Amazon's Earnings not all positive

As everyone knows in modern times it's not easy to be a brick and mortar retailer, and the giant Amazon is no exception to this rule. Amazon the Seattle based giant smashed their earnings expectations in Thursdays report, however one figure stood out to investors that was the decline of physical store sales.

Amazon who have recently been acquiring many physical locations posted a 3% year on year decline in physical store sales on Thursday. This is the first year over year comparison since Amazons ownership of Whole Foods, as the $13.7 billion USD acquisition came to a close in august of 2017.The acquisition was a highlight to Amazons determination to enter the physical retail space. Amazon hasn't stopped there, they have continued to expand their physical presence in a variety of formats including Amazon bookstores, Cashless Amazon Go stores and their relatively new Amazon 4 star stores.

In a recent call with analysts, David Fildes, Amazons head of investor relations placed some blame of the decline on timing issues. In particular, an adjustment to Whole Foods fiscal calendar which ultimately added five extra days' worth of sales to 2017's fourth quarter results.

“Online orders where people go to the Prime Now app and then order for delivery or pickup at Whole Foods stores does count or is counted in the online stores component of revenue,” Fildes said. “So if you adjust for those, what's the Whole Foods growth year-over-year on an apples-to-apples basis was approximately 6%.”

With this also potentially being a contributing factor, as the line is considerably skewed in Amazons case, as although it is an online transaction, it also could fall into the category of a brick and mortar transaction.

Over the course of the last year, Amazon has progressed into offering their customers free grocery deliveries from Whole Foods through their online service ‘Prime Now' so instead of travelling customers can click on the app and get their groceries delivered to their front door. With this being available in over 60 US stores, and a further 20 US stores offering an online order for pickup service, Amazon has said it will be expanding this into more regions on top.

“Much of this is because Whole Foods' proposition is simply not up to scratch,” said Neil Saunders, Managing Director of Global Data Retail. “Basics and commodity products still cost way more than at rivals like Target, and this is one of the reasons perceptions that Whole Foods is needlessly expensive have persisted.” The Bottom line is simple, whole foods isn't delivering the growth that Amazon had predicted, and investors are looking at it as a bad decision.

Amazon stock on Thursday started on an incline but slumped almost 5% in after-hours trading after the earnings announcement Whether or not the slump is based solely on this, which it very much could be considering amazon is pushing very hard towards more physical locations, we know investors will be keeping a close eye on amazon over the next few weeks.

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