



Forget Google: This Canadian Tech Stock Is Even Better

Description

Alphabet ([NASDAQ:GOOGL](#))([NASDAQ:GOOG](#)), the parent company of Google, has generated impressive returns for shareholders. Since 2004, shares have risen by 2,400%.

What was the secret to this success? Google found a way to leverage network effects and big data. The more traffic Google receives, the more data it accrues. This allows it to improve its search algorithms and data sets, improving user experience and attracting even more visitors.

This feedback loop has created a winner-take-all market for search engines. In 2019, Google held a 92.7% market share for internet searches. Today, the company has a \$1 trillion valuation.

The best time invest in Google was more than a decade ago. If you want to invest in the *next* Google, you'll have to look at smaller tech stocks just beginning their [growth journey](#). One Canadian stock has all the hallmarks of a trillion-dollar business yet trades at a valuation of just \$78 billion.

Following Google's lead, this stock could have 1,000% in upside over the next decade.

Meet the magic

Like Google, **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) is creating a tech business with positive feedback loops that leverage network effects and big data.

If you've ever used Shopify before, you know how easy the company makes it to start a digital business. In a few clicks, you can establish a website and populate it with products complete with inventory management and payment processing. There are now more than 500,000 active stores running on Shopify, generating \$40 billion in total sales.

The magic moment for Shopify was when it decided to be a platform, not a closed system. Think of the **Apple** App Store for iPhones. There are now more than 2,000,000 apps available for download. The breadth and quality of apps is a big reason that consumers continually purchase iPhones.

Crucially, Apple doesn't develop these apps internally. Anyone can create an app and launch it on the App Store. Apple created the platform, and other developers built on top of it. Apple is the company it is today thanks to this decision.

Shopify is following a similar path. The company only built the basic infrastructure for starting a digital business, inviting other developers to build on top of that platform.

Today, thousands of individuals and businesses around the world are working to launch new capabilities for Shopify users. More capabilities attract new users, which makes it more profitable to develop additional features, which attracts even more developers. Yet another positive feedback loop.

As Shopify grows, it accumulates critical data on user behaviour, wants, and needs. The e-commerce space is developing rapidly, and Shopify has the best data in the business.

Global e-commerce sales reached \$3.5 trillion in 2019. Shopify was responsible for a minuscule fraction of that market, even though it's growing rapidly and is the clear market leader. The positive feedback loops described earlier will only add to Shopify's lead.

That's the thing about platform businesses: the larger they grow, the more powerful they become. If you want to invest in the next Google or Apple, Shopify should be at the top of your list.

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