



Tesla or Shopify? For Tech Investors, There's No Question: Shopify's the Winner

Description

There are a handful of companies out there that have absolutely obliterated market returns in recent years. Among these, U.S. EV maker **Tesla** ([NASDAQ:TSLA](#)) and Canada-based **Shopify** ([TSX:SHOP](#)) ([NYSE:SHOP](#)) are two of the best.

Both of these companies are now trading at valuation multiples many thought were unfeasible in the past. The growth these companies are expected to provide is truly out of this world.

In that context, I'm going to discuss why I think [Shopify is the better long-term option](#) for investors to consider right now.

Both secular trends are strong, but competition shaping up to be less fierce in Shopify's realm

For Tesla, a first-mover advantage and a head-start on its competition in the EV space has obviously been advantageous. Demand for Tesla vehicles have soared, and the company's brand has provided it with the ability to earn much higher margins on its vehicles produced than traditional automakers. A skyrocketing share price has also afforded the company the ability to raise money at these valuations and avoid tapping into debt markets as much as its peers may have in recent years.

However, the auto sector is a highly competitive one. Accordingly, we're seeing Tesla's competition making bold claims about where they want to be in a decade or so. The entire sector is in a transformative state, so Tesla will need to out-innovate its peers for a very long time. Investors bullish on Tesla are generally bullish about its CEO Elon Musk. However, the extent to which one man can do everything on his own remains a question mark for skeptical investors.

Shopify, however, has built quite a nice moat for itself in recent years. The company does have competition in its core business lines. However, the end-to-end vertically integrated platform Shopify provides its customer base with is unparalleled. I've talked in the past about how I see product superiority as a key competitive advantage for Shopify right now. Until someone is able to come in and

do *everything* better, Shopify will be the go-to option for SMEs to use to expand their businesses online.

Decentralized business model good for innovation

The dictatorial business models of many top-down corporations is the way of the past. Open concept offices with open-door policies, and room for discussion between subordinates and management has changed the way CEOs typically run the show. It appears to me that Tesla's corporate culture (as well as the culture of its retail investor base) is bordering on worshipping the ground Musk stands on. To me, this sort of CEO glorification is dangerous, and can create an environment where innovation becomes harder the more top-down the organization becomes.

Shopify's business model and structure is impressive — and is superior to that of Tesla's structure, in my view. I think today's version innovation comes from hundreds or thousands of employees working to solve a problem, rather than the dictates of one man. Maybe I'm oversimplifying things, but Shopify's impressive corporate structure to me screams long-term innovation.

Shopify's returns have been superior to those of Tesla for the past five years, and I think this will be the case five, 10, or 15 years down the road as well.

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TICKERS GLOBAL

1. NASDAQ:TSLA (Tesla Inc.)
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