



3 Stocks That Have the Potential to Be the Next Amazon

Description

This article was [first published by MyWallSt. Which 2 pot stocks will beat the market? Find out in MyWallSt's free guide!](#)

Chances are that most of you reading this have purchased something on **Amazon.com** at one point or another. What started out as an online bookstore during the famous dotcom era grew to be the second company ever to reach a trillion-dollar market cap, and is now often referred to as “The Everything Store.” Amazon was founded in 1995, became publicly traded in 1997, and as of 2018 did \$232.89 billion in sales.

Had you been an early investor in Amazon back in 1997, your total return on investment would be approximately 96,446.43%, or an average annual compounded growth rate of 136.47% as of this writing (adjusted for stock splits and dividends). Sounds like a return on investment you could live with!

The next “Amazon success story”

Thousands of new companies start up every day just like Amazon back in 1995, and hundreds of those companies become publicly traded each year. By looking for companies with similar growth characteristics as Amazon, a little bit of fundamental analysis, and maybe a pinch of speculation concerning the future, you may just become one of the few investors turned wealthy from a great stock pick.

Aside from looking at the company's balance sheet, sales growth, and market share, three common factors always seem to be fundamental characteristics of industry-disrupting companies such as Amazon (of course, hindsight is 20/20). They are:

- Does the company solve a growing problem, market need, or market trend?
- Does the respective company's market trend indicates a growing market opportunity for the company?
- Does the company have a competitive advantage, first-mover advantage, or clear [“moat”](#) within its market?

Here are three stocks that I believe have great potential to become [the next Amazon](#) success story, and carry all three characteristics indicated above with major growth numbers.

1. Roku

Roku ([NASDAQ: ROKU](#)) provides a streaming-TV platform allowing users to stream media to their TV from [multiple streaming media apps](#) such as **Netflix**, Hulu, Amazon Prime Video, and many more.

What problem or market need does Roku solve? Streaming media is provided through internet access, and media content is presented by companies to the viewing consumers in the form of an app, such as Netflix. Currently, consumers on average subscribe to three video streaming services. With announcements of major media companies to produce their own Netflix-like app such as **Disney Plus**, consumers have a growing demand to access all of their favorite subscriptions in one location, and Roku provides a cost-effective and universal solution to this demand.

What's more, according to Deloitte's 13th edition of its annual "Digital Media Trends" survey, 47% of consumers say they are frustrated by the growing number of subscriptions and services required to watch what they want.

Roku accounted for more than 30% of U.S. sales of connected TV devices in the first quarter of 2019, according to a research report. In terms of devices in use, Roku has a 36% lead over the next major streaming platform, **Sony** Playstation, and is expected to stretch to 70% by the end of the year.

As more and more companies build their own streaming media subscription channels, their top sales avenue with access to consumers will be the Roku streaming media device, a strong industry moat in and of itself. Furthermore, Roku's partnership with major TV manufacturing companies allows it to reach more customers by embedding the Roku platform into the TV itself, making it a default option for streaming media to new consumer segments.

2. Square

Square (NYSE: SQ) provides both hardware and [software for companies to more efficiently run](#) their business. Its products include point-of-sale hardware and software, invoicing software, payment gateways for online businesses to accept payments, and even payroll services. More recently, Square has invested heavily in expanding its products to offer capital for businesses in need of loans, peer-to-peer payments for both consumers and businesses (known as Cash App by Square), and even e-commerce websites (Square owns the website builder Weebly).

Where Square stands out among its competition is in its first-mover advantage of making it easy for entrepreneurs to start accepting payments for their idea-turned-business with a square device (and hence, the name Square) inserted into the auxiliary input on your smartphone.

This moat extends to traditional brick-and-mortar businesses that are new to online commerce. Square makes the transition from an old-fashioned retail store to a modern digital storefront nearly a seamless process, for both new and well-established companies. In short, the solution Square provides, and the industry moat it owns, is a service that bridges the gap between small-business start-ups and

accepting their first payments, as well as old-fashioned retailers and competing with an online presence.

Reports by Disruptive Advertising show that the online trend is growing exponentially. For example, in 2017, people spent \$5 billion online during the 2017 Black Friday sales alone. And according to a Shopify report, e-commerce sales hit \$2.3 trillion in sales in 2017, and are expected to hit \$4.5 trillion in 2021. What do these statistics mean? They're a clear indication of a growing trend for start-ups to be online, and for aged brick-and-mortar stores to have an online storefront, or risk going out of business.

Is there a growing trend for accepting payments both online and offline, as well as adding digital presence to your brick-and-mortar operations? Absolutely! And Square is in a prime position to disrupt the industry, with a current valuation at \$24.89 billion and growing.

3. Wix

Wix ([NASDAQ: WIX](#)) is primarily a website builder that caters to both individuals and businesses of all experience levels. Wix Editor is its "drag and drop" website builder that allows individuals and businesses with no web development experience to create a professional-looking website in a simple way. Wix ADI allows users to literally answer a few questions on the type of website they wish to build, and it automatically creates a professional-looking website based on the response to your website objectives and industry.

Lastly, Wix Code allows web developers with development experience to code up their own websites from scratch, as well as build web applications and integrations. If some of that jargon is foreign to you, long story short, Wix makes building websites easy and customizable for everyone.

What is Wix's industry moat? Consider Wix the publicly traded, modern version of perhaps the most well-known website builder, WordPress (which currently powers more than 30% of websites online), except without the learning curve.

Is the online market a growing trend? If the growth of social media platforms (**Facebook**, **Twitter**, **Pinterest**), online resumes (LinkedIn), and e-commerce sales isn't enough evidence, perhaps the fact that 51% of smartphone users discovered a new company or product online while conducting a smartphone search further illustrates the importance of having an online presence. And this trend is only growing, putting Wix in a secure place to be perhaps a ten-bagger or even twenty-bagger investment. Wix is currently valued at just over \$6 billion dollars, with plenty of room to grow.



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2. NASDAQ:ROKU (Roku)
3. NASDAQ:WIX (Wix.com)
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