

**ANDREW LEFT V. SHOPIFY**  
**An Analysis.**

**Stacey Taylor**  
**B00766683**

## PART I

In analyzing the Twitterverse, the following steps were taken in writing the code:

1) In "a3-question1.py", the unique IDs were identified for both Shopify and CitronResearch by using the following code

```
s = get_profile("Shopify") # Do this for Citron and Shopify (and Tobi later for the other question)
print "Name:" +s.name
print "id:" +s.id_str
```

The name was printed along with the ID so the reader would be able to easily tell which ID was for which screen name.

```
[Staceys-MacBook-Pro-2:a3 staceytaylor$ python a3-question1.py
Name:Citron Research
id:236953420
[Staceys-MacBook-Pro-2:a3 staceytaylor$ python a3-question1.py
Name:Shopify
id:17136315
Staceys-MacBook-Pro-2:a3 staceytaylor$ █
```

2) In "a3-question2.py", the most popular re-tweet from CitronResearch was identified using the following code

```
t = get_tweets("CitronResearch")
list = []
for tweet in t:
    list.append(tweet.retweet_count)
for tweet in t:
    if tweet.retweet_count == max(list):
        text = tweet.text
```

The list append was modified to only target retweets, and the retweets count was listed at maximum, that way it would pull the most popular retweet.

```
Name:Citron Research
id:236953420
```

the most popular tweet of citron research is "\$veri is not artificial intelligence, more like natural stupidity. Stock should trade right back to \$20." with a retweet count of 75

3) In “a3-question3.py” and “a3-question4.py”, the same code was used for each question with minor changes for get\_profile and for certain text in the tweet to isolate the desired targets:

i) in question 3, the get\_profile was modified to be **Shopify**, and the isolated text in the tweet was modified to be **CitronResearch**. This yielded no tweets. The get\_profile was then changed to **tobi** (which is Shopify’s CEO’s own personal Twitter account) and the text in the tweet was changed to **short-selling troll**. This yielded one tweet, as seen in Appendix 1. It is interesting to note that rather than snap back at CitronResearch through the company’s official Shopify account, Tobi Lutke called out Citron’s Andrew Left in an indirect way by calling him a “short-selling troll”.

ii) in question 4, the get\_profile was modified to be **CitronResearch** and the text in the tweet was modified to be **FTC**. The screenshot for the resulting 6 tweets that mention the FTC can be found in Appendix 2.

The tweets for Questions 3 and 4 were also exported to a CSV file, which can be found in the zip file uploaded to Brightspace.

The code itself has been uploaded into a Git Hub repository. The link is <https://github.com/staceytaylor/a3.git>

## **PART II**

### **INTRODUCTION**

Legal proceedings were brought against Herbalife International by the Federal Trade Commission (FTC) on July 15, 2016. The charges comprised one count of unfair practices, one count of income misrepresentation, one count of false and unsubstantiated claims of income from retail sales, and one count of means and instrumentalities (FTC, 2016). While not all multi-level marketing (MLM) programs (sometimes referred to as 'schemes') are deemed to be illegal, the FTC, based on the evaluation of its criteria, determined that Herbalife's MLM was illegal, as it was a true "pyramid scheme".

The FTC's claim rested on four main premises, being that Herbalife's retail program is not financially feasible or viable, incentive compensation being linked to recruiting (see Appendix 3 for a schematic of the recruiting scheme), product purchases to advance within the company, and the requirement of regular product purchases to qualify for rewards (FTC, 2016).

It should be noted, however, that the FTC does not explicitly identify what a pyramid scheme is, or state where MLMs cross the line from being legal to illegal, section 5 of the Federal Trade Commission Act deem "...unfair or deceptive acts or practices in or affecting commerce...as unlawful" (Taylor, 2012). As well, Herbalife escaped being labeled a 'pyramid scheme' because the company agreed to fundamentally restructure the company, and pay the \$200 Million dollar fine assessed to it by the courts (FTC, 2016)

### **ANDREW LEFT AND SHOPIFY**

In October 2017, Andrew Left started a vehement campaign against Shopify, likening the company to Herbalife. As previously discussed, Herbalife was a multi-level marketing organization, which narrowly escaped being labeled a pyramid scheme by the FTC. In his youtube video, Andrew Left exposes what he calls the

“dark side” of Shopify. In his discourse, Left indicates that Shopify is worse than Herbalife for the following reasons:

- Left claims that Shopify has “mastered the ‘get rich quick’ scheme”
- Shopify claims that you can become a millionaire – 2,700 people already have
- A sample resignation letter is provided on the Shopify website
- Members are told that they can quit their job and enjoy a lavish lifestyle – something that Left points out is specifically prohibited by the FTC
- Shopify sells business opportunities – this is also prohibited by the FTC
- Partner network (such as bloggers and influencers) are used to promote Shopify, but consumers do not know this because it is not disclosed, as per the law

(Left, 2017)

In support of Left’s claims, there is a Facebook page entitled “The online store for someday millionaires”, which can be easily be misconstrued as being feasible/possible by all.<sup>1</sup> Similarly, on Shopify’s official Facebook page, Shopify claims that 2,700 people become millionaires each day (posted December 17, 2015) and then goes on to tell the Facebook audience to build its own store with a link to Shopify’s official website.<sup>2</sup> While the resignation letter cannot be confirmed, as it cannot be accessed, or it has been taken down since Left’s youtube video aired, there is still a blog page on Shopify’s official website entitled “Ready to Become a Full-Time Entrepreneur? Here’s How to Quit Your Job”<sup>3</sup>. Keeping in mind the FTC’s redress of Herbalife, these pages are quite damning. The FTC is very watchful and its mission is to “protect consumers [from] deceptive and unfair business practices...” (FTC). As such, the FTC takes particular interest in multi-level-marketing businesses, particularly those that may, in fact, be pyramid schemes.

### **LEFT – A SHORT SELLING TROLL?**

Shopify’s CEO, Tobi Lutke, responded, in an indirect fashion to Left’s claims by calling him a “short-selling troll” in his tweet from his personal account, rather than

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<sup>1</sup> <https://www.shopify.ca/facebook/millionaire>

<sup>2</sup> <https://www.facebook.com/shopify/posts/10153167684546881>

<sup>3</sup> <https://www.shopify.com/blog/75848773-ready-to-become-a-full-time-entrepreneur-heres-how-to-quit-your-job>

Shopify's official Twitter account. (See Appendix 1). While Lutke's Tweet is somewhat cryptic as to who it is responding to, the fact that he points out (indirectly) that Left is a short-seller is an important fact. Short selling, in its most basic form is a trading strategy whereby securities are sold with the belief that they will decline in price, at which point they can be repurchased at that lower price. Essentially, it mirrors the "buy low, sell high" premise of investing. While Left being a short-seller is not an issue on its own, it does speak to his motivations where Shopify is concerned. As can be seen in Appendix 4, Shopify's stock price declined significantly after Left's youtube video aired. Left, known for providing short-selling investment advice, can be said to have had significant influence over Shopify's stock price, bringing it down, and into a short-selling position.

### **ARE THE ALLEGATIONS JUSTIFIED?**

Left's allegations are not justified because there is not sufficient evidence that Shopify is actually *selling* business opportunities; there is a significant difference between selling and facilitating. Shopify's website helps entrepreneurs set up their websites, it does not sell a pre-packaged business. As well, Shopify is a Software as a Service (SaSS), and it is not uncommon for SaSS to sell different level packages to consumers. The mere fact that Shopify has different packages available to its consumers does not make it a MLM. In reality, if Shopify is an MLM/pyramid scheme, then every SaSS on the market today is.

### **CONCLUSION**

In conclusion, while Andrew Left does make some interesting points that could potentially cast doubts on Shopify's intentions, his motivations for attacking Shopify's stock prices should not be ignored. Left has a significant amount to gain if he can bring down the share price enough to create a benefit for clients who short sell.



## References:

Federal Trade Commission v Herbalife International of America Inc, 2:16-cv-05217 (2016). Retrieved from FTC database.

<https://www.ftc.gov/system/files/documents/cases/160715herbalifecmpt.pdf>

Federal Trade Commission, 2017, press conference on Herbalife. Retrieved from the FTC.

<https://www.ftc.gov/enforcement/cases-proceedings/refunds/herbalife-refunds>

Federal Trade Commission. Accessed November 27, 2017.

<https://www.ftc.gov/about-ftc>

Taylor, J.M. (2012) The Case (For And) Against Multi-Level Marketing: The Complete Guide to Understanding the Flaws – and Proving and Countering the Effects – of Endless Chain “Opportunity” Recruitment or Product-Based Pyramid Schemes.

<https://www.mlmwatch.org/01General/taylor.pdf>

Left, Andrew [Citron Research]. (2017, October, 4). *Citron Exposes the Dark Side of Shopify – the FTC Will Take Notice*. [Video File]. Retrieved from

<https://www.youtube.com/watch?v=O8mNanfNNLw>

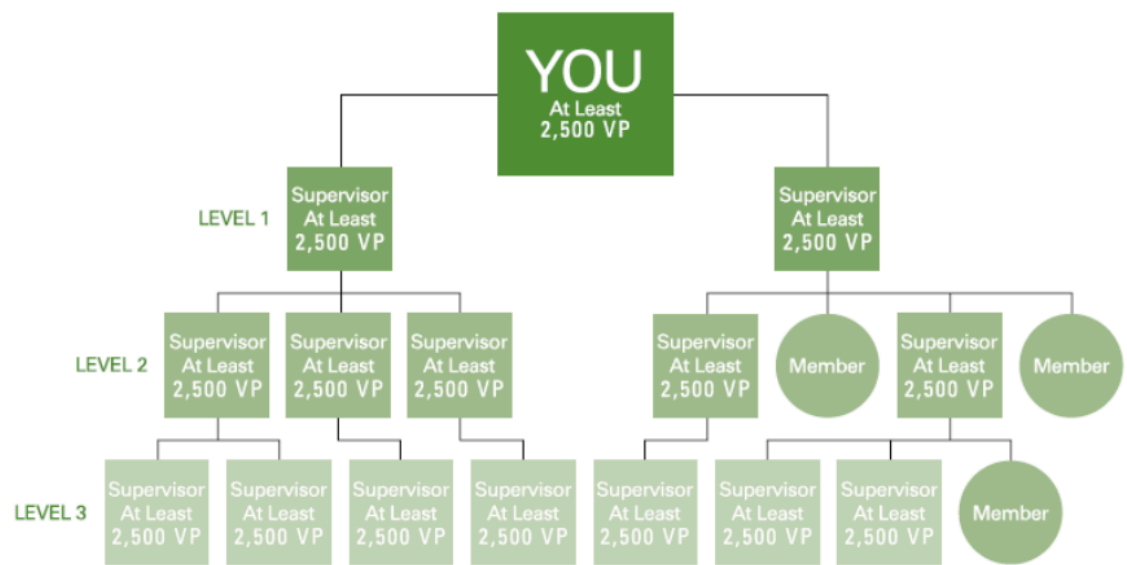


### Appendix 1 - Question 3 Tweet

id	user	created_at	text
9.18E+17	tobi	17-10-10 17:25	Lots of people want me to address the short-selling troll thats targeting \$\$SHOP. Looking forward to next earnings calls to do so

id	user	created_at	text
9.16E+17	CitronResearch	17-10-04 15:01	Here is the story that provides all the evidence the FTC needs agasint Shopify \$SHOP tgt \$60 - being generous <a href="https://t.co/QBKEIVdpTa">https://t.co/QBKEIVdpTa</a>
9.16E+17	CitronResearch	17-10-04 13:50	Full story up in one hour...video live now...\$SHOP is not the company Wall Street has sold you. The FTC is going to shit when they read
9.16E+17	CitronResearch	17-10-04 13:49	\$SHOP a business dirtier than \$HLF If the company has 2,500 plus merchants and 25k advanced...who are other 470k merchants? @FTC
8.49E+17	CitronResearch	17-04-04 14:20	FleetCor \$FLT customers can file their complaints with the Georgia AG or the FTC at <a href="https://t.co/QnLnBHPC50">https://t.co/QnLnBHPC50</a> or <a href="https://t.co/dK0mjCwh8R">https://t.co/dK0mjCwh8R</a>
4.08E+17	CitronResearch	13-12-03 17:13	\$QCOR already getting rid of evidence for the FTC....Citron uncovers another inconvenient truth about Acthar. <a href="http://t.co/dVlJVPakNf">http://t.co/dVlJVPakNf</a>
4.05E+17	CitronResearch	13-11-25 16:15	Citron reports FTC investigating \$QCOR over Synacthen deal. Insiders bail. <a href="http://t.co/dVlJVPakNf">http://t.co/dVlJVPakNf</a> DOJ, SEC, 2 US Atty offices and now FTC

APPENDIX 3 – RECRUITING SCHEME



Incomes applicable to the individuals (or examples) depicted and not average. For average financial performance data, see the Statement of Average Gross Compensation paid by Herbalife at [Herbalife.com](http://Herbalife.com) and [MyHerbalife.com](http://MyHerbalife.com).

# SHOPIFY (SHOP) STOCK NYSE



ADD



SHARE

♥ 103.36 USD -13.45 (-11.51%) 02:47:03 PM EDT BTT

Prev. Close	116.81	Market Cap (USD)	10.14 B	Day Low	100.76	Day High	117.36	52 Week Low	37.74	52 Week High	123.88
Open	117.36	Volume (Qty.)	1,212,834		104.20					104.20	

INTRADAY 1W 1M 3M 6M YTD 1Y 3Y 5Y 10Y MAX CHART OPTIONS EXCHANGE: BTT



Markets Insider

<http://www.businessinsider.com/shopify-citron-andrew-left-business-dirtier-than-herbalife-2017-10>