



Buy These TSX Stocks to Ride the e-Commerce Wave

Description

The e-commerce industry has been there for over two decades, but it is [still in its infancy](#), with online sales accounting for just 16% of the total U.S. retail sales in 2019. Indeed, it's only now that e-commerce has gathered momentum as the COVID-19 pandemic changed the way people shop. All e-commerce sites from **Amazon** to **Shopify** ([TSX:SHOP](#)) ([NYSE:SHOP](#)) saw a sudden surge in online sales in April.

The rise of the e-commerce

The e-commerce industry is highly dependent on consumer demand and tends to decline in an economic recession. However, technology improvement has led the way for retailers to sell everything from electronics to daily utilities to food online and that too efficiently.

The technology improvement will further reduce the cost of running an online store in the coming decade. Analytics and supply chain management solutions will reduce warehouse and inventory costs. Increasing usage of internet and digital payments across different devices will increase traffic on online stores.

While e-commerce was taking its ordinary course of growth, the pandemic-driven lockdown gave a sudden boost to online shopping. As physical stores were closed, consumers flocked to digital stores to buy goods. Retailers followed consumers and set up their online marketplace to stay in business and stay competitive.

Shopify CTO Jean-Michel Lemieux stated that the company was seeing "Black Friday-level traffic every day" in April. Walmart's U.S. online sales growth accelerated to 74% in just three months ended April from 37% in full fiscal 2020. This led to the e-commerce revolution as all companies big and small shifted their focus to online stores.

Investing in the e-commerce revolution

The e-commerce wave is boosting all companies that are supporting this trend. From e-commerce platform providers like Shopify and Amazon to digital payment providers like **Paypal** to supply chain solutions providers like **Descartes Systems** ([TSX:DSG](#))([NASDAQ:DSGX](#)), are benefitting from this trend. All four stocks jumped significantly during the lockdown period and are still growing as online retail spending continues to grow. Two of these four stocks are trading on the **Toronto Stock Exchange**.

Shopify

Shopify allows merchants to create their online store on its platform for a subscription fee as little as \$29. It also offers support services like payments, shipping, and online marketing for a specific commission per transaction. Shopify benefitted the most from the pandemic as it became the platform of choice for retailers looking to go online quickly.

The company has accelerated its efforts to [broaden its ecosystem](#) to offer various services that will help its merchants operate efficiently. It now offers Shopify Fulfillment network, curbside pickup, same-day deliveries, “buy now; pay later” option, abandoned cart recovery, and many more services.

This enhanced ecosystem is attracting more significant players and making existing merchants reluctant to switch to another platform.

Shopify stock has increased 178% from its March low. It is currently trading at 96 times its sales as investors have priced the sales growth for the next five years.

Descartes Systems

Descartes Systems is one of the largest providers of logistics and supply chain management software. The rise of e-commerce has created the need for order flexibility and low cost, same-day deliveries at the doorstep. This requires a tremendous amount of supply chain planning. Logistics providers use Descartes' solutions to optimize their supply chain and reduce cost.

Descartes stock rose 75% from its March low and is trading at its all-time high of \$73.6. Despite its high price, it is trading at 19 times its revenue, which is lower than rival **Kinaxis'** valuation of 27 times its sales.

What should you do?

The problem with e-commerce stocks is their high valuation, as investors already have priced in their high growth expectations.

A good way to invest in the e-commerce revolution is to diversify your portfolio. Rather than betting all your money on Shopify, divide your money into Shopify and Descartes. If you had invested \$2,000 each in the two stocks, your money would have grown to \$9,000 by now.

It's not too late as the e-commerce wave is still high. Buy these stocks at any dip as they still have the

potential to grow.

Any positive news that can increase their sales, such as a significant partnership or another lockdown, could give a boost to these two stocks.

CATEGORY

1. Coronavirus
2. Investing
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TICKERS GLOBAL

1. NASDAQ:DSGX (Descartes Systems Group)
2. NYSE:SHOP (Shopify Inc.)
3. TSX:DSG (The Descartes Systems Group Inc)
4. TSX:SHOP (Shopify Inc.)

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Date

2025/08/22

Date Created

2020/07/06

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