Is This The Beginning Of Amazon’s Meltdown?

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Stephen McBride, *Forbes*, January 2, 2020

Young child in a vintage looking photograph stands next to a huge pile of discarded boxes, garbage,...
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When Amazon’s executives heard the news, they couldn’t believe it.

Last November, the world’s largest sporting goods company, Nike, announced it was leaving Amazon. It would yank all its products from Amazon.com and sell them exclusively on its online store.

Nike is the biggest retailer to break up with Amazon, but it’s not the first. From mom-and-pop stores to retail giants, more than one million businesses are ditching Amazon and selling online *independently.*

As I’ll explain in a moment, this is the beginning of the biggest disruption in retail since Amazon’s inception. And there’s one little-known stock driving it “behind the scenes.”

The good news is this megatrend is still in the very early stages. It’s off the radar of many investors, which gives us a chance to cash in big time. But first, let me clue you in on what’s going on here.

For a Long Time, Retailers Depended on Amazon to Sell Online

Today In: Money

As we all know, Amazon is king of online shopping. It runs the world's biggest online store, which makes up more than half of online sales in the US.

What you may not know is that most of the stuff listed on Amazon.com are not products of Amazon. They come from other retailers known as "third-party sellers." For a fee, Amazon has granted them permission to put their stuff on its "shelves."

In 2007, only 26% of products sold on Amazon were from third-party sellers. Today, more than 53% of all Amazon products are from third-party sellers, according to Statista.

For a long time, Amazon has served as the online "storefront" for most retailers. But that's quietly changing.

One Retailer After Another Is Leaving Amazon

Nike is only the tip of the iceberg. There's a growing pack of retailers breaking ties with Amazon and launching their own online stores.

Take Birkenstock, one of the world's most iconic footwear brands. In 2017, the company left Amazon altogether. It also issued a strict order to several thousand of its retail partners to pull all Birkenstock products from Amazon.

You also may be familiar with these brands:

- Vans - one of America's most iconic urban footwear and apparel companies
- Ralph Lauren - another iconic American fashion lifestyle brand
- Rolex... the biggest high-end watch company
- Louis Vuitton, a French luxury fashion brand
- Patagonia and North Face - some of the biggest outdoor clothing, footwear, and equipment brands

While you could find their products on Amazon listed by resellers—most of which are generic and dated models or knock-offs—none of these brands sell directly on Amazon.

These are just a few of many retail giants that ditched Amazon. There are a million more small retailers bypassing Amazon and selling stuff online *independently*.

Amazon Had the Upper Hand Against Retailers

Until very recently, the idea of a small or medium-size business competing with Amazon online was a joke. Because Amazon has it all.

In a few clicks, you can order stuff from thousands of retailers, and get it delivered to your doorstep the same day. For free! If you are short of cash, Amazon will give you credit. If you are not happy with your order, you take the package to the nearest UPS store and get a refund almost instantly.

To keep all this running smoothly, Amazon plows billions of dollars into its store. It operates more than 150 million square feet of warehouse space. Tens of thousands of its trucks and vans roam across the country. It even owns its own fleet of ocean freighters and cargo aircraft!

Who can match that? For years, going up against Amazon was suicide for a retailer. The only option for 99.99% of retailers was to partner with Amazon to sell their stuff on Amazon's store.

Anyone Can Be Amazon Right Now

This may surprise you, but today any mom-and-pop store can run an online store as good as Amazon's. Thanks to a new breed of tech companies, now you can easily farm out every step of the online store process—from shipping to returns and even one-day delivery.

Here's a quick rundown:

- You can build an online store with Shopify (SHOP)
- run guided advertising campaigns with Facebook or Instagram
- handle payments with Stripe
- give credit with Affirm
- store your inventory and fulfill orders with ShipBob
- Handle returns with Returnly
- Even provide Amazon's famous same-day delivery with DarkStore

All of them are charging either a small monthly fee or a little commission off sales. That means anyone with a couple hundred bucks can sell stuff online as effectively as Amazon.

A massive disruption is blowing in right before our very eyes. Just like the internet liberated retailers from brick-and-mortar stores, these companies are freeing them from Amazon's clutches.

Shopify Is King of This Megatrend

If you've been reading me, you know that I recommended Shopify (SHOP) a month ago. Since then, it jumped 30%.

In short, Shopify helps you sell your products online on your own website. Just like Nike, Birkenstock, and other big-name retailers do.

For as little as $29/month, Shopify sets you up with a full-fledged custom online store. It can even hold your inventory in its warehouses and ship your products.

Since Shopify operates “behind the scenes,” you probably haven’t come across it when shopping online. But it’s already the world’s second-largest online shopping company.

It powers over 1,000,000 independent online stores. And get this, one in three Americans buy from a Shopify-powered store—without even realizing it.

Shopify Could Hand You a Double, but Be Careful

Since Shopify went public, it has been growing by leaps and bounds. In 2015, it had just 240,000 merchants, selling $7.7 billion worth of products through Shopify. Since then, it has grown into a million+ merchants grinding out 50+ billion in yearly sales.

As I said back in November, if Shopify keeps up this growth, I see it doubling by 2022. There’s one catch, though.

The stock has soared over 1,000% in just four years, and 30% more since I recommended it. I wouldn’t be surprised if the stock took a breather somewhere down the line. For this reason, I recommend keeping the position in this stock small enough that a double-digit drop wouldn’t hurt you.

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