



1 Top Growth Stock for December

Description

While I try not to let momentum and short-term events play too much of a role in my investing decisions, I recognize that not everyone follows the same way of thinking. If you are the type of investor that does take such events into consideration when adding to, or starting, a position then you should keep an eye on the retail industry in the coming weeks.

The Christmas industry is massive. Annual sales in the United States, alone, surpassed the trillion-dollar mark for the first time last year. On average, American households spend an average of \$1,536 during the holiday season. While these numbers are pulled from our neighbours from the south, that trend should be transferrable in our home country.

This industry can be expected to produce even larger numbers this year as it has seen a consistent growth each year since 2000, except in 2008. Given the current COVID-19 pandemic, e-commerce companies may see a boost in visits and total transactions this year, compared to last. With that in mind, which company should you consider adding to your portfolio?

The bona fide e-commerce leader in Canada

In Canada, one company [sets itself apart](#) from its peers in the retail industry when it comes to ecommerce. Of course, that is **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)). Although customers do not purchase products directly on Shopify's website, the company's platform is what enables the 1,000,000 merchants across the globe to run their online stores. Because of this, Shopify should see a boost in revenue generation next month.

For those who are unfamiliar with how Shopify makes money, here is a quick reminder. First, it offers three different subscription tiers that merchants can choose from. These range from the Basic Shopify plan (\$29/month) to the Advanced Shopify plan (\$299/month). The company does also offer a Shopify Plus account which is used by large enterprises.

These subscription fees should not change too much month-to-month. However, it could see a boost if new merchants choose to take advantage of the holiday season, or if existing merchants choose to

upgrade to a higher tier for the next month.

Another way Shopify makes money is through transaction fees. This is where the company could see a big boost in its revenues next month. Shopify takes a small portion of every transaction that gets processed on its platform. These fees vary based on the merchant's subscription plan. The Basic Shopify plan is charged 2.9% + \$0.03 per transaction. In comparison, the Shopify (2.5%) and Advanced Shopify plans (2.4%) are charged slightly less.

In addition to this fee, other fees may be applied. Shopify will add further fees if the merchant chooses to use a different company as its payment processor. In these cases, the company charges 2% for its most basic subscription tier and 0.5% at the highest tier.

Foolish takeaway

Shopify has [quickly become a powerhouse](#) in the growing ecommerce industry. As consumers begin planning their Christmas shopping, it may be wise for momentum-oriented investors to consider adding Shopify to their portfolio. The company should see a larger boost in revenue next month as e-commerce continues to thrive during the pandemic.

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