E-Commerce Investing: 3 Key Strategies and 6 Top Stocks

Description

There are at least three key strategies for investors when it comes to playing the e-commerce boom. These strategies target the platforms, payment systems, and logistics networks that support the growing trend in consumer digitalization. Today, we'll take a look at these three strategies, along with six stocks that satisfy these differing theses.

Two strong e-commerce platform stocks

It should come as no great surprise that **Shopify** (TSX:SHOP)(NYSE:SHOP) and **Amazon** (NASDAQ:AMZN) top the list when it comes to merchant platforms. Of course, the field is somewhat more crowded than that, with names like **eBay** and **Etsy** snapping at the heels of these internet sales behemoths. But in terms of market share, flexibility of business models, and stock market performance, Shopify and Amazon are the strongest buys.

These are comprehensive names creating expanding online retail environments. But is one stock a better buy than the other? There is the argument that Shopify is still starting out on a road that Amazon embarked on a good decade earlier. As the younger contender, Shopify arguably has further to run. And as even CEO Jeff Bezos himself has stated, "One day, Amazon will fail."

Online payments is a growth sector — for now

Investors looking to cash in on the digitalization trend should consider the payments side of this ratcheting sector. Names such as **PayPal** and **Lightspeed POS** (TSX:LSPD) are particularly strong plays in this space. While PayPal should be instantly recognizable to most readers, Lightspeed is a strong alternative that helps smaller businesses manage payments. Up 176% in three months, Lightspeed is a hot upside generator.

Investors may be away that payments are a growing branch financials. However, the well-established PayPal and point-of-sale focused Lightspeed are somewhat tangential from this field. As such, they are not at risk from quite the same pressures that finally crumpled **Wirecard**, for instance. It's a crowded space though, to be sure, making payments the least certain branch of the e-commerce family of interrelated industries.

These infrastructure stocks pay dividends

Alternatively, the logistics businesses that support these platforms and allow them to thrive offers a diversified play on infrastructure. The latter play brings dividends into the picture. **Cargojet** (TSX:CJT) and **TFI International** (TSX:TFII) fit the bill here.

Cargojet is overbought, so consider waiting for a pullback, while TFI has more room to run. Cargojet pays a 0.6% yield with room to grow. That yield will expand with a pullback. Value investors take note: currently selling at $162 per share, Cargojet is considerably closer to its high target consensus of $165 than its low target of $120. Meanwhile, TFI pays a better 2% yield, with 30% upside in terms of share price potential.

While a combination of the above names might look like a play for diversification, investors should avoid overexposure to e-commerce. After all, trends can turn on a dime in the current market, and short-term volatility is all but guaranteed. The strongest play in the long term looks like TFI, with its mix of upside potential and passive income. Alternatively, for a play on digital payments, investors may want to consider Lightspeed.

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2. NYSE:SHOP (Shopify Inc.)
3. TSX:CJT (Cargojet Inc.)
4. TSX:LSPD (Lightspeed Commerce)
5. TSX:SHOP (Shopify Inc.)
6. TSX:TFII (TFI International)

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