



## Shopify (TSX:SHOP) Stock Could Explode Because of Social Media

### Description

The e-commerce market has been growing at an unprecedented pace, but it's not just its growth rate that's impressive but its growth avenues as well. What started with giants like e-commerce that consolidated a lot of business has now splintered into most businesses having their own dedicated e-commerce fronts. Platforms like **Shopify** ([TSX:SHOP](#)) ([NYSE:SHOP](#)) have been instrumental in that area.

The [Shopify platform](#) makes it deceptively easy (and very affordable) for new businesses to start and establish an online presence or for existing businesses to enter the digital realm. The platform covers almost all areas of online selling from branding to shipping. And it still hasn't reached its full e-commerce potential.

### Shopify and social media

Cathie Wood, a famed investor and CEO of Ark Investment, predicts that Shopify might become as huge as **Amazon** sometime in the future. She backed up this prediction by associating Shopify's potential in a relatively nascent e-commerce avenue (i.e., social e-commerce). In a broader sense, social e-commerce is about social media's contribution to e-commerce sales.

But a more specific definition of social e-commerce (the one Wood pointed towards) would be people looking at things on social media (i.e., new gadgets, dresses, novelty items, etc.) and buying directly from the social media platform. This shrinks the buyer's journey considerably, and it's one area where Wood believes that Shopify is well positioned to thrive.

Wood and her company are still trying to figure out how Amazon is going to "defend" its competitive e-commerce advantage if social e-commerce gains traction and more people start buying directly from social media platforms. And she believes that even in its expensive state, it's perhaps the most exciting stock to consider thanks to its potential for facilitating social e-commerce.

## The stock

Whether or not Shopify gets to become [as big as Amazon](#) is yet to be seen. Amazon's competitive advantage goes beyond a simple e-commerce presence and includes things like readymade branding and fulfillment. But the social e-commerce market, which is expected to rise by 34.8% this year and continue to grow at a powerful place, *might* have the potential to tip the scales in Shopify's favour.

The aggressively overpriced stock, which is currently trading at a price-to-earnings ratio of over 400 and price-to-book ratio of 27 times, is currently "discounted" relative to its recent peak. The stock has come down about 23% from its highest valuation ever in February. Its last 12-month performance (about 70% growth) has been a bit lacklustre compared to its historical growth rate.

## Foolish takeaway

Shopify, as a company, still has a lot of room to grow. And the stock will most likely follow, but it's difficult to ascertain how much and for how long. The next frontier is the \$2,000 price tag, but that might not result in overly aggressive growth if you buy now. However, if you believe that Shopify might reach \$3,000 per share any time soon, then you might be able to double your investment if you buy now.

### CATEGORY

1. Investing
2. Tech Stocks

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2. TSX:SHOP (Shopify Inc.)

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