Forget Procter & Gamble: Buy This Tech Stock Instead

Description

Procter & Gamble Co (NYSE:PG) is a classic blue chip stock. The only problem is that growth is slowing down. Over the past five years, revenues has averaged a *negative* 1.5% annual growth rate. Over that time frame, EPS has also fallen.

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Somehow, this stock still trades at 25 times forward earnings. In any other market, this valuation would be appropriate for a growth company. Procter & Gamble's days of growth are long gone, yet the pricey multiple remains.

But what if the company makes a resurgence? Could now be the time to buy low?

As we'll see, the world has changed. And I'm not just talking about the coronavirus. Procter & Gamble is built for another era — one that ended almost a decade ago. If you want to profit, you'll have to think outside the box.

The golden age is over

Procter & Gamble used to be an incredible stock. Even Warren Buffett accumulated a giant stake. Since 1980, shares have increased by 5,075% versus a rise of 2,525% for the **S&P 500 Index**.

What accounted for this success? Market power.

Procter & Gamble has long been one of the largest consumer product companies in the world. It owns hundreds of globally recognized brands, including Gillette, Pantene, Head & Shoulders, Olay, Tide, Crest, Downy, Pampers, Vicks, Old Spice, Febreze, Oral-B, Braun, Mr. Clean, Swiffer, and Gain. The list goes on and on.

It should be noted that these brands weren't always iconic. Procter & Gamble made them that way by controlling aisle space and ad budgets.

In previous decades, almost all consumer product sales came from brick-and-mortar stores. With so many brands in its portfolio, Procter & Gamble had power over the stores that stocked its goods. It could force out competing products, placing its items in more favorable locations.

Additionally, with a multi-billion dollar ad budget, the company could run ads on primetime television, the chief way of gaining customers in the pre-internet era. In essence, Procter & Gamble controlled the distribution and marketing game. That's what fuelled the stock's long-term rise.

For better or worse, that era is now over.

Forget Procter & Gamble

Think about your own spending. Do you only go with trusted brands stocked in brick-and-mortar stores? Or do you take chances on upstart brands, purchasing products over the internet?

In recent years, we've seen countless direct-to-consumer brands enter the market. Brands like Allbirds, De Lune, and Hims have turned the retail model upside-down. They don't need physical stores to sell their products, and they don't need massive ad budgets. All they needed to succeed was to open an online store. **Shopify** (TSX:SHOP)(NYSE:SHOP) makes this easier than ever.

With Shopify, startups can circumvent Procter & Gamble's power machine. They're able to create a storefront in minutes. Then they can spend a few dollars on hyper-targeted **Facebook** ads to acquire their first customers. It's as simple as that.

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Shopify's platform includes everything they need, from payment processing and inventory management to working capital loans and marketing advice. Suddenly, entrepreneurs can emulate the market power of Procter & Gamble with a few clicks.

The days where Procter & Gamble ruled the consumer retail landscape are over. Tech stocks like Shopify are taking the market share left behind.

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2. NYSE:SHOP (Shopify Inc.)
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