

Amazon's loss makes holidays a question mark

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In this June 16, 2014 file photo, Amazon CEO Jeff Bezos walks on stage for the launch of the new Amazon Fire Phone, in Seattle. Amazon.com reports quarterly financial results on Thursday, Oct. 23, 2014. (AP Photo/Ted S. Warren, File)

Amazon's trademark smile icon is becoming more of a grimace. The world's largest online retailer reported a wider third-quarter loss than analysts expected and gave a disappointing holiday forecast.

Investors are increasingly irked by Amazon's strategy of investing heavily in new products and services to spur revenue growth while

reporting quarter after quarter of losses or thin profit. The stock price tumbled 7 percent to \$291 in morning trading Friday. That's on top of the 22 percent decline the stock has already suffered this year.

Chief Financial Officer Thomas Szkutak said the company had to be "selective" in taking on new projects. For years, Amazon's strategy has been spending the money it makes to grow and expand into new areas. It launched a smartphone, the Fire, this summer and has been offering a set-top video-streaming device, a streaming video service and several tablets and e-book readers.

The company has also been investing in services for its \$99-a-year loyalty program, Prime. It has added a [grocery delivery services](#) and music streaming for Prime members as well as offering original TV shows such as the critically acclaimed "Transparent" starring Jeffrey Tambor.

But all of those initiatives cost money and time to develop. And not all of them have been hits.

The company's splashy launch of its Fire phone was quickly followed by mediocre reviews and a steep price cut to entice buyers. Amazon said it took a charge of \$170 million related to "inventory evaluation and supplier commitment costs" for the Fire, although it did not give further details. Amazon has about \$83 million of Fire phone inventory at the end of the quarter.

So investors are increasingly signaling that Amazon needs to work harder at turning a profit.

"The market was looking for more in terms of revenue and operating income and the fourth-quarter outlook," said Morningstar analyst R.J. Hottovy. "It's going to be a competitive landscape for retailers this

holiday season and retailers will compete aggressively for consumers."

In a conference call with analysts, Szkutak said the company is focused on "using its capital wisely so that over time we get good returns on invested capital."

But he agreed the company needed to choose new projects carefully.

"We certainly have been in several years now of what I will call in investment mode," he said. "There's still lots of opportunity in front of us but we know that we have to be very selective about which opportunities we pursue. "

Net loss for the quarter was \$437 million, or 95 cents per share, far steeper than the loss of 76 cents per share analysts were expecting, according to FactSet. Revenue jumped 20 percent to \$20.6 billion, but that fell short of expectations as well.

Amazon.com Inc. said it expects holiday quarter revenue of \$27.3 billion and \$30.3 billion, below analyst expectations of \$30.9 billion. That's an increase of 7 percent to 18 percent—slower growth than the prior-year holiday quarter when sales rose 20 percent.

Szkutak said the stronger dollar will hurt fourth [quarter revenue](#) by about 2.5 percentage points.

The holiday period is crucial because retailers make a chunk of their annual profit, about 20 percent, in November and December. Overall, the National Retail Federation expects sales during the period to be up 4 percent to \$617 billion.

Amazon CEO Jeff Bezos said the company was focused on making the holidays "easier and more stress free" than ever.

The company has hired 80,000 seasonal workers and has expanded its Sunday shipping service. It now has more than 50 distribution centers in the U.S., up from 40 last year. And in July it announced it was opening eight smaller sorting centers for a total of 15 by the end of the year.

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