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Looking for a growth stock? A Canadian company that specializes in online-engagement analysis appears poised to become the marketing industry's favourite data provider.
If you've been following Strategy Lab for any length of time you probably know I'm bullish on social media. My model portfolio and my personal holdings include Google (which owns YouTube) and Facebook. I'm also watching Twitter and LinkedIn with interest, although I don't yet own either stock.

Late last month Facebook took steps to further its dominance in social media by announcing tools to integrate customer service into its popular Messenger app. With well over a billion Facebook users and over 600 million monthly users of the standalone Messenger app, I think Facebook could become the industry standard for businesses to chat with customers. This could be very important to the company's continued growth while making social media even more important to businesses.

Will customers want to use social media tools to talk to businesses? They already do. Today a wide variety of companies publicly chat with customers on Twitter. The trend is so significant that many savvy social media people go straight to Twitter if they want to complain, commend, or question a business about its products or services.

Most companies recognize the growing importance of social media. Whether it is creating and posting content to a business page or paying to advertise for brand-building purposes, business leaders see value in these activities. But I also think they want tools to help them understand how to do a better job on social media and maximize their return on investment.

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One very small-cap investment that intrigues me is Engagement Labs (EL-X). This Canadian company stands a realistic shot, in my opinion, of becoming the industry standard for how companies measure their social media performance. Their proprietary "eValue" tool tracks and measures all sorts of data points to determine, for example, the success of ad campaigns.

Unlike traditional TV or digital advertisements, where a brand might only realistically measure how many people saw or clicked on an ad, social media offers brands a chance to track audience engagement within a particular ad campaign. Viewers can take actions such as commenting on the ad, clicking "like" or even sharing it with their friends.
Every marketer knows that someone who took action on an ad is much more valuable than someone who just passively observed the ad and moved on. Engagement Labs sells powerful tools to help brands understand the impact of their social media ads.
I can't help but wonder if Engagement Labs can follow in the footsteps of comScore. Back in 1999, comScore was just a little startup, but has since emerged as the industry leader for selling data that helps advertisers understand the value of traditional digital advertising. Subscribers to comScore's data can see, for example, that visitors to one website tend to spend more money online versus visitors to another website. Selling this type of data has built comScore into a company with a $1.8-billion (U.S.) market capitalization today.

Engagement Labs may have one major advantage on its side. Back in the early days of comScore, executives had to convince advertisers of the value of online advertising. This is not the case with social media advertising today, as most big businesses are already dedicating significant funds towards it. Because they probably don't need to invest years educating their audience on the value of this data, it could take a company like Engagement Labs much less time to achieve results similar to comScore.
Engagement Labs is tiny at a market cap of $25-million today. Yet the story intrigues me because I think long-term about the growth of leading companies in important new markets.

There is no question in my mind about the huge value of selling the right kind of data to social media advertisers. It's very early days in this market, but Engagement Labs appears to be a possible leader. I don't own this stock today, but it's on my radar.
It's certainly possible to earn market-beating returns with large cap stocks. I've shown this in my portfolio with Netflix, Priceline, Google, Facebook and others. But I also think it makes sense to invest in much smaller companies when you have a strong personal interest in following the opportunity closely. Small-cap growth investments, when successful, can generate much larger returns.

Just keep in mind they usually come with much higher risk levels. Always do your own due diligence.

Chris Umiastowski is the growth investor for Globe Investor's Strategy Lab.
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Engagement Labs (EL) Close: 70¢, up 1¢