Take Advantage of the Rise in E-Commerce With These 2 Stocks

Description

More than ever, the internet is proving its power as a disruptive force, changing the way people communicate, inform themselves, and, perhaps most importantly, make purchasing decisions.

Two Canadian technology companies that may not have yet received their due in recognizing their influence on the changing landscape are **Tucows Inc.** (TSX:TC)(NASDAQ:TCX) and **Shopify Inc.** (TSX:SHOP)(NYSE:SHOP).

Tucows: the backbone of the internet

Tucows, with a market capitalization of $715 million, provides internet content solutions in the United States, providing wholesale and retail domain name registration processes.

Essentially, when a business or person decides they want to create a website for their hobby or business, Tucows acts as the exchange allowing them to purchase the domain, like staging.www.fool.ca, for example.

Now that The Internet Corporation for Assigned Names and Numbers, has expanded domain name suffixes to include URLs like “music” and “.guru”, the potential addressable market for Tucows has expanded almost exponentially.

Despite incoming competition from new entrants like **Amazon.com, Inc.** and **Alphabet Inc.**, Tucows’s business model has proven resilient and even flourished so far this year with sales up 55% in the first quarter as the company felt the benefits of integrating its recent Enom and Ting acquisitions.

Although shares have come back a bit as of late, the stock still has a lot of momentum on its side.

Those looking to profit from increased domain name registrations may use recent weakness as a strategic buying opportunity.

Shopify: turning hobbyists into entrepreneurs

While Tucows allows an internet “newbies” to set up their own websites and share their ideas and opinions with the world, Shopify allows that same person to take their hobby to the next level and convert it into a viable small business.

Shopify helps would-be small business owners create their own virtual store front, giving them an avenue to leverage their skills and passions, and it even provides after-sales support services, including order fulfillment and payment processing.

When the National Retail Federation issued its outlook for retail spending earlier this year, it forecast growth of 3.7-4.2%, yet a deeper dive into the report suggests that e-commerce growth will likely triple this pace with estimates calling for 8-12%.

Surely, the growth of e-commerce as a viable small business has been drawing more people away from their traditional nine-to-five jobs in search of a lifestyle that will afford them more time to spend travelling or with family.

With a multi-billion-dollar company like Shopify providing back-end support and allowing these start-up entrepreneurs to focus on the things they care about most, the business model is really a win-win for both parties.

Conclusion

While neither company currently pays a dividend, that shouldn’t get in the way of investors looking to turn a profit with the shares.

Both companies have done well as of late; Shopify shares have doubled already this year, and while Tucows shares have cooled off a bit in recent months, they are also up more than 100% over the past 12 months.

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Date
2025/07/27
Date Created
2017/08/11
Author
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