



How to Find the Next Shopify (TSX:SHOP) Stock

Description

Shopify ([TSX:SHOP](#))([NYSE:SHOP](#)) is one of the most successful stocks in Canadian history. When it went public in 2015, shares were priced at \$35. Today, they're above \$1,000. Long-term shareholders have made nearly *30 times* their original investment. There are still plenty of reasons to believe in the company, but with a market cap of \$120 billion, it's time to start looking for the *next* Shopify.

Fortunately, there are some clear indicators that will help us spot the next big thing. Shopify runs a very specific business model, one that can be [emulated](#) by the right competitor.

Want to find the next Shopify? Here's how.

Understand how to platform

Building a platform business is one of the best ways to make a huge sum of money. These companies are able to grow faster than nearly any other business type, and their runway for growth is usually longer, too.

One of the most famous platforms in modern history is **Amazon.com** ([NASDAQ:AMZN](#)). With a valuation of more than \$1 trillion, this company is one of the most successful stocks ever. Being a platform business is the key to that success. The next Shopify will almost certainly use a platform model.

But what exactly is a platform?

At their core, platforms facilitate a relationship between third-party suppliers and end users. When you go to Amazon, you typically don't buy directly from the company. Instead, you buy from a third-party company. Amazon is simply the place where the two parties meet.

Platforms often benefit from the network effect. That is, the larger they grow, the more powerful they become. The more customers that Amazon has, the more merchants will flock to the platform. The more merchants there are, the more customers will join. It's a virtuous cycle — a dynamic that creates

growth tailwinds that can last for decades.

Finding the next Shopify

At first glance, you may not think of Shopify as a platform. Its e-commerce technology allows businesses to create a digital storefront, but they're all standalone presences. How is this like Amazon? Ben Thompson from [Stratechery](#) explains.

"At first glance, Shopify isn't an Amazon competitor at all: after all, there is nothing to buy on Shopify.com," he writes. "And yet, there were 218 million people that bought products from Shopify without even knowing the company existed."

The difference is that Amazon aggregates sellers, but that doesn't mean Shopify isn't a platform business. "Instead of interfacing with customers directly," Thompson adds, "820,000 third-party merchants sit on top of Shopify and are responsible for acquiring all of those customers on their own."

So, Amazon and Shopify are very different businesses, but a platform approach is key to both. If you want to discover the next Shopify, platforming is a *must*.

Therein lies the secret. In many ways, Shopify was the next Amazon, even though its particular strategy didn't appear to overlap. The next Shopify may not appear to be a perfect match either, but if the company is leveraging the power of platform economics, it stands a good chance of replicating the success.

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