Could Lightspeed POS (TSX:LSPD) Be the Android of Omnichannel Commerce?

Description

Lightspeed POS (TSX:LSPD)(NYSE:LSPD) has announced another set of acquisitions. The company aims to become the global platform of choice for all small- and mid-sized retailers and restaurants. To achieve this, it is consolidating the fragmented market through acquisitions. It is in ongoing negotiations with many target companies where it sees potential. Hence, acquisitions are nothing new for it. The latest acquisitions are Ecwid and NuOrder.

About Lightspeed's latest acquisitions

Lightspeed is an omnichannel platform, which adopts a fully integrated approach to provide commerce on all channels, both online and offline. Commerce includes everything it takes to sell a product or a service from merchandising to fulfilment, marketing, and marketplaces.

Before the pandemic, Lightspeed focused on in-store transactions. But it enhanced its online e-commerce solution as more than 80% of the store traffic moved online during the pandemic. The Lightspeed platform also expanded vertically from connecting merchants-customers to suppliers-merchants with its Supplier Network.

Lightspeed's latest acquisition supports its pandemic business expansion. Ecwid is a U.S.-based e-commerce platform that serves 130,000 customers. NuOrder is a product-ordering platform that helps retailers order products from suppliers and provide suppliers with insights. This is in sync with Lightspeed's Supplier Network. Lightspeed aims to monetize the Supplier Network by encouraging suppliers to ask their retail network to connect on the Lightspeed platform. This will help it reduce the cost of acquiring new merchants and help it offer Lightspeed Payments and Lightspeed Capital for supplier-merchant transactions.

In the press release, Dax Dasilva said, "By joining forces with Ecwid and NuOrder, Lightspeed becomes the common thread uniting merchants, suppliers and consumers, a transformation we believe will enable innovative retailers to adapt to the new world of commerce."

The Android of omnichannel commerce

Lightspeed's acquisition strategy is how it is on track to becoming the Android of omnichannel commerce. It already has a presence in major economies of the world. It is growing by expanding geographically and by adding new merchant solutions that facilitate commerce. Android gained market share by making its operating system user friendly. Lightspeed is doing the same. It has introduced many features like online ordering, curbside pickup, and inventory management.

These acquisitions have increased its net loss, but have doubled its size in terms of revenue.
As a software-as-a-service (SaaS) company, it follows the land-and-expand strategy. In this strategy, you first land by making your platform user friendly and sticky so that customers can't imagine working without it. Then you expand by cross-selling other services to your existing customer base. This increases average revenue per user and makes a SaaS company profitable.

So far, Lightspeed is in the land stage, because of which, its revenue surged 100%. It is gradually starting the expand stage, which will reduce its losses and make it profitable in the coming years. Lightspeed has the potential to become one of the largest global tech companies by 2035. As long as the management continues this momentum and tackles the challenges economies of scale brings, the stock is a long-term hold.

Investor takeaway

The right way to invest in Lightspeed is to put small sums of money in the stock when it dips. Even though it is a long-run bull, the stock is seasonal. It is influenced by consumers' buying behaviour. It will see corrections during seasonal weakness, creating an opportunity to buy the dip.

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