



Will Shopify (TSX:SHOP) Stock Outperform Amazon?

Description

I don't need to tell you that **Amazon.com, Inc.** ([NASDAQ:AMZN](#)) is the definition of a millionaire-market [stock](#). Since 2006, shares have risen by nearly 7,000%. The **S&P/TSX Composite Index**, for comparison, rose by just 23%.

But there's one **TSX** stock that looks [primed](#) to replicate Amazon's success: **Shopify Inc** ([TSX:SHOP](#))([NYSE:SHOP](#)).

To be sure, Shopify stock has already gone on a massive run, rising *30 times* in value since its IPO in 2015. But for its market cap to reach Amazon's, the stock would need to rise another 1,000%. Looking at the facts, it's very possible that this will happen.

Could Shopify stock become as large as Amazon? Let's find out.

The model is proven

To understand whether Shopify can overtake Amazon, we must first dive into what made Amazon so successful in the first place.

Amazon's secret sauce is that it's an aggregator and a platform. What exactly do those terms mean?

An aggregator business is one that, well, aggregates. Instead of having millions of disparate storefronts, digital sellers and buyers concentrate to Amazon's website. In one place, sellers can access millions of buyers, and vice versa. The benefits of this are enormous. More than 70% of Americans go to Amazon *first* when making a purchase. It's essentially the **Google** of shopping.

Platforms have some overlap. This business strategy builds the basic infrastructure on which to expand. Amazon was first a bookseller and then expanded this into a complete e-commerce system.

It rolled out new features like one-click purchasing, and then added new capabilities like AWS, which at the time, bared very little resemblance to the original bookselling business.

Today, the company continues to expand into new ventures, but they're almost all related to its original tech platform.

Shopify or Amazon?

Shopify has leveraged many of Amazon's valuable strategies — chief among them is being a platform business.

When you sign up for a Shopify store, you get access to the base infrastructure, but also all of the features and add-ons. Developers from around the world are working to create new tools and functionality on Shopify's e-commerce platform, aiming to monetize their creations across the company's user base.

Here's the important part: take away the platform and you lose the rest. Just look at Amazon. If you remove the platform, all of the sellers disappear. They were completely reliant on Amazon's base infrastructure.

Shopify is no different. Thousands of businesses now operate through a Shopify storefront. They rely on the platform for inventory management, payment processing, marketing, data analytics, blog posts, and more. If they switch to another provider, they lose *everything*.

Emulating Amazon's platform approach is what has made Shopify a \$120 billion business. But there's one problem: it isn't as much of an aggregator. Every storefront is independent. And while businesses are aggregating to the platform, it doesn't have as much upside as Amazon's retail approach, which will limit Shopify's size versus its more powerful competitor.

How big could Shopify get? Pretty big. Its total addressable market is likely several trillion dollars large. Despite a lofty valuation, shares could have years of growth ahead of them.

But will Shopify ever be as large as Amazon? The company's inability to aggregate will likely hold it back, but that doesn't mean shareholders will be upset with the long-term gains.

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