



Is Amazon a Black Friday Buy?

Description

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Remember when Black Friday was just one day of super sales? It was the most important day of the year for retailers. Well, some things never change — but a few things do. Black Friday still is the biggest sales event for retailers. It's no longer a bunch of discounts over 24 hours, though.

Amazon ([NASDAQ:AMZN](#)) and rivals have been doling out Black Friday deals for weeks. So you have more time to get the deals — and they have more time to generate revenue. Still, Amazon posted record sales during the period from the actual Black Friday through Cyber Monday last year.

Now the question is if a potentially strong Black Friday weekend this year could make Amazon shares the best deal in town. Let's find out.

The impact of rising inflation

First, a bit of background on Amazon's situation so far this year. The e-commerce giant hasn't reported the sort of earnings investors were used to seeing. Higher inflation has weighed on Amazon's costs and on shoppers' wallets. The company also has struggled to manage supply chain disruptions and productivity in its fulfillment network.

As a result, Amazon has been reporting quarter after quarter of declines in operating income and operating cash flow. Problems related to today's economy — such as rising inflation — won't go away overnight. So Amazon will have to deal with the pressure a while longer.

The good news is Amazon is making some progress on managing today's troubles. The company said in its third-quarter earnings report that it's seeing results in its effort to cut costs across its fulfillment network.

Most recently, the company announced job cuts that will continue into early next year. Amazon didn't specify how many, but various media outlets reported earlier that Amazon job cuts could total 10,000.

This will help the company in its quest to lower costs.

It will take time, though, for Amazon's efforts to translate into earnings recovery and growth.

Now let's get back to the subject of Black Friday. Despite today's tough economy, could this period still represent significant sales for Amazon — and offer the shares a boost?

Reason to be optimistic

Statistics from Deloitte's latest holiday retail survey give us reason to be optimistic. About 49% of shoppers plan to buy during Thanksgiving week, the data shows. Consumers aim to maintain about the same level of spending as last year, and 34% of shoppers plan to spend the most money at online-only retailers. That's ahead of all other shopping destinations.

Amazon has grown its Prime membership to more than 200 million. And in recent earnings reports, the company has said members are spending more and more on Amazon. Prime members pay an annual fee. It makes sense, especially in tough economic times, that they would try to get the most out of their membership.

All of this means the e-commerce giant could be heading for another successful Black Friday. That said, it's important to keep two things in mind.

First, higher inflation still could put the brakes on spending. Shoppers' behavior may shift quickly. For example, rival **Target** recently saw sales growth slow in a period of a few weeks.

Second, whether Black Friday is successful or not, I wouldn't use it as a reason to buy or sell Amazon stock. Today, the general situation is difficult for Amazon. But the long-term picture remains bright. It's a leader in e-commerce — and this market is forecast to grow in the double digits throughout this decade.

Is Amazon a buy?

All of this means Amazon isn't a Black Friday buy. The results of this period won't make or break Amazon, and any share movement one way or the other may be short term.

But [the stock is a buy for its long-term growth story](#). Amazon is trading for 1.9 times sales. That's near its lowest since around 2015.

At the same time, Amazon continues to grow sales and its Prime membership program. And the cost-cutting efforts should improve Amazon's financial profile over time. One of the top items on your Black Friday shopping list, therefore, just may be Amazon shares.

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