



Could Shopify Become the Next Amazon?

Description

Being the next **Amazon** ([NASDAQ:AMZN](#)) is a distinction many investors would like for their stocks. Amazon is renowned for its decades-long streak of outperforming the S&P 500, which included a 40,000% run-up from its lows in the dot-com crash.

Ever since Amazon joined the trillion-dollar market cap club, it has been common to compare smaller tech companies to it. **Shopify Inc** ([TSX:SHOP](#)) is one stock that has been given that distinction from time to time. An online commerce company, it definitely has some business similarities to its larger cousin. But can it really deliver similar investment results?

Similarities between SHOP and AMZN

Shopify and Amazon share many similarities including:

- Both being tech companies.
- Both being situated in the e-commerce industry (the business of buying and selling goods online).
- Both having experienced dramatic rallies prior to crashing last year.

Around the peak of the 2021's tech stock mania, Shopify was up 5,000% from its IPO, and Amazon was up 40,000% from its dot-com bubble lows. Since then, both stocks have fallen. SHOP is down about 75% from its all-time high, and AMZN [about 50%](#). 2022 wasn't kind to tech stocks, so it shouldn't come as a surprise that both e-commerce stocks took substantial dips.

With all that said, there are many differences between Shopify and Amazon, too. Shopify provides a platform that vendors can use to sell on their own websites, Amazon provides a website where vendors can search for and discover products. Amazon's website lets it collect ad revenue (which Shopify doesn't), and take larger vendor commissions than Shopify can charge. Because it owns a massive online shopping site, Amazon helps vendors get discovered, which Shopify isn't great at right now. Basically, Amazon has a better business model than Shopify does, which is one reason why the latter company will have a hard time catching up to the former.

Why Amazon's shoes are hard to fill

One reason why Shopify will have a hard time besting its US-based competitor is because Amazon's shoes are hard to fill. As previously mentioned, Amazon has a gigantic platform for buying and selling goods online – that's not an easy edge to replicate. On top of that, the company has:

- A gigantic cloud business, the biggest in the world.
- An online e-book business.
- Deep relationships with thousands of vendors around the world.

These advantages are considerable. [Warren Buffett](#), who invests mainly in stocks that have competitive advantages, has chosen to invest in Amazon. This suggests that the tech giant has a significant edge over its competitors, including smaller upstarts like Shopify.

Is Shopify the next Amazon?

Having looked at the similarities and differences between Shopify and Amazon, it's time to answer the question:

Is Shopify the next AMZN?

The answer is yes and no.

If "the next Amazon" is a company that replaces Amazon, then Shopify will not be that company. Amazon's advantages are just too numerous and too entrenched at this point. But if "the next Amazon" is a company that delivers Amazon-like returns, then sure, it's possible that Shopify could be such a company. Even after taking damage in 2022, Shopify still has a high double-digit growth rate. If it can become consistently profitable, then we might see good things from the stock.

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