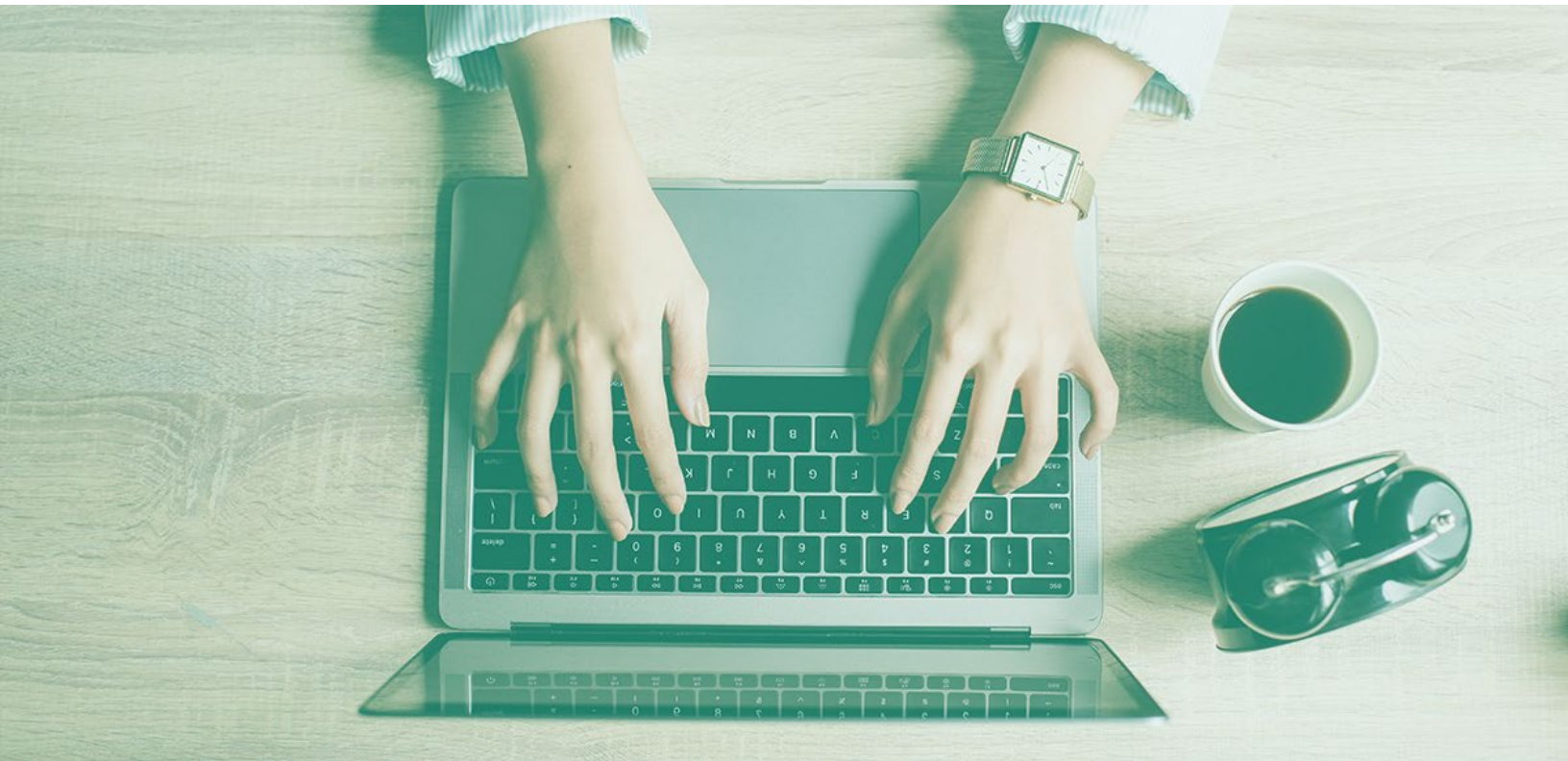


# *Shopify Capital:* *The Complete Guide for 2021*

If you run your business on Shopify, you've probably heard about Shopify Capital.

Today we're going to share what you should know about the program including when it might make sense to use it for your ecommerce business.





01	<i>How Do You Qualify for Shopify Capital</i>	3
02	<i>How Does Shopify Capital Work</i>	6
03	<i>Shopify Capital Loan vs. Merchant Cash Advance</i>	7
04	<i>Is Shopify Capital a Good Idea?</i>	8
05	<i>Shopify Capital Customer Reviews</i>	10

# 01

## HOW DO YOU QUALIFY FOR SHOPIFY CAPITAL?

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To begin, you have to be a Shopify merchant. Similar to Amazon, Shopify only offers funding to its users. If you want to change your ecommerce business over to Shopify, remember that users can only operate in the US, Canada, and the UK.

Next, it is required that you have a payment provider, either with Shopify Payments or a third-party provider.

Third, your online store must make and maintain a certain amount of revenue. The guidelines unfortunately do not specify what that amount is. Shopify does not explain its eligibility criteria directly, which can be challenging for some merchants. Alternatively, it states that if you do not receive an invitation to view funding options, you do not qualify.

As we get into the Shopify Capital application process, you may notice Shopify offers more implications than explanations. The good news is, you can always reapply if your application is unsuccessful the first time around.

# 3 STEPS TO RECEIVE FUNDING FROM SHOPIFY CAPITAL



## **APPLICATION SUBMISSION**

Shopify Capital does not have an actual application form. If you are eligible, you will receive both an email invite and a message in your Shopify admin dashboard to view available funding options. From there, you can submit a request for a pre-qualified amount directly through the dashboard.



## **UNDERWRITING PROCESS**

Shopify's underwriting process has two stages. During the first stage, your original eligibility is based on your revenue history with Shopify. The initial offer of your pre-qualified amount is only valid for 30 days and can be revoked afterward. The process enters the second stage after submitting your request. Here, Shopify underwriters review the application and may revise the pre-qualified amount. Depending on your store's performance, the amount can increase or decrease.



## **REPAYMENT**

Once you receive the capital, you can view and manage daily revenue, balances owed, and the payment history all through your Shopify admin dashboard.

## *But what if I'm ineligible or Shopify Capital revokes my application?*

Fortunately, Shopify Capital periodically reassesses stores for funding, monitoring their revenue and earning potential. A recent [survey](#) from McKinsey & Company says 40% of consumers plan to shift almost completely online after Covid-19. So, if your store does not qualify now, an influx of new customers and consistent sales may change your eligibility status in the future.





# 02

## HOW DOES SHOPIFY CAPITAL WORK?

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Through Shopify Capital, you can receive funding between \$200 and \$1 million USD (or \$200 and \$500,000 CAD). Merchants are usually notified of the approval of their request within 2-5 business days. Once approved, the funding can appear in your bank account as soon as the following business day.

Shopify Capital offers two forms of funding: **loans** and **merchant capital advances**.

Neither of the two has an interest rate. Instead, Shopify Capital may use a factor rate of around 1.13, based on its page examples, to calculate your fee.

### What Is a Factor Rate When Discussing Shopify Capital?

One of the biggest questions about using Shopify Capital is just what this factor rate is, exactly.

According to Shopify's own [glossary of terms](#), the 'factor' or 'factor rate' is "the number that the amount received multiplies by to determine the total to remit." Like an interest rate, the factor rate is the fee you pay to Shopify Capital in exchange for accessing a loan or merchant capital advance.

Now that you know how it works, you'll want to take a good look at Shopify Capital's loan vs. merchant cash advance to make sure you understand the difference between the two options before making your request for funding.

# 03

## SHOPIFY CAPITAL LOAN VS. MERCHANT CASH ADVANCE

First, let's talk about what Shopify Capital's loan and merchant cash advance offerings have in common.

Both funding options are lump sums given in exchange for daily repayment until you meet the full sum. The difference is that the loan applies a fixed cost and a repayment rate, whereas the cash advance purchases a set amount of your future revenue and a remittance rate.

The determination of either the repayment rate or remittance rate — the percentage of your daily sales to pay back to Shopify Capital — depends on your risk profile.

But the main difference between the two funding options is the repayment length. The Shopify Capital loan has a 12-month term divided into 60-day repayment cycles (milestones), during which you must repay at least one-sixth of the total due. The merchant cash advance, however, does not have a deadline.

For example, let's say that Shopify Capital offers you \$10,000:

If you choose the loan option, a factor rate of 1.13 gives you a fixed cost of \$1,300, amounting to \$11,300 total owed. With a repayment rate of 10%, you will owe 10% of your daily revenue until you pay the full total owed within the 12-month term. If your repayment doesn't equate to one-sixth of the total by the time of the milestone date, Shopify Capital will automatically withdraw the remaining amount from your account.

Using the same example offer and factor rate on a merchant cash advance, Shopify Capital purchases your future revenue for \$11,300, the total to remit. With a remittance rate of 10%, an automatic 10% of your daily sales will transfer to Shopify Capital until you repay the full amount. With this option, there is no deadline for the total to remit.

It is important to note that Shopify Capital only offers loans in the following US states:

Arizona	Kansas	Utah
Idaho	Louisiana	Washington
Illinois	Maine	Wisconsin
Indiana	North Carolina	Wyoming
Iowa	South Carolina	

Merchant cash advances are available in all remaining states and Canada.

# 04

## IS SHOPIFY CAPITAL A GOOD IDEA?

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Shopify Capital is an easy way to receive the funds you need, but it may not be the best option for everyone. Before deciding on either funding option, let's review the advantages and drawbacks of the program.

### PROS

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- Simple application process
- No credit check
- No repayment deadline (using merchant cash advance)
- No interest rate
- Available in Canada and the UK
- Manage repayment through Shopify dashboard

### CONS

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- Only for Shopify users
- Loans are only available in select states
- Amounts are non-negotiable
- Eligible daily revenue not specified

Depending on your bandwidth, the loan option may be an inconvenience since you must send payments manually. On the flip side, some merchants don't love the fact that Shopify will automatically take a portion of your sales through the merchant cash advance.

In either case, many Shopify merchants who take advantage of Shopify Capital appreciate the fact that they can monitor and manage all repayments directly through their dashboard where they're already doing business every day.



## Reasons to Use Shopify Capital

For those who qualify, Shopify Capital is worth considering. During uncertain times — such as the pandemic — you have access to extra cash, right at your fingertips.

To assist businesses impacted by Covid, Shopify made an [extra \\$200 million available through Shopify Capital](#) for its users, including those in Canada and the UK. Merchants who may be experiencing high volumes of orders can utilize Shopify Capital to cover manufacturing costs and hire more employees during seasonal spikes.

As for customer service, Shopify support is available 24/7 via phone, email, and live chat. While Shopify's customer support focuses primarily on troubleshooting and management inquiries, the platform provides a detailed FAQ section exclusively for Shopify Capital. Users can also take advantage of the help center page, where they can easily scan key topics and utilize the search bar. Additionally, Shopify provides dozens of educational blog posts, video tutorials, webinars, and a user community forum.



# 05

## SHOPIFY CAPITAL CUSTOMER REVIEWS

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There are mixed reviews online for Shopify Capital, most of them regarding customer support.

Consumer rating platforms, such as the [Better Business Bureau](#) and [Trustpilot](#), provide insight into common issues and concerns among Shopify users. Keep in mind, Shopify has over [800,000 sellers](#) and more than 200 million buyers, so hundreds of complaints on rating websites are par for the course when dealing with brands of this size.

Still, you may find more transparency about the Shopify Capital experience on community forums, including [Reddit](#) and [Shopify Community](#), where sellers generally answer questions and provide feedback to other users dealing with similar issues.

Still weighing your options? Consider asking another merchant to share their experience with Shopify Capital. You may also want to compare alternative options, especially if you're feeling uncertain about the flexibility of funding terms, or lack of dedicated customer support.



### Before You Go

Before deciding on any new source of funding, it's always best to consider how much working capital you need, how soon you need it, and your current state of cash flow.

Overall, Shopify Capital is a fast way to secure extra cash for your ecommerce business, if eligible.

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