Amazon expects to plow $4B second-quarter profit into improving safety, delivery and wages

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Amazon sold, shipped and streamed more food, products and video content during the first three months of 2020—revenue rose 26% to $75.5 billion—as it became a truly essential provider for consumers staying at home to help slow the spread of the coronavirus.

But all that business came at a cost, as Amazon hired 175,000 new workers to handle demand and increased wages for employees who were packaging and delivering products as the spread of the virus grew from outbreak to pandemic.

Amazon reported net income declined 30.5% to $2.5 billion in the first quarter of 2020, compared to $3.6 billion in the same period a year ago. Analysts had expected net income of $3.1 billion, based on those polled by S&P Global Market Intelligence.

The costs of delivering more goods and protecting workers are continuing into the current April-June quarter, during which Amazon forecasts $4 billion in operating profit. But all of that will flow back into improving and making safer the workplace and delivery process, as well as creating COVID-19 tests for employees, the company says.

"If you're a shareowner in Amazon, you may want to take a seat because we're not thinking small," CEO and founder Jeff Bezos said in comments accompanying the financial report. "Under normal circumstances, in this coming Q2, we'd expect to make some $4 billion or more in operating profit. But these aren't normal circumstances. Instead, we expect to spend the entirety of that $4 billion, and perhaps a bit more, on COVID-related expenses getting products to customers and keeping employees safe."

Amazon will invest in acquiring more personal protective equipment, enhanced cleaning of warehouses and workplaces, higher wages and the development of tests, he says. "There is a lot of uncertainty in the world right now, and the best investment we can make is in the safety and well-being of our hundreds of thousands of employees," Bezos said.

The company's financial report comes a day ahead of scheduled workplace protests on May 1, International Workers' Day, by some employees at Amazon and Whole Foods, which the online retailing giant acquired in 2017. Worker walkouts or sickouts are also scheduled by employees at FedEx, Walmart, Instacart, Target, and Shipt, a delivery service owned by Target.

Organizers say they are planning the protests because "our companies have failed us during these unprecedented times."

Amazon has seen protests already during the pandemic, and the company has had at least one warehouse worker die from COVID-19 with several others having been infected.

Two employees who protested worker conditions publicly were fired by Amazon. Another employee, Christian Smalls, who had organized a March 30 protest against Amazon at a warehouse on Staten Island, New York, was fired after the company said it instructed him to stay home with pay for 14 days because of being in close contact with an infected employee.

"There have been several protests where workers have demanded safer conditions, but in response, workers are being terminated or retaliated against for speaking up," said in a statement from the May 1 protest group, which Smalls has helped organize.

New York Attorney General Letitia James has asked the National Labor

Relations Board to investigate Smalls' firing and has criticized Amazon for inadequately protecting workers during the pandemic.

But Amazon's spending, Bezos says, underscores that the company's "top concern is ensuring the health and safety of our employees and contractors around the world."

"The service we provide has never been more critical, and the people doing the front-line work—our employees and all the contractors throughout our supply chain—are counting on us to keep them safe as they do that work," he said. "We're not going to let them down. Providing for customers and protecting employees as this crisis continues for more months is going to take skill, humility, invention, and money."

Customers relied on online deliveries as online sales rose 24% to $36.7 billion, while sales at physical stores rose only 8% to $4.6 billion.

And more consumers paid for Amazon Prime, which provides free and reduced shipping costs, plus music and video streaming services, as revenue of $5.6 billion reflected an increase of 28%.

Shares of Amazon fell 5.5% in after-hours trading to $2,337.88. Amazon stock is up 30% so far this year.

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