

3 Top E-Commerce Stocks to Buy in November 2022

Description

Amazon ([NASDAQ:AMZN](#)), **Shopify** ([TSX:SHOP](#)), and **Etsy** ([NASDAQ:ETSY](#)) dominate e-commerce and have bright futures. These top e-commerce stocks are worth considering this month.

Amazon

Amazon leads the [retail](#) e-commerce segment in the United States, with an estimated 37.8% market share in June. This is significantly higher than the 6.3% share held by **Walmart** in second place.

Amazon's valuable brand name enables it to attract customers who frequently return for the perks. The company provides free one-day or two-day shipping on thousands of items that are typically less expensive than those found on other platforms.

Amazon, like many other e-commerce stocks, benefits from the network effect, as the value of its platform grows with more users. Online merchants seeking a large customer base will gravitate toward the largest platforms, one of which is Amazon. And as the number of merchants on its website grows, so does the number of customers.

Amazon will benefit from increased e-commerce adoption because of the strong lead it has already established. And those who invest in this company benefit from more than just its e-commerce operations. Amazon's high-margin cloud computing division is on fire. The company also leads the cloud industry — a market that is expanding rapidly.

Amazon has not been immune to the recent downturn. Its e-commerce division has been particularly hard hit. However, with leadership in two major industries poised for growth, the [tech](#) giant can turn things around and return to market-beating form, making it an excellent stock to buy and hold for the foreseeable future, particularly at current levels.

Shopify

Shopify is used by over two million merchants in 175 countries to process orders and manage their online storefronts. This is nearly double the number of merchant users in 2018. As more merchants sign up to use Shopify's valuable selling tools, the company's reputation as a go-to checkout solution grows.

However, the stock price has dropped due to difficult year-over-year growth comparisons to accelerated online shopping in 2020 and 2021. While it would have been impossible to keep growing subscription revenue at a rate of 70% or more per year, Shopify is still seeing solid growth. Total revenue increased 16% year on year in the second quarter, representing a compound growth rate of 53% over the previous three years.

Shopify's business was designed to serve online merchants, but it is now facing a new challenge. E-

commerce growth has reverted to pre-pandemic levels, forcing Shopify to offer point-of-sale solutions for physical stores in order to maintain growth, but Shopify has not faltered. In the second quarter, offline gross merchandise volume increased by 47% year on year.

The offline expansion indicates that Wall Street underestimates Shopify's competitive position. The stock is trading at a reasonable price for a leading e-commerce enabler whose brand translates well from online to in-store shopping.

Etsy

Etsy's business differs slightly from that of its competitors in that the company's platform focuses primarily on vintage and handmade goods. On the one hand, this can be viewed negatively because the pool of items sold on the platform is much smaller than it would otherwise be, because only a certain number of items are handmade.

However, Etsy's focus on this specific niche is a strength. The company has established itself as the go-to platform for buyers and sellers in this category, resulting in a network effect among those interested in handmade items.

Etsy has struggled this year, as revenue growth rates have slowed — a familiar story on Wall Street with companies that thrived during the pandemic's early days. The good news is that Etsy still has a lot of room to grow in its target market. The company estimates a total addressable market of \$2 trillion, with a meagre 2.6% market share.

Etsy is not the only company in this space, and it will not be the only one profiting from this large and expanding market. It is, however, one of the most important players in it, and thanks to the competitive advantage it has developed, it is well positioned to make steady progress, as its revenue and earnings grow. Etsy's stock price will rise in tandem.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NASDAQ:AMZN (Amazon.com Inc.)
2. NASDAQ:ETSY (Etsy)
3. NYSE:SHOP (Shopify Inc.)
4. TSX:SHOP (Shopify Inc.)

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1. Business Insider
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Date

2025/08/23

Date Created

2022/11/03

Author

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