$488M, FCF margin 18%.

BUSINESS MODEL CANVAS

Shopify

Research date: Oct 10, 2026

Evidence-backed · sources in companion brief

KEY PARTNERS

- **Payment service providers** — Stripe and PayPal agreements directly support Shopify Payments (FACT).
- **Banks** — WebBank (US Capital), Fifth Third (Balance funds), Celtic Bank (Balance and Credit cards) (FACT).
- **Infrastructure** — Google Cloud Platform for most platform operations (FACT).
- **Ecosystem** — 21,000+ apps; theme designers, agencies, affiliates (FACT).
- **AI channels and standards** — OpenAI ChatGPT, Microsoft Copilot, Google AI Mode/Gemini, Meta; UCP co-developed with Google (FACT, company claims).

KEY ACTIVITIES

- Run one multi-tenant platform for millions of merchants (FACT).
- **Operate Shopify Payments** — processing, fraud, disputes, loss reserves (FACT).
- **Lend** — Shopify Capital loans and merchant cash advances, Shopify Credit (FACT).
- **Build AI** — Sidekick, Catalog, Agentic Storefronts, UCP (FACT).
- Expand offline (POS), B2B and international; return cash via buybacks (FACT).

KEY RESOURCES

- **Platform and checkout** — single-branch software for millions of merchants (FACT).
- \$378.4B of FY25 GMV and the data and Shop Pay accounts behind it (FACT / company claim).
- 21,000+ apps and the partner ecosystem (FACT).
- Shopify Catalog for AI channels (FACT, company description).
- \$4.95B cash and marketable securities and \$4.85B equity investments at 30 Jun 2026; ~7,600 employees (FACT).

VALUE PROPOSITIONS

- **Start fast** — stores, themes, checkout, hosting and an AI assistant in one plan (FACT).
- **Get paid and get cash** — Shopify Payments, Balance, Capital in the same admin (FACT).
- **Sell everywhere** — online store, POS, social, marketplaces, AI channels (FACT).
- **Scale up** — Plus, B2B, international Markets, headless options (FACT).
- **Keep the customer** — orders from AI channels show up in the Shopify admin with attribution (FACT).

CUSTOMER RELATIONSHIPS

- **Self-serve trial** — 3 days free, then \$1 a month for 3 months (FACT).
- Sidekick AI assistant included in plans (FACT).
- **Tiered support** — live chat → enhanced → priority on Plus (FACT).
- **Cross-sell** — Payments, Balance, Capital, Credit, Bill Pay, apps (FACT).
- **Cohort expansion** — older merchant cohorts keep growing revenue (FACT).

CHANNELS

- **Direct** — shopify.com sign-up and marketing (FACT).
- **Ecosystem** — App Store, themes, agencies, affiliates (FACT).
- **Sell-side** — online store, POS, social, marketplaces, Shop Pay and Shop app (FACT).
- **AI channels** — ChatGPT, Microsoft Copilot, Google AI Mode/Gemini, Meta (FACT, company claims).
- Shop Campaigns and Agentic plan extend reach beyond the Shopify store (FACT).

CUSTOMER SEGMENTS

- **Solo and small merchants on Basic/Grow** — most merchants (FACT).
- **Plus and enterprise brands** — most GMV (FACT).
- Offline retailers and B2B sellers (FACT).
- **Merchant geography** — 44% US, 31% EMEA, 16% APAC, 5% Canada, 5% LatAm (FACT).
- Non-Shopify brands via the Agentic plan (FACT).

COST STRUCTURE

- **Cost of merchant solutions \$5.48B** — mostly card-network and processing fees (FACT).
- Sales and marketing \$1.66B (14% of revenue) (FACT).
- Research and development \$1.54B (13%) (FACT).
- Transaction and loan losses \$417M (+84%); Q2 2026 \$141M vs \$80M (FACT).
- **Operating margin 12.7% in FY25 (INFERENCE** — \$1,468M ÷ \$11,556M); 13.6% in Q2 2026 (INFERENCE).

REVENUE STREAMS

- Subscription solutions \$2.75B FY25 (24% of revenue); \$802M in Q2 2026 (+22%) (FACT).
- Merchant solutions \$8.80B FY25 (76%); \$2.78B in Q2 2026 (+37%) (FACT).
- Payments penetration 65.6% FY25, 68% Q2 2026 (FACT).
- **Other merchant revenue** — lending, referral fees, shipping, POS hardware, ads (FACT).
- **Q3 2026 outlook** — revenue growth in the low thirties, FCF margin high teens to low twenties (FACT, forward-looking).