

Pandemic brings fortunes to Amazon—and headaches too

April 29 2020, by Anne D'innocenzio and Alexandra Olson



In this Dec. 17, 2019, file photo, Amazon packages move along a conveyor at an Amazon warehouse facility in Goodyear, Ariz. Amazon will report quarterly earnings on Thursday, April 30, 2020, providing a first glimpse into its financial performance during the pandemic. (AP Photo/Ross D. Franklin, File)

Amazon has spent years honing the business of packing, shipping and

delivering millions of products to doorsteps around the world.

Now it has a captive audience.

With much of the globe in various stages of a lockdown because of the coronavirus pandemic, the world's largest online retailer has become a lifeline to many shoppers. But it is also grappling with delivery delays and mounting complaints from workers who worry about contagion while on the job.

The company's website hit 2.54 billion visitors for the entire month of March, according to online research company Comscore. That marks a 65% jump from the same period last year. Amazon will report quarterly earnings on Thursday, providing a first glimpse into its financial performance during the pandemic.

Discounters like Walmart and Dollar General that sell essential products have seen their shares soar 8% and 15% respectively. But Amazon has been a standout, with its stock up 22% so far this year. That's in contrast to the S&P, which has slid 11%. Amazon is also hiring 175,000 more workers at a time when many businesses have cut back and are seeking federal aid.

At the same time, Amazon's vast empire is showing cracks. Deliveries that used to take just hours to arrive can instead take weeks or even months. High demand items like toilet paper and paper towels are frustratingly out of stock.

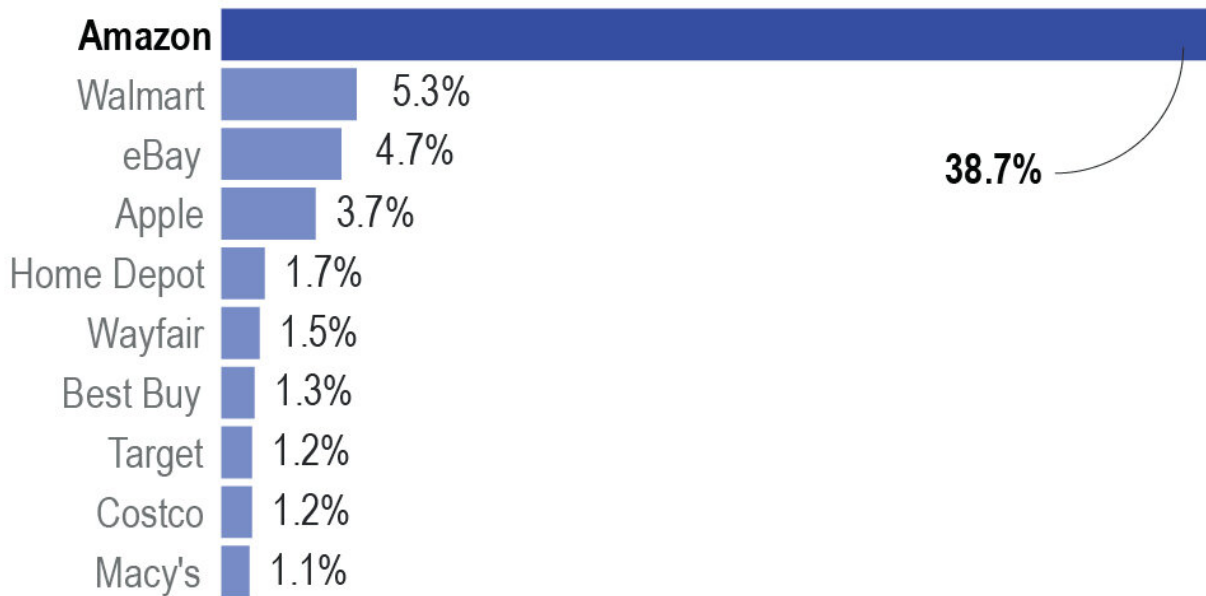
Probably the biggest issue facing the \$1.1 trillion company is persistent complaints by warehouse workers of grueling hours of backbreaking work with little protection against catching the coronavirus. A growing number of infections has increased pressure on the company to take steps that could further slow down operations, including shutting down

some of its warehouses and easing productivity quotas.

"Amazon has gone from a nice-to-have to a necessity," said Jon Reily of Isobar, a global digital agency. "It's becoming a public utility like the electric company or the water company. But they're putting pressure on workers. And workers are scared."

Share of all e-commerce sales by top companies

Amazon accounts for some 40% of online sales in the U.S. It has more than 110 million U.S. Prime members, who pay the annual fee for the free two day shipping.



Source: eMarketer data as of February 2020



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The most dramatic fallout came in France when a court ordered Amazon last week to stop delivering non-essential products for a month while it works out better worker safety measures. An appeals court upheld the ruling, although it expanded the number of products the company is allowed sell. Amazon responded by closing all its French warehouses, saying it is too complicated to separate out its activities.

Small groups of workers have staged walkouts at Amazon warehouses in New York, Chicago and Detroit, demanding that the facilities be closed for deep cleaning after workers there tested positive for the virus. Kentucky's governor ordered a warehouse in Shepherdsville closed for several days last month after workers there got infected.

Amazon has refused to say how many workers have fallen ill. It says it has stepped up protection measures, ramping up cleaning, implementing temperature checks, racing to distribute masks, staggering shifts and spreading out tables in break rooms. It is also allowing any worker who feels unsafe to stay home without pay through April, while offering a \$2 hourly pay bump for those who stay on the job.

Amazon also says it's developing an internal lab that could potentially provide coronavirus tests for all employees, even those without symptoms.

It's unclear how many of Amazon's workers are staying home without pay or how many have been put into isolation because of contact with infected workers. But employees at some warehouses say absences are common.

Guiselle Diaz, 23, said she has not reported to her job at the Staten Island warehouse for weeks because she worries her asthma makes her vulnerable and she fears passing the virus to her 81-year-old grandmother, who lives with her.

"A lot of people are afraid, and a lot of people have conditions that stop them from going," Diaz said.

Amazon's competitors have faced similar challenges with delays, product scarcity and worker discontent. Walmart faced calls to step up safety measures after two workers from the same store contracted the virus and died. Some workers at grocery delivery services Instacart and Shipt, which is owned by Target, have walked off their jobs to demand greater safeguards against the virus.



This July 8, 2019 file photo, shows the Amazon Fulfillment warehouse in Shakopee, Minn. Amazon will report quarterly earnings on Thursday, April 30, 2020, providing a first glimpse into its financial performance during the pandemic. (AP Photo/Jim Mone, File)

Many shoppers have been forgiving of Amazon, in large part because there are few better alternatives for getting essentials online.

"That's the only place you can shop for most everything you need," said Marlina Fol, a caregiver in Manhattan, who said she was able to buy masks and hand sanitizer from Amazon in early March but now struggles to get a window for grocery delivery from Whole Foods, which Amazon acquired two years ago.

Amazon accounts for about 40% of online sales in the U.S., according to eMarketer, an online research firm. It has developed fierce loyalty among its more than 110 million U.S. Prime members, who pay \$129 a year to get practically anything shipped to them in up to two days. That accounts for half of American households. Many experts believe Amazon is only picking up more subscribers during the pandemic and expect its dominance to grow further.

The company is also providing essential cash flow to third-party sellers who've seen their physical stores closed because of lockdowns. Aaron Krahling, whose vitamin store in Waldorf, Maryland, has been shuttered since mid-March, has been able to pay the rent for his business and other bills because of income he's received from selling home accessories on Amazon.

"Everything would have come down to a screeching halt," Krahling said. "It's helped me cover all overhead without freaking out."

Craig Johnson, president of retail consultancy Customer Growth Partners, says Amazon has a "high class problem" considering how many other stores have gone dark.

"Given all that is going on, they have done remarkably well," Johnson said. "Yes, there are glitches. But there are glitches all over. We have

never been through this."

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