

Introduction

Patrick : [00 :01 :53] Today, we will be diving into Shopify . Shopify was founded in 2004 by Toby Lutke and Scott Lake around their original problem of why it's so hard to build an online business when they struggled to open an online snowboard equipment store . Today, Shopify's goal is to make commerce better for everyone and is essentially an on-ramp for people looking to sell online .

To help us break down Shopify , I'm joined by cohost Zack Fuss , and our guest Alex Danko , who works on the money team at Shopify . To really understand Shopify , you have to understand its different business units . Core, Merchant Services , Ecosystem , and the new Shop platform , and the role they each play in making commerce easier and better for merchants . We begin this breakdown by covering each of those business units and how they compare to Apple's business lines . We then dive deep into how Shopify makes money through the first and second derivative of their merchant success and how Shopify thinks about friction in e-commerce . We close with an incredible analogy of Shopify and StarCraft, and the tools that Shopify has built into the still-nascent world of e-commerce . I hope you enjoy this breakdown of Shopify .

The Four Pillars of Shopify

Patrick : [00 :03 :02] So Alex, when I've had Toby on the show before , a lot of our conversation was around the philosophy of product . It was very clear from that conversation that Shopify fundamentally was a product -first company , and that his genius , I think he may be a genius in a couple of categories , but one of the categories in which he's a genius is in product maintaining an incredibly high -quality bar, as he put it, which really has influenced my thinking ever since . Because of that angle , I think a great place to begin our breakdown of Shopify is there , with product . I think it's a complicated product to explain and understand . There are multiple parts to it. And so to begin , as a means to understand the business , we'd love if you could first explain to us the nature of Shopify's product .

Alex : [00 :03 :44] Yeah . Shopify , as you said , is first and foremost , a product -led company , in terms of how we think about our place in the world and how we go about our mission of helping make the world better for commerce , and making the world better for merchants , and making the world better for entrepreneurship . It really sort of starts with our understanding that we're in this world of enormous leverage that comes from software , and that comes from the internet . And if you build amazing products and then apply the leverage that this world has given us , we can really do some amazing things . Shopify is a growing and large team , but we're still only ... We're less than 10,000 people still, I think . That is a small number of people having an order of impact on the way that we hope all of commerce is working and all of entrepreneurship is working around the entire world . And the only real way you can get that kind of leverage is through building incredible product and then running that incredible product out in the world . So if you want to understand Shopify the business , it is fairly straightforward to understand it if you really get how the product works . So I'm happy we're starting here .

So in my opinion , understanding how Shopify's product is laid out is by analogy to another great company , Apple . We aspire to one day hit that level of greatness , but the Apple metaphor is a pretty good one . So you can start with Core Shopify , which is like, what is at the nucleus of Shopify ? It is a team that is called Core internally , but this is like the iPhone , right . The job of the iPhone is to be like the operating system of your entire digital life . And similarly , like the job of Core is really to be the operating system for commerce . It sits at the heart of everything that we're building for merchants , and its job is to support everything around it and have it just work beautifully well . If you look at what's in Core , it is some of the unit building blocks of helping entrepreneurs get set up with their business and scale it . So it includes the online store and other storefronts where their businesses are expressed . So that might include Shop , which we'll get to in a second . It includes checkout , and it includes things like your inventory and your ability to get it delivered to your customers . It includes Shopify the platform , which supports everything for the community of developers . Core is everything that has to be built and maintained to an impossibly

high standard because it has to work at this 99.999 % level of speed ,and uptime ,and perfection . You can think about it again like the iPhone . The iPhone doesn't necessarily get bigger with every release . In size ,it has gotten bigger in the past ,but the iPhone doesn't increase in scope necessarily with every release . It just gets more perfect . *And similarly ,the core product of Shopify's job is to see where the future is going ,not in terms of specific use cases for commerce or specific kinds of merchant behavior ,but saying , "What is the technological foundation of commerce going to be ,and how are we going to help merchants get there so that when they make a bet on Shopify ,they can do it with absolute conviction that this is a good bet for them to make technologically speaking ,and it's where all the momentum and commerce is going ,and they're going to be on good foot and going forward forever ?" That's Core's job . It's to be the iPhone and the iOS of commerce .

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On top of Core is another team ,which is the team where I live . It's called Merchant Services . Now ,if we extend our Apple metaphor of Core is the iPhone ,Merchant Services is all the Apple services . So this is ,our playing field on Merchant Services says ,okay ,on one side of this playing field ,there are merchants ,and they have all of these different needs . And on the other side of the playing field ,you have all these existing service providers in the world who want to do it for them . So for example ,payments . Payments is a job that every merchant has to do . On day one of Shopify ,we were not a payment processor ,nor are we today ,right . We rely on other payment processors out in the world to do this job for you . Our job in Merchant Services is to try to figure out ,what is the best way for us to help merchants get these services done for them ? Could it be building a platform to allow many ,many different payment providers to all plug right into their businesses ? Yes . So from day one at Shopify ,we've had the ability to do that ,right . You can use an offsite payment gateway or a payment processor to collect payments for you . And then over time ,that has gotten better ,and better ,and better . Meanwhile ,we also have a first-party payment service called Shopify Payments ,right ? This is us saying , "Hey ,we actually want to build our own payments product . We've built that closely in partnership with Stripe ." This is a product that in contrast to the third-party platform approach ,we say , "We're going to take a lot of ownership over this product . It's going to be really ,really good . We're going to take a lot of pride in it . We're going to introduce this to you in the markets where we want to own it ,where we want to maintain it ,where we want to run it . This is our specific offering for you ." So you say , "Hey ,merchants ,we want to offer you a first-party solution . We have third-party solutions . What are all these best ways we can get you these services to you ?" Payments is an example of people are familiar ,but there are many ,many of these merchant services where Shopify can and is doing as good of a job we can to get merchants these services on the best terms they can . So you can think shipping ,right ? How do we help you print shipping labels and interface with all the shipping providers ? Right ? We obviously don't run a shipping service ,but we can help you get the most out of the ones that are there . Wholesale marketplaces ,right ? If you want to source whole products from other wholesale merchants ,or if you want to sell wholesale to other Shopify merchants ,you can do so on Handshake marketplace . That's Merchant Services .

The third product group I want to talk to you about is what we call Ecosystem . So this is the whole world of developers ,and the app community ,and the extensions ,and everybody who sort of wants to build on top of Shopify to build for the hundreds and thousands and tens of thousands of different use cases of how commerce works around the world . We cannot possibly build every version of commerce ,right ? Commerce is unbelievably diverse . Or if you look not only just around the world ,but just around your block ,right ? There are going to be permutations and arrangements of commerce that are different . A great example is ,in different parts of the world ,how just cash on delivery works ,and how that impacts the way checkout works and the way your payments has to work . We cannot build for every permutation of commerce . But what we can do is say , "Okay ,Core's job is to build an operating system that is a platform that can extend out to support anything ." And then for every possible version of commerce that we want to support ,our job is to let developers out in the world build their version of that ,and help merchants out in the world build their version of that . And say no matter what it is ,we want to make it possible for you to do .

Now ,we have a saying inside Shopify ,which is , "We want to make the important stuff easy and the rest possible ." And a lot of the real job of the Ecosystem here is to say , "Let's make the rest possible ." In our Apple analogy ,we had Core is the iPhone and

Merchant Services are like Apple services. This is like the App Store, right? Apple is not going to make every app, nor can they even make every app. And in some cases, what's going on in the Ecosystem is competitive with Apple Services. I don't know how the Apple Music team feels about Spotify, but I know that Apple as a whole, probably big fans of Spotify, right? They make the iPhone better. They make their customers happy. Spotify is an amazing product. If it's good for merchants, we want merchants to get it. So over time, our goal is to really see the Ecosystem support more and more diverse use cases for commerce everywhere, but also honestly, like better and more sophisticated versions. That's the Ecosystem.

The fourth pillar of product, which I'm not going to talk to you too much about, because it is still nascent - but I want to include it as a pillar, because in the future it will be very important - is Shop. Shop is the first initial footing we are giving into creating a product for buyers that is as amazing for shopping as we are making Shopify for sellers. Shopify is for merchants. Shop is for buyers. Shop is climbing a very big mountain. They are working on something that is going to take many years to build. I'm really, really excited for the world to get to see what this is going to be. Honestly, it's going to be a lot, a lot of fun, once this gets brought into the world. When we launched it last year in the early days of the pandemic, a lot of people were awaiting this, and then it wasn't a marketplace, right? Everybody assumed it was going to be a marketplace. They're like, "Oh, what if Shopify's going to build a marketplace, and it's going to be so great." And then we launched Shop and everybody was like, "Wait a minute. This isn't a marketplace. I thought I could search all the Shopify stores for this product that I want, and I can't do that. This appears to do very few things." People initially were a little confused about what it was. And I'll sort of leave the Shop point for a second to say that Shop is going to help rebuild this foundation for something we'd like to call high-trust commerce, where it's very, very rich, and deep, and meaningful kind of commerce, that is honestly not the same as these big internet marketplaces, right. Shop is not trying to build another version of Amazon. Shop is trying to do something very different, right. There's a place for the Amazons of the world. We're doing something else.

So those are really the four pillars to think about Shopify's product. You have Core, who's building the operating system nucleus that can support almost any permutation of merchants and commerce you want. You have Merchant Services, whose job is to help merchants get as much value and as much utility out of all of the services that exist in the world. You have the Ecosystem, whose job is really to focus on developers and say, "Look, the future belongs to software developers. How can we make Shopify an incredible environment that you can build in?" And then you have Shop, which is to say, "Okay, once we bring this to buyers, how can we create the foundation for something that is going to do something incredible for how commerce works going forward in the future?"

Low-Trust and High-Trust Commerce

Zack: [00:13:08] So in the context of those four pillars, the Core operating system, the Merchant Services, the Ecosystem you guys are building for developers, and the Shop discovery tool, it seems like the recurring theme is that you have this interoperability, and you're building the infrastructure and commerce layer that's linking really the digital and the physical world. So it would maybe be helpful to speak a little bit about the evolution of commerce on the internet, and how Shop is playing in that Ecosystem today.

Alex: [00:13:34] A couple of parts of that question. This is a great question. Let's start by talking about before the internet. If you look at retail today, retail today has sort of settled into a kind of environment where everybody understands the way that there is this relationship between retail, and you have square feet in retail, and you have placement in stores, and then you have this negotiation between brands who spend money on advertising, and how they get into the stores. And there's a certain way that retail has always been done, that has found ... And this is a complex system, right. With many variables, that has found a steady-state that looks a lot like-large, big box stores who have relationships with large brands, who are able to negotiate for good product placement in shelves in a way whose prices are like pretty good and outcompete local merchants who are small. And commerce generally was sort of sliding down this Hill for decade, decade, decade, towards kind of what we'll call the Walmartization of the world, right? Where people were very concerned about this for a couple of decades, but this

seemed like the world of commerce ,and the world of retail ,and the world of buying things was in this slow and steady ,finding this state of a system that seemed to be very hard to get .

I grew up in Vermont ,and I remember when Vermont got our first Walmart ,and this was this enormous matter of local concern ,right . People were very,very concerned that there was a Walmart coming in at St. Albans because once a Walmart gets in,it is this new ,competitive species in the Ecosystem . And then all the smaller merchants can't compete ,and eventually they die out ,and then Walmart gets all the business ,and then you reach this new ,steady -state ,where it's not really great for anyone ,but it's hard to get out of that state . Again ,I don't want to say that the Walmarts of the world are bad . Walmarts do a very important job of bringing low-cost value to people who need value at low-cost ,right ? But this is very different from commerce ,as an expression of identity ,and joy ,and purpose ,and this other kind of commerce that for a while ,people were a little concerned about . But nonetheless ,I want to emphasize that like retail was going into this system that was finding a steady -state that seemed very difficult to displace . When you have a system that's in a very steady state ,it takes a large force to change that system . But then ,a force like that started to emerge ,right ! And it was called the internet .

Now ,computers showed up . I remember when we got our first computer right in the early nineties ,and then we eventually connected to dial-up internet . And the internet was this interesting place to explore where people understood quickly that you were able to build relationships with other people around the internet ,and it wasn't easy necessarily ,but it was very rewarding . There was this whole culture on the internet of putting in the effort ,and in return getting this real bounty of rewards out of it -in terms of these relationships you've built in this trust that you could build with people . On the early internet of message boards and early forums ,there was this whole culture that developed ,but it's hard to overstate how much this early internet culture went on to become the terroir that shaped the entire world . Because the people who went on to build the important companies grew up in that environment ,including Toby . But for a while at the beginning of the internet ,people figured out pretty quickly that commerce was going to happen on the internet in some capacity . We didn't know how it was going to work ,but clearly ,people said like , "Oh ,you can buy airline tickets on the internet ,"and that was a big deal . Department stores and retailers start putting catalogs on the internet ,and that made sense . But then it's like ,there's no way to buy them very easily . You had a phone number at the bottom of this digital catalog that was basically like a PNG file on the internet . And then it was like ,okay ,you called them and put in the mail-in order ,and that was how we understood commerce on the internet worked . You had a couple of really interesting attempts at figuring out how to create the trust and infrastructure to get commerce to work on the internet . AOL was a great attempt . Had AOL done a couple things differently ,they might have won . And then the entire internet would work very differently if we had grown up in an environment where AOL had actually won ,rather than the open web winning . But really the first company that really got commerce right on the internet and got it unbelievably right was eBay .

You should never say like , "Oh ,eBay perfectly figured out commerce and it was just so ." But eBay managed to get themselves into this position of really deeply figuring out something special about commerce on the internet ,which was in this early market of people who care about collectibles and beanie babies and baseball cards and these hard to find items where you had to actually build a relationship between the buyer and seller in order to get trade to happen ,this is what real commerce is . Real commerce actually is a deep relationship between the buyer and the seller . It is not a big box store . It is not a convenience store . It is something where you have to put effort into it . But the rewards to that effort are enormous . The rewards to the effort of a relationship like this is high margins ,meaningful purchases ,a lot of buyer happiness ,and most importantly ,a lot of trust created by both the buyer and the seller in doing commerce itself . People came to trust E-bay and trust the sellers and trust the buyers . And so this incredible Ecosystem of real commerce started to flourish . It was helped by some smart product decisions along the way ,like the star ratings and the ability to create a little bit of structure around this idea of high trust commerce that really took off right for eBay ,and people heard about it . I don't know if you remember ,when you first heard about eBay ,eBay was fun . eBay was two things . One is ,it was deeply fun . And two is ,eBay was a real way for regular people to earn a living on the internet . This is the first time that that was really possible . You remember the like 'we sell your stuff on eBay stores '? People could make businesses here . eBay captured this magic in a bottle . They had it . It just got away from them . eBay's still around ,but they lost some of the magic as they got bigger . There's this very important lesson for eBay ,which is as the number of merchants grew and grew and grew ,there was a lot of pressure to turn it into more of a marketplace . And that is essentially what happened . More power started accruing to the buyers . Merchants started getting pitted against each other more ,and you had all these individual product decisions ,like the buy it now button ,for example . Which is like ,yeah ,the buy it now button is great and it reduces friction and it's convenient ,but it started to turn it... A little bit

of the magic got lost ,and eventually ,eBay kind of fell back from this incredible trajectory it was on . And it's still around , but there is a very important lesson here - in terms of high-trust commerce is a very special system ,but you can lose what makes that magic special .

Patrick : [00:20:00] Can you make sure to define exactly what you mean ,because we're using high and low trust quite a bit. Just give us a heuristical definition for low and high trust commerce .

Alex : [00:20:08] I don't know if there's a single definition that can give you because high-trust commerce is a system that is operating in a certain way ,and low trust commerce is a system that is operating in a certain way ,and they've found steady states . Maybe I can explain this by example ,which is ,if you go to buy wine ,a . And I would say the defining feature of high-trust commerce is that high-trust commerce is not convenient . Convenience is not the goal . You do not buy wine at a convenience store . Maybe in some states you can ,but in Canada you can't . We got that right . Wine is a high-trust purchase . And if you look at many slices of retail and of commerce and of merchants going out and selling things ,anywhere that a purchase has a meaningful amount of friction in it ,but that friction feels important in a hard -to-articulate way ,that is what I call high trust commerce . It's like the friction is important because it's how you build this relationship with the merchant ,it is overcoming this friction and overcoming this challenge and successfully making this purchase is how you build trust in commerce .

Let me contrast that to low trust commerce ,where it is all about convenience ,it's about get rid of the friction ,get rid of the inconvenience ,get rid of any obstacle that is in the way of this transaction happening . Amazon is low trust commerce . If you go on Amazon ,you just go buy something . You search for it .It's really easy . You go buy it .It's convenient . It gets sent to your door in a day and a half ,great . What's wrong with that ? Everything I described ,it just sounds great . If you ask people what they want ,very often what they will tell you is , "Oh ,I want low friction . I want it to be quick . I want it to be easy . I want to be able to search for exactly what I want and then get it and then click one button and have it come to my door ." All these things are great ,but what it does not do ,it does not create a mechanism for you to build any kind of trust in what just happened . You don't build a relationship with a merchant when you order something on Amazon . You don't build any faith in the effort that you've just made and on the outcome of the effort you've made being good . No feedback loop ever gets generated that creates something meaningful there . So there's nothing wrong with this . For plenty of everyday purchases ,this is a perfectly fine way to make them . But these are very ,very different systems for how commerce works . There are different kinds of setups with different kinds of feedback loops that will influence what happens with your next purchase .

In a high-trust context ,Patrick ,if I have a relationship with you ,if I buy something from you ,the merchant ,and it's a special purchase ,I'm going to come back to you to make another purchase . We're going to have loyalty and retention together . My LTV for you is going to go up . I'm going to be a great customer . You've built something with durable value . Whereas if we're doing commerce in a low-trust context ,the main thing that I care about is convenience ,and I'm going to actually distrust anything that's not convenient . It's going to be very difficult to get me to put an effort to rekindle our relationship or come back to you . I'm glad we're spending time on this idea of high trust versus low trust commerce ,because they're quite different things ,and there are many ,many factors that go into whether a commerce is going to take place in a high-trust or low-trust way . But it's very important . It's very ,very important because whether commerce is happening in a high trust or low trust way will have all sorts of other system consequences like what are the gross margins of this purchase that I should expect ? How are my advertising and my customer acquisition methods ,the way that I think about presentation of the product ,and the way that I think about what kind of business I am ? All of these other ,I don't want to say downstream consequences because that's bad system thinking . There's no upstream ,there's no downstream . Just ,it's a system . But the steady -state that the system finds has a lot to do with whether you were dealing with a high trust purchase or a low trust purchase ,and these things compound a lot . To wrap up this point though ,Shopify cares very deeply about high-trust commerce . And not all of commerce is high trust commerce . We don't need to go do all of commerce ,but we care about this part of it . That's where Shopify is happy . That's where we want our merchants to be .

Zack : [00:24:46] It's fascinating ,right? Because a business like Shopify has so many stakeholders . And maybe it'd be interesting to spend some time talking the importance of friction and trust in how the different stakeholders are interacting with Shopify ,whether it be the merchant ,the developer ,the customer themselves and just to appreciate that entire

Alex: [00:25:08] The question of friction is tricky because I don't want to say that our job is not to get rid of friction. There's a lot of friction that we absolutely are trying to get rid of. All of the friction around starting a business and getting your ducks in order and figuring out how to accept payments and figuring out how to get your shipping labels printed, all of that stuff you have to do that is hard, we want to make those things become easy and smooth and help you just get things done without costing a lot of work. But at the same time, there is a principle that we hold, which is, we'll make it easy, but we won't do it for you. If you are a merchant, one of the most important things that you need to have is trust in yourself that you can do this. We'll make things easy for you, but you have to do it. We can't make your first sale for you. You have to do that. Only you can do that. Once you get that, that's this magical feeling... Shopify plays this sound when you get a sale that people have compared to the sound that they play on lotto machines, this unbelievably addictive sound. Getting that is a very important step for you. The reason why it's meaningful is because there was friction. We don't want to say like, "Okay, we're going to make sure this process stays miserable because then you will have overcome a lot of friction and you'll have a lot of trust." No, no, no. There are lots of things that we need to make really easy, but Shopify is a little bit like a game that you learn how to play and you learn how to get better at. Toby has a great analogy for this. In the world of gaming, there are generally two types of games when you're in this big immersive environment. There are some kinds of games where from the very beginning of the game, you are this all-powerful super person and then you go around with all your powers and then you have to go conquer challenges. But then there's another type of game where you start out with nothing and you have to work your way up and build skills and level up and get XP and maybe get better equipment and get better weapons and whatever. And then you learn how to do that, and then you feel yourself improving over time and you get good. We have one of those. We have the second kind of game. The lesson is that video game developers understand something really important about friction that the rest of the business world hasn't totally figured out yet, which is not necessarily all friction is bad. The joke is like, what do video game developers think about regular businesses is that our idea of making Mario is like this Windows XP dialogue that opens up with a little button that says, "Rescue the princess." Okay. And then you click, okay, and then the game is done. Look, we got rid of all the friction. We did our jobs. It's like, no, no, no. It is a progression. We want to make this as meaningful for you as possible, and it has to be you doing it. We want to make a lot of things easy and there are a lot of tasks that we can help automate away for merchants, but we want to make sure that it's really you doing it every step of the way through. There is absolutely such a thing as bad friction we want to get rid of, but we also want to create trust.

Central to the idea of Shopify is this concept we call the 'trust battery'. It's how we built Shopify internally, we use this concept of the 'trust battery' a lot, but also externally. Shopify has a 'trust battery' with our merchants. Our merchants have a 'trust battery' with their customers. We have a 'trust battery' with all of the app developers on our platform. And when that 'trust battery' is high, just like with commerce, we're able to do some amazing things together

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Business Model and Competitive Landscape

Patrick : [00:29:18] Can you walk through the what I'll call the business models of the four pillars of the product? Because I think I don't want to stretch the Apple analogy too far, but it would be helpful to understand at a high level how Shopify the business makes money in its interaction with the stakeholders in each of these four key product verticals. And what piqued my interest especially was the Ecosystem or the App Store where Apple has been in the news for its fairly high, 30% take rate on purchases that happen on the iPhone, like through an app or something like this. And I'm just curious how you and Shopify think about different business models in different parts of the product and how those things all act in harmony.

Alex : [00:29:56] Your business model more or less is who you are. It's like, show me your business model and I'll tell you who you are. And Shopify being this fairly big complex creature has a couple of different business models. And I can walk you through a simple way to think about that. Generally, so if you start with Core, and you say like, "Okay, Core or the nucleus at the middle of Shopify starts out very simply as this subscription product that you get started as a merchant starting out paying, I think it starts at \$29 a month." It's very cheap, but you pay for this as a subscription. We want this to be the best deal that you will ever have on any product ever. Entrepreneurship, infrastructure for \$29 a month. This is recurring revenue. This is Software-as-a-Service. This is a subscription product that gets larger as you get bigger. We have a couple of tiers of pricing and it does get somewhat more complex as you become a big plus merchant. But in general, we are monetizing you as a customer directly. We have a very small price that we charge every month, regardless of whether you are selling or not. That is just the basic rate that we take. If you move to Merchant Services, now Merchant Services job is to make money on you consuming these services, however those look. There is no subscription fee for Shopify payments. Instead, there's a take rate. When you process payments with us, we take a small cut and Stripe takes a small cut, but we get your payment done for you. And so the more GMV you sell, the more we make, right - that's pretty straightforward.

So merchants is similarly like, the more capital that you take from us and pay us back, the more money we make, and then that grows along with the size of your business. The more products that you buy on Handshake in our wholesale marketplace, the more money that we take as a cut of that. And so in contrast to Core, which is monetizing directly, we can say that Merchant Services monetizes the first derivative of customer success. As our customers become successful, we succeed with them. Now, if you go to Ecosystem, so if Core monetizes directly and Merchant Services monetizes the first derivative, Ecosystem monetizes the second derivative of customer success. So as our customers become successful, the Ecosystem around them grows because there's GMV and there's work to be done and there's this interesting ecosystem to contribute to. And so we monetize directly to that, right? So it grows as a second function of merchant growth. So here, again, we have an app store and the app store takes a cut of what you make on it. So it is not terribly dissimilar to Apple in the sense of saying, "Look, we are providing you with all these merchants and all this business, and also an environment of structure and trust where you can know that this is not malware, and these are good apps that are being done and there's a certain amount of integrity to the process. And in exchange, we take a cut of activity that happens on the Ecosystem front." And so together, you get a really, really nice, I want to say - 'exposure curve' to what is going on in our merchant ecosystem. Some amount of this exposure is direct. Some of it is first derivative. Some of it is second derivative. And altogether, we are essentially a bet on are we building something that can mega compound into the future? This is a kind of compounding that is very powerful because it is the success of Core leads to Merchant Services being a good product, which leads to more GMV happening, which leads to more Ecosystem happening. It is a very, very powerful type of multi-player compounding. And our job is basically to just take a small but meaningful cut of that that allows us to keep reinvesting into making it better.

Zack: [00:33:15] And so when I think about it a bit more broadly, and I think about where Shopify participates in this ecosystem, I look at the separate GMVs as some of the typical competitors, at least in a business sense, right? And so I look at Amazon, which facilitates something like \$450 billion in GMV and Walmart that facilitates \$500 billion at retail on the one end. And on the other end, you have someone like Etsy who's at about \$10 billion. And you guys compete and partner with all of them in some way, shape or form. And to some extent, and correct me where I'm wrong, it'd be helpful to just help us to understand how you guys play within that complexity.

Alex: [00:33:55] The first thing to note is that Amazon, Etsy, and Walmart are all channels of Shopify, right? So it's like we compete with them in one sense, but also not really because you can sell on Etsy from your Shopify store, you can sell on Amazon from your Shopify store. You can even sell on Walmart through a Shopify store. You can't actually add up these numbers and get a total pie and then divide that pie and attribute which GMV is going to where, because in some places, they overlap. There is a lot of Amazon sales that happens that ultimately feeds back to a Shopify store. Again, if you look at commerce, one of the really big lessons of the pandemic, although this was a lesson that was already being learned over the past long while, was the importance of being multichannel. If you only have one channel, then you are really, really dependent on whatever happens to that channel. And if you're one channel was a brick-and-mortar storefront, then if there was a pandemic that made everybody stay at home, you're in big trouble, right? Unless you can get exposure into other channels like an online store or selling on Instagram or wherever it might be.

Part of the strength and the value of Shopify is being able to say, "Look, every business is different. There are some that work really well on Instagram and there are others that don't. There are some businesses that really are the farmer's market and storefront businesses that might like to have some sort of presence with Google ads. Whatever it might be, every business is different. Our job is to make sure that we can support that business in any combination of channels you want and express yourself in those channels in a way that makes you proud." So, part of this work requires us being able to go to these channel partners, Etsy as an example, and say like, "Hey, how can we make sure that a merchant who is a Shopify merchant but who wants to sell on Etsy is getting a really good expression of their store and of their brand, and in a way where some fair and appropriate cut of revenue is being shared between Shopify and Etsy, whatever that might be?" That's a relationship that we can have separately from the merchant, but that the merchant ultimately gets a final product that's good. There's this whole art and partnerships to doing this that has been interesting for us to learn how to do. We had a big announcement with Shopify and Facebook, where now you can buy with Shop Pay through Instagram now in a really smooth and frictionless way. That's a very big deal. We're not only helping Shop Pay and Shopify payments extend farther out into the world of commerce, but also just letting all of the commerce happening in these different channels just be done better, right. I don't know if you all know the parable of the long spoons. The parable goes like- what's the difference between heaven and hell? In hell, everybody is seated on opposite sides of a big, long table where there's a big banquet and there's this unbelievable feast in the middle of the table, but everybody's arms are really long spoons, right. They're these comically long spoons, and they're so long that you can't actually get food into your own mouth, right. So it's horrible, right? You watch this amazing food spoil and rot on the table while you fail to get the food into your mouth and it's terrible. And they you say, "What's heaven?" Heaven is the exact same thing except people feed each other across the table. If you just decide that you want to get the good outcome, rather than thinking of each other as competitors that are going after some fixed pie, you can quite quickly get to some amazing outcomes for our merchants. So this deal with Facebook, this is something we've learned how to do, learning how to work with other large partners. Facebook is obviously, this titan of the internet, really, really understands, in some ways, better than anybody else how people are on the internet and how people behave and how these interactions go all around the world. And for us to be able to come into Facebook and say, "Look, we want to bring what we're really good at inside of here, and the outcome of this is going to be that all the commerce is better for both all of our merchants and everybody at Facebook." Facebook knows that they want a lot of commerce to happen there, so for us to be able to come in and help make it better, that's a win-win situation. This is a long spoon story. So that's honestly in a nutshell how we would like to think about competition and other channels and other marketplaces. Look, there's no reason why Shopify can't be everywhere.

Zack: [00:37:48] And so I kind of think about Shopify as this infinitely inquisitive company that was started with the question of what sucks about starting an online business? And it's today evolved into this kind of collaborative inquiry of how to improve commerce. And it seems like that led you guys down the path of starting with software and going into point of sale, and then logistics and payments and you name it. Where do we go from here?

Alex: [00:38:13] One of the real downsides of Shopify's success is that it is still really hard to buy a snowboard online in Canada. If only Toby had stayed focused to his original mission, we probably would have a really, really sweet Canadian online snowboard store. Instead, we got stuck with Shopify. But this is a good question. And I actually think it's helpful to think about this question as being phrased slightly differently for each of the product groups, right, where do we go from here?

First of all, Core's jobs. So Core's job will never be done ever because Core is just moving progressively towards a horizon of more perfect within a context of a world where technology changes all the time, right? Do you think they're ever going to be done making the iPhone? Not anytime soon. Not only is there no limit to how good the iPhone can be, but also the world of technology around the iPhone is changing continuously. So at a minimum, there's a lot of work to do that they have to do in order to keep the iPhone as good as it was previously in the context of this changing world. Moreover, they want to shoot for even better than that, right? And the job of Core is to say, look, this job will never be done, but we want to reach for a higher and higher state of ambition for how good Core can be. Their job is never done, right? They are truly playing the infinite game of just going toward a horizon and building and building and getting something that is more and more great so that others can build on it.

Ecosystem's job, similarly to Core, is to say the world is increasingly being built and shaped by developers. Developers are out there in the world, building creative things, finding ways to build new forms of commerce and new ways to delight our merchants and delight commerce. Again, so long as there are developers, this job will never be done. It won't, right? Commerce is so big. It's so big. We are just this tiny little nucleus inside of this not only perpetually growing and enormous market, but one that also ... Commerce grows and changes faster than we can ever possibly get to. I don't think we're going to run out of things to do.

Merchant Services is maybe a little different than the first two, in that our job is actually to think a little bit shorter term and think in terms of windows of opportunity to go get. A lot of the Merchant Services markets deal with products where we have to get something out the door reasonably quickly because the market is changing and we really want to make sure that we can get to an outcome that is good for our merchants, as opposed to gets them trapped in some status quo that's bad. For instance, we think a lot on Merchant Services and on money and payments about why is it that, in North America, we pay 250 plus basis points for payments when the rest of the world has figured out how to get it down to the low double digits, right? Like in Asia, you're paying, what? 10, 15, 20 basis points for a payment. We're stuck paying 250,300. Why is this? Well, it is like this way for a lot of reasons. Again, it is a system that has found a steady-state whereupon Visa and MasterCard want it that they have all the power and they have all the network effects and they have all the leverage. And therefore, this is how credit card payments work, and therefore, this is how this entire system of payments works. Right? And we are forced to play that game because buyers want to pay with their credit cards and they work and they've done this unbelievable job of understanding that in this complex international world full of rules, the ability for a buyer to plunk down their credit card and have it always work is really valuable. Right? So we sort of approach this game and say, okay, we would obviously love to get the world into a state where we are paying a lower drawbridge tax every time a merchant makes a transaction. What are the windows of opportunity we have to do that? So one of these interesting opportunities is showing up with buy now, pay later, right? You have companies like Affirm who have shown up, and also other competitors to Affirm like Klarna and Afterpay who say, "Hey, we have this new and interesting way to do consumer credit with installment purchases." What's old is new again. This is just a layaway again for the 21st century. But they're saying, "Hey, the world might actually shift a little bit, it might rearrange in a little jump. How is Shopify going to react to this rearrangement?" If we want to do something, we've got to move. And in this case, this meant saying, "Okay, we're going to pick a partner. It's going to be Affirm. And we're going to build something together and we're going to make it good and we're going to get ourselves in here. And then this is going to be a window of opportunity that's going to play out. And we have to think about this as a bet that's going to be a part of a portfolio of bets, and we're going to manage that portfolio in order to get the best overall outcome for all our merchants. But you know what, it's a bet, right? So we have to treat it that way."

It's not that like other parts of Shopify don't take risks or think in bets, but it is a different ... Like we might take a little bit more of an explicit portfolio approach rather than Core, whereas it is this big complex knot of things that all have to work perfectly together. The Merchant Services teams are a little bit more independent.

Shopify's Philosophy

Patrick : [00:42:55] Can you say a little bit about this quality bar and what I'll call like difficult or dark side of having such a high-quality bar? You've been there I think long enough probably to have seen what sounds like just an incredible hurdle that must be cleared for anything to get shipped on the product side of Shopify. Obviously, the upsides are clear, right? Like a really high-quality product is great. What are the, if not downside side effects of having such a high-quality bar that other product-focused companies should hear or think about?

Alex : [00:43:23] So it's really interesting to ask this because I actually got to Shopify right as we made this explicit and challenging decision to lower our quality bar because of the pandemic. If you go back a year ago, there was an enormous amount of uncertainty as to what was going to happen to businesses everywhere. We had no idea. We knew that Shopify was in a position to help a lot of these businesses make it through potentially, but in order to do that, we needed to ship things very, very fast. And we felt that it was the right move to say, "Okay, do we accept having a lower quality bar on shipping these things?" But, I mean, the question of shipping great quality products, really it reflects what organizational culture you have and it reflects what organizational setup you have too. You probably know Conway's law, right? You ship your org chart. The product that you ship will resemble the contours information flow within your company, and also, they will reflect the contours of how power works inside the company, and how decisions get made, and how decisions get shaped around difficult choices where we have to decide between A or B and we have to figure out what the principles are. And I don't want to talk about power as in to make it sound like there's status games and power inside an organization, but, I mean, look, power is a thing that exists whether you think it does or not. Inside any organization, you have to deal with this question of saying as product choices gets made, does power work in a way where senior people have oversight into a quality bar or does power work... you have some companies like Google who very famously, it's very bottoms up. The product managers have a lot of power. That is just sort of the system in which the company builds and ships things. And this leads to some really, really good things about Google, many of the individual features. Gmail's like this great product that always has these great features that are getting shipped. I love Gmail and Gmail becomes this amazing thing, but also this same culture has produced like 8,000 different versions of Google Messaging, and there are a couple famously not so functional versions of Google's culture. And it's like, look, I don't mean to say that this is good or bad. The product that you ship reflects who you are, and who you are will always have choices involved.

When Shopify makes these things decisions, how do we think about our organizational structure, how do we think about reporting, how do we think about the composition of the teams, and how product and UX and engineering work together, we do always try to think about it in terms of the trust battery. What we can't do is create outcomes that destroy trust between us and our merchants. That kind of has to be at the center of what we do. And if other things have to reorganize or be accommodating to that, then that's okay. So be it. There are other companies who have different lines of work that might be able to ship in a different way or might have different advantages, but this is kind of where we've ended up. And honestly, I have to say, I've been phenomenally impressed by the degree to which the structure we've put in place allows people inside of Shopify, especially in product, to be thoughtful about global maximum for helping merchants. I think that's another kind of big focus, is on not solving for the local optimal solution that might be obvious and presents itself, but actually, there is a bigger mountain that is partially obscured by clouds here. How can we build in a way that actually exposes and illuminates the mountain we could climb? You mentioned retail and point of sale earlier. This is a great example, right? You go to Asia, they're 20 years in the future from us. Everything is this incredible online to offline QR codes mixture of... You can just see that it's like, wow! This is a system that is in some advanced state. We are so far from that in North America. In order to get there, there are a lot of non-linear skips and jumps to get from here to there, and Shopify honestly is in a fantastic position to help make that progression. We have a lot of merchants, some of whom have brick-and-mortar presences, who want to really get this online-to-offline relationship right. There's no roadmap of how to go from here to there. If you go to Asia and you look around and you

take a bunch of notes and then you try to come back and apply them here, you're not going to get very far because the system is just too different. You can learn from it. It's great to go learn. It's great to go look, but again, in these complex systems, the harder you try to solve something, the less progress you're going to make.

What you do is you look around, and you build. That's what you do. You look and build them. And as you build and as you look, you can see does this thing that I've built help illuminate maybe a different global maximum for me? And that's the thing that I've been very, very impressed about our organizational structure and about just the culture and the relationships that people have to each other, and especially between product and engineering and UX and everybody else in the company who helps contribute to these products, not only as they get built, but as they are run in the wild, helping our merchants, is always figuring out. Let's not assume we're at the summit, let's not assume that what we've done is the best version, let's actually try to look around for maybe the big mountain is actually behind us. Maybe we actually came out on a little false peak and the real summit is over to the left and we're busy looking at somewhere else. There's a really good culture of that.

Zack: [00:48:23] And so we look at Asia as a potential end state, but not the end state. And I think about that in the context of this question around, and I hate to use this term web 2.0 businesses, but aggregator versus platform. Shopify has been squarely in the platform camp for a while, but will the introduction of Shop and how you guys weave that into the story, potentially start to blur those lines a bit more?

Alex: [00:48:48] I've always been a little bit skeptical of the aggregator versus platform narrative in general, because if you look at any of these mega-successful companies, like they are so obviously both of those things. It's like Google is an aggregator because they have all of the search. It's like Google is also a platform for like a lot of the deep pipe infrastructure of the internet that allows these search results to go really fast. A lot of things are built on Google the platform that therefore allow Google the aggregator to do good things. Apple is an aggregator because everybody buys iPhones, but it's also a platform because they have iOS that supports all this app development, which is why people buy iPhones. I don't want to say that like Ben, like, especially Ben Thompson with like the whole aggregation theory, it's like, this is a very useful way to look about the world, but I've always been a little bit suspicious about this idea of it is one versus the other.

But your question about shop though saying like, would you expect this line to blur around being a platform for merchants versus an aggregator of buyers? I'll go back to the eBay story. What went wrong with eBay? eBay had the magic. They really, really had the magic and it got away from them. And part of the reason why it got away from them is because, as they got bigger, they did not get bigger in a way that was good for merchants. There were too many merchants entering this playing field that was structured incorrectly for more growth of the platform to be beneficial for the merchants, as opposed to for the buyers. We think about this lesson all the time because Shopify is going to grow. We're going to keep growing and as we grow more, it is never acceptable for us to grow in a way that is bad for merchants. That cannot happen. And the history of the world and the history of the internet is littered with these examples, whereas these platforms, not only like with the internet, but if you look at like the railroads, and if you look at electricity, these are fantastic examples of in the early S-curve adoption of these technologies like electricity, it was unbelievably good for small businesses. It used to be like, if you wanted power, you had to be big enough to have a coal plant in your factory. There was an enormous fixed cost associated with getting one of those set-up and then once you had them, you had a big advantage versus the electricity as this got deployed, this advantage went away. Now small merchants had the same thing as merchants, that's amazing. With the internet, I don't want to say that it's backwards, but like has not quite turned into the same outcome, which is that, with the internet, it actually started out with small people actually having an enormous advantage over the big people, because they're able to actually implement it at all. E-commerce is an amazing example of this. Small e-commerce sellers are such a better experience than the big ones, because the cost of implementing these online platforms like Shopify or whatever is not a cost in dollars, it's a cost in like your time and complexity. So if you're small, it's really easy for you to plug in Shopify and have an amazing experience. Whereas if you're JC Penny or something like that, it's going to be impossibly hard for you to integrate it with your 1980s system that's been patched over for 35 years. So the internet has always been this thing where it's like it didn't actually give small people an advantage that before only the big people had, it gives small people an advantage that the big people could not have. And again, that is starting to resolve and equilibrate again.

Again, Shop is not an aggregator. I promise you that is not how we're thinking about Shop, that is not the direction that shop is going to go, because to be totally honest, we don't want to take all of our merchants, who we've built all this trust with. We've

or buyers can now search across all the Shopify stores." And then they say, "Okay, well, can I put ads in the store to promote search results?" And then we say, "Yes, we'll do that. Now you have to bet against the other stores." And then before you know it, we've just built another aggregator. And then we will have been going down the path of eBay. We will have let this good thing go. Yes, it will create growth in the short term, but at the cost of getting rid of this high trust, very special commerce that we've worked so hard to try and build.

Patrick: [00:52:35] If you look at just the basic income statement, quarter four 2020 or something, maybe there's a billion and a half of gross profits. I don't know what the GMV is. It's crazy high, not Amazon level, but very high, a hundred billion-plus. So then you dig into just like the very high-level categories and you see something interesting, which is that sales and marketing is a higher spend than R and D. Not by a lot, but by some. And it's a really interesting line item for me. I don't know anything about it. And so the question is basically like, what is it like to do sales and marketing for a merchant-facing software company where the on-ramp is a \$29 per year subscription? And the sort of first and second derivative of the success of the merchants that come on that relatively cheap on-ramp dictates Shopify's future cash flows in a very real indirect way. Are there any thoughts on the unique aspects of Shopify's sales and marketing relative to a traditional Figma or something that's just going to sell and make their money on a SAS license?

Alex: [00:53:31] That's a fantastic question. CAC is the new rent. CAC is part of the reality of your business. And I think people have really clued into this idea that entrepreneurship on the internet is something that people want to get into. And so to the degree, to which we want to go spend on paid acquisition and paid targeting of merchants and getting things in front of them. And this is talking about like on the smaller end, it is a very competitive process for us to go bid for ads on Facebook and getting in front of merchants wherever they are. That's the life for everybody and to the extent to which we are willing and able to do this, because we really believe that we are setting merchants up to succeed so much, that we will capture the success of their first and second derivatives of their success in a way that makes the initial CAC that we pay for it seem really small. The entire nature of this bet. Talk about the bet as in like, do you acquire a customer for \$500 of CAC if you look at their LTV curve as being this possible line that slopes up and compounds as the years go by. This bet has very little to do with what the initial number is and more to do with what you believe the convexity of that line going up is. If you really think that you are creating Kylie Lipsticks and Jeffree Star... I don't want to say creating, merchants create their businesses, but we help them create these businesses that go on to become enormous, then like any CAC that you pay for them is worth it, right? It is entirely a function of what do we believe the convexity at that line is going up.

With larger merchants, it is a different kind of story in the sense of getting existing and large retailers, not only retailers, but even a company like Heinz ketchup, they came onto the Shopify platform last year. Seems like very strange, who on earth is buying D2C ketchup? That seems weird until you realize that the restaurants buy a lot of ketchup, and they would probably order it direct and have it show up at their doorstep the next day through Shopify fulfillment network directly from Heinz, that actually sounds pretty good. And you realize like, Oh, okay. The scale of this opportunity is much bigger than DSE. And so our ability to go get in and say like, "Hey, we can't really start building this until we have the critical mass of people already here." It means like, look, we're going to spend money acquiring customers like everybody has to, this is not a word of mouth business anymore.

Patrick: [00:55:39] You've set me up perfectly for, I think a good closing analogy. You're amazing at drawing analogies to help explain things. You've done this for me before, so it's kind of a cheat that I know it ahead of time, but you've set me up right with this kind of idea of the bet being, who cares if it's 500 bucks, the shape of the payoff curve can be so vertical in the out years that there's a video game analogy in, I think took one of Toby's favorite games, one of my favorite games, called StarCraft. There's a certain species in StarCraft. StarCraft is a real-time strategy game where you're a race fighting against another race. You build an army, you build a base, you fight against each other, et cetera. And there's one species called the Zerg. And there there's a Zerg analogy that you've talked me through before for what Shopify does for merchants that I think is a great closing point because it's an idea that can be ported out of Shopify and I think applied to other businesses that are trying to enable some group, whether it's not merchants, but some other group. So can you just close this off with this great analogy?

Alex: [00:56:33] I think it was a 'nongaap' on Twitter who, with an amazing newsletter, by the way, one of the great newsletters,

who originally wrote an article called Shopify as a StarCraft strategy ,that is the original source material for this . But in short , in StarCraft , you can play three different races that will sort of dictate what your relative strengths and the strategies will be . And there's one of them ,Zerg ,is this strategy ,where it is relatively slowish as you get going ,but if you are able to make you get to late game ,you are like virtually unbeatable ,like there's very,very,very little way that anybody can fight against you because you've kind of taken over the entire environment . And when you're playing Zerg ,there's something called 'Creep ',which is this ,I guess you call it like a substance or something . Like it's a sludge that like sort of creeps across the map . And as you cover more and more territory with Creep ,you gain an advantage inside that . You gain all these advantages and everything you're doing once you're inside it . And so as Creep's slowly covers the map ,the Zerg player will progressively win . Now ,if you think about like Shopify as a StarCraft strategy ,and if you look ,it's like ,okay ,what are various forms of Creep for us that are slowly starting to get everywhere ? And how can we start to get ,not only want to say like ,Creep in terms of like our presence and our leverage and our influence inside these places ,but also high-trust commerce in these places ? How can we get these really meaningful buying and selling experiences taking place in more channels ? In more ways ? With more touch points to the buyer ? Every time we are able to take these buying and selling relationships and tie them in and stitch them into these other aspects of people's lives . The shop app is a great example ,right ? Just having something that is just a delightful experience in your hand showing you your package tracking . That is this delightful experience ,it shows you where things are . It is an experience that up until recently you could get on Amazon ,but not with independent merchants . The contrast to this creep strategy is really Amazon . Amazon has also built this amazing buyer experience ,but it is inside the walled garden of Amazon . And in order to get it ,you have to have loyalty to Amazon and not to merchants and that's the way it goes . And it is locally very good . But in contrast ,I would say like the Zerg strategy is to say like , "No ,let's put good everywhere and have the good be so good that it creates this compounding advantage for all of the commerce that wants to happen in this environment . It creates more trust . It creates more trust by buyers and what they're doing . So that they will come back and be repeat customers next time and their LTV will go up ." It creates more trust by existing merchants to go out and really introduce new products and take more risks and spend more time building more things on their store and hire more app developers to create better experiences . It creates more trust in prospective merchants ,by the way ,who see what's going on and have these delightful buying experiences and think , "You know ,I could do this . I could be a seller . I have something I want to sell . Why don't I get started on Shopify ?" And then they start spawning .

We would love nothing more than to have this endless stream of new perspective merchants just spawning and spawning and spawning and becoming big grown-up merchants because they are in this environment that makes it a no-brainer decision for them to try . We can get rid of all this bad friction and say , "Look ,we want to make it so painless for you to get to the front door of starting ,but also have the process of going through the struggle of getting your first sale and going through the learning process ,build trust for you in as meaningful a way as possible so you'll come back and you'll grow and then we'll grow with you ." And then the first derivative success starts to compound ,which is we make money processing your payments and giving you loans . The second derivative success starts to compound ,which is this ecosystem around you makes money because they're doing things for you ,and then we help that grow . And then over time ,it's like Creep gets everywhere . Buyers start to expect really ,really amazing payment experiences when they are shopping somewhere . I love seeing on Twitter when somebody is like , "When I buy something on e-commerce and there's no Shop ,Hey ,there ,I get really frustrated ." It's like amazing . Buyers are starting to expect a level of good that they did not have for online shopping outside of Amazon ,relatively recently . If you create expectations of a level of high-trust activity everywhere ,then good things will follow . Good things will follow relentlessly ,but we can't predict what they are necessarily . We don't know the future ,but we know that if you can set up this system of high quality ,high trust commerce ,and get it everywhere ,then we will always have a job to do . And our merchants will always have a job to do and more merchants will be created ,more entrepreneurship will get created and we will have helped contribute to that . That's our mission .

We want to make it so painless for you to get to the front door of starting ,but also have the process of going through the struggle of getting your first sale and going through the learning process ,build trust for you in as meaningful a way as possible so you'll come back and you'll grow and then we'll grow with you ."And then the first derivative success starts to compound ,which is we make money processing your payments and giving you loans . The second derivative success starts to compound ,which is this ecosystem around you makes money because they're doing things for you ,and then we help that grow .

Patrick : [01 :01 :05] Well , Alex , I wish I could clone you and stick you in every company . So we could do this each time with

your very unique spin on explaining a business and all the way up to 30,000 feet , all the way down to a few feet . It's been so much fun. Thanks for breaking down Shopify with us .

Alex : [01 :01 :16] Oh, Patrick and Zack , this has been an absolute pleasure . I have to plug you guys back . Colossus as an institution is unbelievable . You guys are really doing for learning how to think about investing in business , is not so dissimilar to what we're doing at Shopify . All of these things should be available for you to just start consuming . You can't teach people how to be an investor , but you can get them started . You can get them thinking about how to learn and how to make mistakes and how to grow and like how to start talking to operators and how to just get in there . And there's no reason why everyone can't have these resources . So thank you again for doing this . This is just absolutely the best . I've learned a lot from you . I know so many people have , so ...

Patrick : [01 :01 :53] I appreciate it. We'll run with that analogy . I think it's a good one and a fun one to explore . Thanks for your time , my friend .

Alex : [01 :01 :58] Thanks to both of you .

Patrick : [01 :02 :01] I hope you enjoyed this breakdown of Shopify with Alex Danco . Alex leaves us with two incredible business concepts . First is the idea of building on-ramps for any business . By doing this , you're essentially increasing the total addressable market for your business by removing the barrier to entry for potential customers . Second is the idea of monetizing the derivatives of your customer's success in your business or your platform . This has me thinking about new ways to monetize any business that I come across .

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