



Is Shopify (TSX:SHOP) the Next Amazon (NASDAQ:AMZN)?

Description

Shopify ([TSX:SHOP](#))([NYSE:SHOP](#)) is relatively new to the e-commerce universe. The company was created only 12 years ago and went public in 2015. SHOP has thus far not disappointed investors who've decided to stick with it; its share price has increased by more than 400% since its IPO.

If Shopify ends up providing returns even remotely close to what fellow e-commerce platform **Amazon** ([NASDAQ:AMZN](#)) has provided over the years, it would be a mistake not to jump on the bandwagon. Let's dig in and see whether the future holds Amazon-like returns for the Ottawa-based e-commerce platform.

Amazon

Amazon is one of the most recognized brands in the world. The power of a brand name can hardly be overstated; it is one of the main reasons **Apple** keeps charging so much for their devices. There lies one of the perks of using Amazon to sell products and services: the company attracts a larger online clientele than any of its competitors.

Amazon has become far more than just an e-commerce platform, however. Management knew the firm's fundamental concept was easily replicable, which put Amazon's long-term survival and growth at risk.

The company that originally only sold books online had to keep re-inventing itself to stay ahead of the competition. Amazon started offering streaming services, creating e-readers, tablets, and other high-tech gadgets, and much more.

It is because to its ability to constantly offer newer and better products and services that Amazon recently joined the very exclusive club of companies with a \$1 trillion market cap. Yes, Amazon is still an e-commerce platform, but it is now much more than that.

Shopify

Shopify offers a [different experience](#) for business owners looking to attract customers online. The company allows sellers to create an entire brand from scratch. Business owners are almost entirely responsible for the design and marketing of their online stores.

SHOP generates revenue primarily by offering different subscription options to its customers and acting as a payment processor. Over the years, the firm has been able to increase its revenue, as the industry it supports — that of self-employed creators of goods and services — keeps growing. SHOP's revenue has soared by 95% over the past five years.

Though revenues keep growing, Shopify continues to return net losses. This poor financial performance is in part due to the company's attempt to offer even more services that require higher operating expenses, while failing to substantially increase its number of recurring customers.

Shopify's value is better measured by its growth prospect, though, and that is why many analysts remain enthusiastic about the future of the e-commerce giant.

The bottom line

It is essential to note that Shopify has numerous competitors that are not named Amazon. Though most of them have yet to go public, they threaten the growth prospects of the e-commerce giant.

While Shopify has been able to provide strong returns to investors since it went public, it is doubtful whether it can follow in the footsteps of Amazon, a company whose e-commerce revenue now makes up less than 20% of its total revenue.

Shopify is still a much better company than its financial statements seem to suggest, and its inability to keep up with one of the world's most valuable corporations — something few firms can do anyway — does not make SHOP a company to avoid.

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pbakiny

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