Empty Shelves, UNPAID BILLS, Angry Workers

In East Africa – where the tills used to jingle all year round – the picture is even grimmer. The big retailers are on the ropes, yet the developers plan even more shops. Crazy?

BY ALLAN AKOMBO

In the once bustling supermarkets of Kenya, shelves are empty; the maddening queues are no more; and unpaid shop workers threaten to join the exodus of customers.

This has become the face of the two big names in retail in East Africa: Nakumatt and Uchumi Supermarkets.

Just three years ago, homegrown Nakumatt supermarkets were a signature success story in the region with expansion in mind.

Today Nakumatt – which has the highest number of supermarkets in East Africa – is a shadow of itself, choking with debt and battling insolvency lawsuits by suppliers, as well as industrial action by its workers over unpaid wages.

Nakumatt has shut down two stores in Kenya, and another three in Uganda, to curb debts of more than $145 million.

Nakumatt can't pay its 5,700 workers on time. Its woes are compounded by cautious suppliers who now demand upfront payments. Others have cut their shipment of products altogether, while some have filed insolvency lawsuits for non-payment of debt.

Insiders say Nakumatt's financial troubles stem from an ambitious brick-and-mortar expansion gone wrong. Agitated by the entry of new rivals into the region – including Choppies of Botswana, France's Carrefour, South Africa's Game and Walmart – Nakumatt and other Kenyan retailers expanded their footprint to ward-off competition.

This backfired because of a shaky economy and competition.

Nakumatt looks to a long-awaited $75-million cash injection from an undisclosed private equity fund to help shore up its stores. Despite the crisis, Nakumatt has 45 stores running in Kenya, eight in Uganda, three in Rwanda and five in Tanzania.

Uchumi Supermarkets faces the same trials. Its shelves are either empty or filled with single-line products as suppliers stay away due to lack of payment.

The chain, in 2016, closed stores in Kenya, leaving Uganda and Tanzania in an attempt to climb out of a financial hole. Uchumi is also selling assets, like land, to improve its cash reserves. The partly-owned government retailer was declared insolvent on May 30, 2006.

A decade on from this insolvency, Uchumi survived a winding-up suit and is banking on a $17.6-million Treasury bailout package; so far only $4.9 million has been released. Another $34 million is needed from investors to restock shelves and pay supplier and bank debts.

But even with all of this debt and despair, developers plan more retail space.

"The demand for brick-and-mortar retail is still high in East Africa... More new smaller retailers are emerging to service customers," says John Ndirangu, a property agent in Nairobi.

International brands are also rising.

"Ultimately, landlords want tenants who can do the most business. The result is numerous international brands are now entering the market and local retailers feel the need to expand their number of outlets," says Gordon Bell, Director and Head of East Africa Operations for Broll Property Group.

Online outlets are attempting to grab a bigger share of the cake, sending those with brick-and-mortar stores turning to smaller and cheaper shops.

They may find it a rollercoaster ride in the uncertain world of East African shopping.