Buy Alert: Walmart and Shopify (TSX:SHOP) Agree to Mega-Deal

Description

Walmart Inc (NYSE:WMT) is one of the largest retailers in the world. Armed with a $330 billion market cap, the company sold $510 billion in goods last year. This week, we learned that Walmart is partnering with **Shopify Inc** (TSX:SHOP)(NYSE:SHOP) on what could be the biggest deal of 2020.

Shopify is also an incredible company. Its $100 billion market cap makes it one of the largest e-commerce retailers in the world. Combining Walmart's brick-and-mortar infrastructure with its leading digital platform is a match made in heaven.

If you want to buy rapid growth stocks, this is your chance.

Here's the deal

On June 15, Walmart partnered with Shopify to boost the offerings of its third-party marketplace site. When you visit Walmart's website, you have the option to buy merchandise from the company itself or from its network of global sellers. Integrating directly with Shopify's merchant base will significantly expand its product listings.

Walmart will add Shopify sellers selectively. This year, it aims to bring 1,200 merchants into its network. That's a drop in the bucket given that Walmart's third-party marketplace already hosts 75 million items; long term, the partnership could total hundreds of thousands of new sellers.

"There are many Shopify sellers who were already on Walmart.com, but we have not penetrated their base to the extent possible," said the vice president of Walmart's marketplace program. "There's a tremendous opportunity."

"Few companies in the world match the sheer size and scale of Walmart," added Shopify's vice president of product development. The company's merchant network will soon be able "to access the 120 million customers who visit Walmart.com every month."

Buy Shopify stock?

Unsurprisingly, SHOP shares spiked 7% on the news. Notably, this isn't the first time the company partnered with a multi-billion dollar business.

Last year, **Facebook** integrated its Shops feature with Shopify, which means that merchants could easily important their inventory from platform to platform. While many analysts viewed this as a threat to Shopify's long-term potential, investors understood who the power of platforms weren't concerned.

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

But what exactly is a platform? And why is the integration with Facebook and Walmart so valuable for Shopify?

"At their core, platforms facilitate a relationship between third-party suppliers and end users," I added. "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."

True platform businesses are a double-edged sword. They are, by design, capable of plugging into other businesses and processes. Its platform approach is what made Shopify so attractive to Walmart. It's also what enabled integration with Facebook.

The end goal for every platform business is integration. **Microsoft** integrated its platform with third-party developers, Amazon integrated with third-party sellers, **Google** integrated with thousands of data sources, and Facebook integrated with Shopify.

Every integration adds more data. But more important, it embeds itself more deeply into the tech ecosystem. It's nearly impossible to think of a world without Amazon or Google.

In a few years, expect to add Shopify to that list. If that happens, the stock price should have considerable long-term upside.

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