Journal of Business, Economics and Management Research Studies
Journal ISSN: 3005-2173
4(3)
Received: September 12, 2026
Accepted: October 30, 2026
Published: November 03, 2026

Innovative Marketing Strategies and Firm Performance among Manufacturing Firms in Nairobi, Kenya: The Moderating Role of Competitive Intensity

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Abstract

Innovative marketing strategies and competitive intensity are critical for firm performance, yet research on how the competitive environment conditions the returns to marketing innovation in Kenya's manufacturing sector remains limited. This study examined the moderating effect of competitive intensity on the relationship between innovative marketing strategies and the performance of manufacturing firms in Nairobi, Kenya. The study was anchored on the Resource-Based Theory and Competitive Strategy Theory, adopted the positivism philosophy and an explanatory research design. The target population comprised 561 manufacturing firms in Nairobi registered with the Kenya Association of Manufacturers, from which a sample of 280 firms was determined using Yamane's formula (1967) and selected through stratified and simple random sampling, with Chief Executive Officers as respondents. Primary data were collected using structured questionnaires; of the 280 questionnaires distributed, 250 were correctly completed and usable, yielding a response rate of 89.2%. Data were analysed using descriptive statistics, Pearson correlation, multiple regression and Hayes' PROCESS macro Model 1 for moderation analysis. Results showed that innovative marketing strategies had a positive and significant relationship with firm performance ($\beta = .579$, $p < .001$). The moderation model was statistically significant, $F(6, 243) = 22.689$, $p < .001$, and explained 35.9% of the variance in firm performance. The interaction between innovative marketing strategies and competitive intensity was negative and statistically significant ($b = -.213$, $p = .031$; 95% CI [−.407, −.019]), with the interaction accounting for an additional 1.24% of explained variance. Conditional effects showed that innovative marketing strategies remained positively associated with performance at low ($b = .778$), moderate ($b = .725$) and high ($b = .592$) levels of competitive intensity, although the strength of the relationship declined as competition increased. The study concludes that innovative marketing strategies are an important driver of manufacturing firm performance, but that competitive intensity weakens the

magnitude of the performance returns firms can appropriate from such strategies. The study recommends that manufacturing firms continuously renew and differentiate their marketing innovations, build complementary capabilities that are difficult for competitors to imitate, and align marketing investments with the intensity of competition in their operating environment.

Keywords: innovative marketing strategies, competitive intensity, firm performance, manufacturing firms, moderation, Nairobi, Kenya

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Funding: The author received no financial support for the research, authorship and/or publication of this article

Data Availability Statement: The authors confirm that the data supporting the findings of this study are available within the article [and/or] its supplementary materials or upon reasonable request.

Competing interests: The authors declare no potential conflicts of interest with respect to the research, authorship and/or publication of this article.

Introduction

Firm performance refers to the extent to which an organization achieves both its intended means and ends, and is an indication of how effectively an organization performs in achieving its objectives (Taouab & Issor, 2019). It remains an important concern for managers, policymakers, and scholars because it reflects the ability of firms to utilize resources, respond to environmental changes, satisfy stakeholders, and achieve strategic objectives in an environment characterized by technological change, globalization, changing customer expectations, and intense competition. Recent global disruptions, including the COVID-19 pandemic and the Russia-Ukraine war, have further demonstrated that firm performance cannot be considered independently of the ability of firms to adapt to changing markets (Jardak & Belghith, 2026).

Innovation is widely regarded as a mechanism through which organizations create and preserve value and respond to these pressures. The OECD/Eurostat (2018) emphasizes that innovation involves the implementation of new or improved products or business processes that differ significantly from those previously used by a firm. In China, Sun, Cheng and Ragusa (2024) established a positive nonlinear relationship between service innovation and financial performance among 512 manufacturing companies; in Vietnam, Canh et al. (2019) found that process and product innovations improved market share although they did not significantly improve return on assets; in Ghana, Boateng Dankwah et al. (2024) established a positive relationship between innovation orientation and financial performance among manufacturing firms; and in Nigeria, Kolapo et al. (2021) found that innovative marketing strategies significantly improved firm performance. Nevertheless, the empirical relationship

between innovation and performance remains inconclusive: some studies report positive effects (Anning-Dorson et al., 2017), whereas others report negative relationships (Santos et al., 2014), suggesting that the effect of innovation depends on its form, the organizational context, and the competitive environment.

Innovative marketing strategies represent one particularly important but comparatively less examined dimension of innovation. Much of the previous innovation literature has concentrated on technological innovation, leaving the effects of innovative marketing strategies on firm performance less clearly established (Grimpe et al., 2017). Innovative marketing strategies concern the optimization of marketing methods, resources, and capabilities (Nwachukwu et al., 2018) and involve the successful commercialization and marketing of new products or services in ways that exceed customer expectations (YuSheng & Ibrahim, 2020), spanning changes in product presentation, pricing, promotion, placement, market development, and customer engagement. Recent Kenyan evidence indicates that innovative marketing strategies capability has a positive and significant effect on the performance of manufacturing firms in Nairobi City County (Mboga et al., 2023), and that marketing innovation is positively associated with return on investment among Kenyan manufacturers (Rollings et al., 2026).

The competitive environment provides another important consideration in this relationship. Competitive intensity refers to the degree of competitive actions and pressures experienced by firms within an industry, characterized by numerous competitors, similar product offerings, promotional rivalry, and substantial price competition (Jaworski & Kohli, 1993; Sorensen, 2009). Evidence on its effects is mixed: Han et al. (2024) contend that competitive intensity can enhance enterprise productivity and performance, while Tuyet and Ninh (2023) report an inverted U-shaped relationship in which performance deteriorates once competition exceeds an optimal level. Intense competition may also generate price wars, narrow profit margins, and increase pressure for differentiation (Miller & Friesen, 1983; Zahra, 1996), and highly competitive markets can make it harder for firms to sustain profitability. Competitive intensity may therefore condition the extent to which innovative marketing strategies translate into superior performance.

Manufacturing is central to Kenya's development agenda under Kenya Vision 2030, yet its performance remains below potential: the sector grew by 2.8% in 2024 compared with 2.2% in 2023, while its contribution to gross domestic product remained at approximately 7.3% (KNBS, 2025), far below the 15% medium-term target (Government of Kenya, 2022). Kenyan manufacturers operate under substantial cost and competitive pressures, including imported products, energy costs, and access to finance (KAM, 2025), and Nairobi hosts the country's major concentration of manufacturing activity. These conditions increase the importance of understanding whether innovative marketing strategies improve firm performance and whether that effect depends on the intensity of competition.

Despite this importance, the majority of extant studies have focused on the direct relationship between innovative marketing and firm performance (Fatah & Amin, 2023; Ibarra-Cisneros et al., 2024; Peng et al., 2021), while others have examined moderating effects using different variables (Nwachukwu & Vu, 2022; YuSheng & Ibrahim, 2020). Limited research has examined competitive intensity as a boundary condition of the innovative marketing strategies-firm performance

relationship, particularly within a developing-country manufacturing context. This study therefore examined the moderating effect of competitive intensity on the relationship between innovative marketing strategies and the performance of manufacturing firms in Nairobi, Kenya.

Literature Review

Theoretical Review

Resource-Based Theory

The Resource-Based Theory (RBT), rooted in Penrose (1959) and Wernerfelt (1984), argues that differences in firm resources and capabilities explain variations in performance. According to Barney (1991), sustainable competitive advantage arises from resources that are valuable, rare, difficult to imitate, and non-substitutable. However, resources alone are insufficient; firms must effectively combine and deploy them to achieve superior outcomes (Conner, 1991; Grant, 1991).

RBT is particularly relevant to innovative marketing strategies, which depend on a firm's ability to understand customer needs, generate new ideas, and implement effective marketing innovations. Marketing capability encompasses knowledge, skills, processes, and routines related to marketing activities. Supporting this view, Duah et al. (2024) found that marketing capability enhances firm performance, especially when supported by effective resource orchestration.

Although competitive intensity is an external factor, RBT explains why firms facing similar competitive conditions perform differently. Firms with stronger marketing capabilities, technological resources, customer relationships, and learning capacities are better positioned to develop and benefit from innovative marketing strategies. Nevertheless, resource advantages can diminish through imitation, employee mobility, and technological change (Barney et al., 2011). Therefore, the theory provides a useful foundation for understanding how innovative marketing strategies contribute to manufacturing firm performance while recognizing the influence of the competitive environment.

Competitive Strategy Theory

Competitive Strategy Theory, developed by Porter (1979, 1980, 1985), explains industry competition through five forces: supplier power, buyer power, competitive rivalry, threat of substitutes and threat of new entrants. Supplier power affects Nairobi manufacturers reliant on imported raw materials, energy and machinery, whose costs are influenced by commodity prices, exchange rates and supply-chain conditions (World Bank, 2022). Buyer power increases when customers have several alternatives, compelling firms to create value through segmentation, digital engagement and differentiated offerings. Competitive rivalry, central to this study, intensifies with numerous capable competitors, slow market growth and limited product differentiation, encouraging competition through price, quality, innovation, branding and promotion (Porter, 1980). Similarly, substitute products and new entrants constrain pricing flexibility and increase the need for differentiation.

Porter (1980, 1985) further identifies three generic competitive strategies: cost leadership, differentiation and focus. These strategies enable firms to gain competitive advantage by offering superior customer value through enhanced benefits or lower prices. However, Mintzberg (1988) challenges the strict distinction between cost leadership and differentiation, arguing

that lower prices can themselves constitute differentiation and emphasizing customer-perceived quality.

The theory is relevant because it explains how competitive intensity influences firms' marketing strategies and their performance outcomes. As competitive pressures increase, manufacturing firms may adopt innovative marketing practices, including digital marketing, customer relationship management, branding, segmentation and differentiated value propositions, to attract and retain customers. However, intense rivalry may also encourage imitation and reduce the returns from such strategies. This provides a theoretical basis for examining competitive intensity as a moderator of the relationship between innovative marketing strategies and firm performance. Nevertheless, Porter's relatively static view of industry competition offers limited explanation of how firms develop and sustain capabilities amid digital and market changes, making the Resource-Based Theory a useful complement.

Empirical Review

Innovative Marketing Strategies and Firm Performance

Abiodun and Kolade (2020), studying SMEs in Kwara State, Nigeria, found that product, promotion, packaging and pricing strategies jointly predicted organisational performance. However, the study focused on conventional marketing strategies among SMEs rather than innovative marketing strategies in manufacturing firms and did not consider competitive intensity.

Rezvani and Fathollahzadeh (2020), using structural equation modelling among 195 industrial SMEs, established that value creation had the strongest influence on innovative marketing performance, followed by innovation-related factors. Although the study highlights the contribution of entrepreneurial marketing to innovation, it examined marketing performance rather than overall firm performance. Similarly, Choe, Kim, and Hwang (2021) demonstrated the importance of product innovativeness in technology-enabled food delivery services, but focused on consumer behavioural intentions rather than organisational performance.

In Ghana, Quaye and Mensah (2019), examining 591 manufacturing SMEs, found that product design and packaging, promotional, retail and pricing innovations contributed to sustainable competitive advantage, with product design and packaging emerging as the strongest drivers. Despite its relevance to manufacturing, the study focused on competitive advantage rather than firm performance and did not examine competitive intensity as a moderating variable.

In Kenya, Mboga et al. (2023) found that innovation capabilities, including innovative marketing strategy capability, were positively associated with the performance of manufacturing firms in Nairobi City County. Kithinji (2022) reported a positive relationship between innovative marketing strategies and SME performance in Nairobi County, while Ng'wasa and Kipangula (2025) established that digital marketing, packaging, promotion and advertising innovations positively influenced SME performance in Tanzania.

Overall, the reviewed studies indicate that innovative marketing strategies contribute to organisational performance and competitive advantage. However, limited evidence establishes whether competitive intensity changes this relationship among manufacturing firms in Nairobi. This study addresses this gap by examining the effect of innovative marketing strategies on firm performance while accounting for the moderating role

of competitive intensity. On the basis of this literature, the study hypothesizes that:

H_{01}: *Innovative marketing strategies have no significant effect on the performance of manufacturing firms in Nairobi, Kenya.*

Competitive Intensity and Firm Performance

Competitive intensity, defined as the degree of competition among firms for customers, market share, resources and profitability, influences strategic choices and performance. Zhang, Wang, and Song (2020), using data from 146 U.S. new ventures, found that high competitive intensity weakened the positive effect of marketing capabilities on performance, with the relationship becoming insignificant at very high competition levels. However, the study focused on new ventures rather than established manufacturing firms, leaving a contextual gap.

Yıldız and Sayın (2019), examining 124 manufacturing firms in Istanbul's textile industry, found that process management and competitive intensity positively influenced product innovation performance, with competitive intensity moderating their relationship. However, the study focused on process management and product innovation rather than innovative marketing strategies. Similarly, Alinejad and Anvari (2019), studying 67 managers in Shiraz Municipality, found that process management influenced firm performance through competitive intensity and collaborative structure, although the public-sector context limits its applicability to manufacturing.

In Africa, Houessou, Aoudji, and Biaou (2024), using data from 306 fish-farming firms in southern Benin, established that cost leadership and differentiation positively influenced financial performance, while marketing strategy had a weaker effect under intense domestic competition. In Kenya, Atikiya (2015) and Atikiya et al. (2015), studying 131 manufacturing firms across 12 industrial subsectors in Nairobi and its environs, found that cost leadership significantly influenced firm performance. However, their studies focused on generic competitive strategies rather than innovative marketing strategies under varying competitive conditions.

Overall, existing studies show that competitive intensity can influence how strategies translate into firm performance, although its effects vary across contexts. Limited evidence examines its moderating role in the relationship between innovative marketing strategies and performance, particularly among Kenyan manufacturing firms. This study addresses this gap by investigating whether competitive intensity strengthens or weakens this relationship among manufacturing firms in Nairobi. The study therefore hypothesizes that:

H_{02}: *Competitive intensity has no significant moderating effect on the relationship between innovative marketing strategies and the performance of manufacturing firms in Nairobi, Kenya.*

Research Methodology

Research Philosophy

The study adopted the positivism philosophy, which emphasizes the use of scientific methods, empirical evidence, hypothesis testing, and quantifiable data to generate generalizable knowledge (Saunders & Darabi, 2024). Positivism is appropriate where research aims to explain relationships through structured methodologies and to produce law-like generalizations (Thomas & Lawal, 2020). The study's objective of testing hypotheses on the effect of innovative

marketing strategies on firm performance and its moderation by competitive intensity, using structured survey instruments and statistical modelling, aligned well with this philosophy.

Research Design

The study employed an explanatory research design, which is intended to explain, rather than simply describe, phenomena in terms of likely causes. The design was suitable because the study sought to establish the direct effect of innovative marketing strategies on firm performance and the conditional effect of competitive intensity on that relationship.

Study Area

The study was conducted among manufacturing firms in Nairobi, the capital and largest city of Kenya and the country's principal concentration of manufacturing and commercial activity. Goods manufactured in Nairobi include clothing, textiles, building materials, processed foods, beverages, and cigarettes, and several foreign companies have factories based in and around the city. The diversity of industrial sub-sectors and the intensity of competition within the city make Nairobi an appropriate setting for the study.

Target Population

The target population comprised the 561 manufacturing firms in Nairobi registered with the Kenya Association of Manufacturers (KAM), specifically firms engaged in the transformation of raw materials and semi-finished products into finished goods or value addition for final consumers. Manufacturing firms were chosen because the sector is central to Kenya's industrialization agenda, contributes significantly to employment and export earnings, and operates in competitive environments where innovative marketing strategies and competitive intensity are operational imperatives. The Chief Executive Officer of each sampled firm was the respondent.

Sample Size and Sampling Procedures

Yamane's formula (1967), $n = N / (1 + N(e)^2$, was used to determine a minimum sample size of 234 firms from the 561 manufacturing firms. The study employed stratified sampling to allocate the sample across the thirteen KAM sub-sectors, followed by simple random sampling to select the respondents. Although the minimum sample was 234, data were collected from 280 respondents, approximately 19.7% above the minimum, to enhance statistical power and the stability of estimates in the moderation analysis, which is more demanding than simple regression because it estimates interaction terms and conditional effects. The final sample distribution is presented in Table 1.

Data Collection Instrument and Its Quality

Primary data were collected using self-administered structured questionnaires completed by the Chief Executive Officers of the sampled firms, administered through the drop-and-pick method with the help of two research assistants. All variables were measured on five-point Likert scales anchored by 1 = strongly disagree to 5 = strongly agree, using items adapted from previously validated instruments. The instrument was pilot-tested with 15 manufacturing firms in Uasin Gishu County, representing 5.3% of the sample, within the recommended 5-10% range, and adjustments were made before the main study. Face and content validity were established through supervisor review and literature alignment (Clark & Watson, 2019; Patel & Desai, 2020); construct validity was supported by adopting previously validated scales; and criterion validity was assessed through correlation analysis. Reliability was assessed using

Cronbach's Alpha, with values of 0.7 or higher deemed acceptable (Meeker, Escobar, & Pascual, 1998).

Table 1: Sample Size Distribution

No.	Sector	Target Population	%	Sample Size
1	Building, Mining and Construction	24	4.28	11
2	Chemical and Allied	62	11.05	30
3	Energy, Electrical and Electronics	45	8.02	22
4	Food and Beverage	119	21.21	60
5	Fresh Produce	5	0.89	3
6	Leather & Footwear	6	1.07	3
7	Metal and Allied	52	9.27	26
8	Motor Vehicle Assemblers	44	7.84	22
9	Paper and Board	62	11.05	31
10	Pharmaceutical & Medicals	21	3.74	11
11	Plastic & Rubber	66	11.76	33
12	Textiles and Apparels	37	6.60	19
13	Timber, Wood and Furniture	18	3.21	9
	TOTAL	561	100	280

Source: Kenya Association of Manufacturers (2025)

Measurement of Variables

Firm performance, the dependent variable, was measured using eight items adapted from prior studies (Bamfo & Kraa, 2019; Rosenbusch et al., 2011; Gunday et al., 2011), covering sales revenue growth, profitability, market share, operational efficiency, strategic objective attainment, employee productivity, innovation-driven financial performance, and brand awareness. Innovative marketing strategies, the independent variable, were measured using twelve items adapted from prior studies (Greenley, 2016; Hurley & Hult, 1998; Kohli & Jaworski, 1990), covering the development of new marketing strategies, innovative promotion, responsiveness to market changes, technology integration, customer-engagement experimentation, employee creativity, customer feedback, competitor analysis, digital platforms, data-driven adaptation, online-offline channel integration, and flexible pricing. Competitive intensity, the moderating variable, was measured using eight items adapted from Jaworski and Kohli (1993), Narver and Slater (1990), and Porter (2008), covering industry rivalry, product similarity, price pressure, competitor innovation, market-share pressure, new entrants, competitor marketing influence, and pressure to innovate.

Data Analysis

Descriptive statistics, including frequencies, percentages, means and standard deviations, were used to summarise firm characteristics and responses to the study variables. Exploratory factor analysis was conducted using principal component analysis, with the Kaiser–Meyer–Olkin (KMO) measure and Bartlett's test of sphericity used to assess the suitability of the data for factor analysis. Items with factor loadings of 0.50 and above were retained. Cronbach's alpha coefficients were computed to assess the internal consistency of the measurement scales.

Pearson's product-moment correlation was used to establish the direction and strength of the relationships among innovative marketing strategies, competitive intensity and firm performance.

Multiple linear regression was used to examine the direct relationship between innovative marketing strategies and firm performance, while Hayes' PROCESS Macro Model 1 was employed to test the moderating effect of competitive intensity. Firm age, employee population and sector experience were included as control variables.

The direct-effect regression model was specified as $FP = \beta_o + \beta_1 IMS + \beta_2 AGE + \beta_3 EMP + \beta_4 SEC + \varepsilon$ and the moderating effect as $FP = \beta_o + \beta_1 IMS + \beta_2 CI + \beta_3 (IMS \times CI) + \beta_4 AGE + \beta_5 EMP + \beta_6 SEC + \varepsilon$ where FP represents firm performance, IMS represents innovative marketing strategies, and CI represents competitive intensity. The interaction term (IMS × CI) represents the product of innovative marketing strategies and competitive intensity, used to assess the moderating effect of competitive intensity. AGE represents firm age, EMP represents employee population, and SEC represents sector experience. The coefficient β_o represents the regression intercept, while β_1–β_6 represent the regression coefficients. Finally, ε represents the error term, and i denotes the individual manufacturing firm. Regression assumptions were tested using the Shapiro-Wilk test (normality), the ANOVA linearity test and scatterplots (linearity), the Durbin-Watson statistic (independence of errors), variance inflation factors and tolerance (multicollinearity), and Levene's test (homoscedasticity).

Results

Response Rate

Of the 280 questionnaires distributed to Chief Executive Officers of the sampled manufacturing firms, 250 were correctly completed and usable, yielding a response rate of 89.2%, which is considered excellent for survey research and provides a robust basis for the analyses reported in this chapter.

Demographic Characteristics of Participating Firms

Baseline demographic data were gathered on firm age, firm size, and industrial sub-sector, as summarized in Table 2. The largest segment of respondents belonged to firms operating for 5 to 10 years (32.4%), followed by firms younger than 5 years (28.8%), indicating that over 60% of the firms were in their early-to-intermediate growth stages, a phase associated with market stabilization, scale expansion, and capability building (Jaworski & Kohli, 2017). By workforce, firms with fewer than 50 employees formed the largest share (44.0%), reflecting the small-to-medium composition of manufacturing in developing economies (Omanje et al., 2022). The Food and Beverage sub-sector registered the highest representation (21.6%), and all thirteen sub-sectors were captured, safeguarding the dataset against industry-specific skewness and enhancing the robustness of the study.

Table 2: Demographic Characteristics

Characteristic	Frequency	Percentage
Age of the firm		
Less than 5 years	72	28.8
5–10 years	81	32.4

11–15 years	32	12.8
16–20 years	35	14.0
More than 20 years	30	12.0
Total	250	100
Number of employees		
Less than 50	110	44.0
51–100	60	24.0
101–150	22	8.8
151–200	29	11.6
Greater than 200	29	11.6
Total	250	100
Sector of the firm		
Building, Mining and Construction	25	10.0
Chemical and Allied	22	8.8
Energy, Electrical, and Electronics	23	9.2
Food and Beverage	54	21.6
Fresh Produce	21	8.4
Leather and Footwear	10	4.0
Metal and Allied	8	3.2
Motor Vehicle Assemblers	6	2.4
Paper and Board	11	4.4
Pharmaceutical and Medical	24	9.6
Plastic and Rubber	11	4.4
Textiles and Apparel	19	7.6
Timber, Wood and Furniture	16	6.4
Total	250	100

Source: Researcher (2026)

Factor Analysis

Exploratory factor analysis using principal component extraction with Varimax rotation was conducted to validate the measurement structure of the three study constructs. As summarized in Table 3, the Kaiser-Meyer-Olkin measures of sampling adequacy ranged from 0.897 to 0.939, all well above the 0.50 threshold (Field, 2013), and Bartlett's Tests of Sphericity were statistically significant ($p < .001$), confirming that the correlation matrices were suitable for factor analysis. For each construct, a single principal component was extracted with an eigenvalue above 1.0, explaining between 57.649% and 63.063% of the total variance, above the 40% adequacy benchmark for social science research (Hair et al., 2019). All retained items loaded above the 0.50 threshold (Hair et al., 2015): innovative marketing strategies items loaded between 0.737 and 0.863, with the integration of online and offline marketing channels loading highest; competitive intensity items loaded between 0.644 and 0.814, with pressure to reduce prices due to competition loading highest and firm performance items loaded between 0.655 and 0.841, with improved profitability loading highest. The results support the unidimensionality, validity, and reliability of the three constructs and justify their use in subsequent regression and hypothesis-testing analyses.

Table 3: Summary of Factor Analysis Results for the Study Constructs

Construct	KMO	Bartlett χ^2 (df), Sig.	Eigenvalue	Variance explained	Loading range
Innovative marketing strategies (12 items)	0.939	2163.649 (66), <.001	7.568	63.063%	0.737–0.863
Competitive intensity (8 items)	0.899	977.332 (28), <.001	4.612	57.649%	0.644–0.814
Firm performance (8 items)	0.897	1112.462 (28), <.001	4.725	59.065%	0.655–0.841

Extraction Method: Principal Component Analysis; Rotation: Varimax with Kaiser Normalization. Source: Researcher (2026)

Reliability Results

Cronbach's Alpha was used to assess the internal consistency of the measurement scales. As presented in Table 4, all three constructs recorded coefficients between 0.894 and 0.946, substantially above the 0.70 threshold (Hair et al., 2019), confirming that the instruments reliably measured innovative marketing strategies, competitive intensity, and firm performance.

Table 4: Reliability Results

Construct	Cronbach's Alpha	No. of Items
Innovative marketing strategies	0.946	12
Competitive intensity	0.894	8
Firm performance	0.894	8

Source: Researcher (2026)

Descriptive Analysis

Descriptive statistics were used to establish respondents' perceptions of the extent to which manufacturing firms adopt innovative marketing strategies, experience competitive pressures, and achieve organizational performance outcomes. The findings are summarized in Table 5.

The descriptive analysis indicates that manufacturing firms in Nairobi County exhibit a high level of innovative marketing strategy adoption (M = 4.16, SD = 0.54), suggesting that firms actively pursue customer-focused, technology-driven, and innovative marketing practices. The findings also reveal a high level of competitive intensity (M = 4.00, SD = 0.54), reflecting an environment characterized by strong rivalry, product similarity, and continuous pressure to innovate. Despite these competitive conditions, respondents reported high firm performance (M = 4.00, SD = 0.54), particularly in terms of brand awareness, operational efficiency, and innovation-related financial outcomes. Overall, the results suggest that manufacturing firms are operating successfully within a highly competitive environment while leveraging innovative marketing strategies to sustain performance.

Table 5: Summary of Descriptive Statistics

Variable	Composite Mean	SD	Key Findings
Innovative Marketing	4.16	0.54	Manufacturing firms widely implement innovative marketing practices. The most highly rated practices

			were developing new marketing strategies to attract customers (M = 4.32), using innovative promotional techniques (M = 4.23), and seeking customer feedback (M = 4.22). The findings indicate strong emphasis on customer engagement, technology integration, market responsiveness, and digital marketing initiatives.
Competitive Intensity	4.00	0.54	Respondents perceived the manufacturing sector as highly competitive. Industry competition was rated highest (M = 4.48), followed by product similarity among competitors (M = 4.30) and pressure to innovate (M = 4.20). These results suggest that firms operate in a dynamic environment characterized by intense rivalry, price pressure, and continuous innovation demands.
Firm Performance	4.00	0.54	Firms reported generally strong performance. Brand awareness (M = 4.08), operational efficiency (M = 4.07), and innovation-driven financial performance (M = 4.06) received the highest ratings. Comparatively lower scores were observed for achievement of strategic objectives (M = 3.80) and profitability improvement (M = 3.92), suggesting that while operational and market outcomes are favorable, some firms face challenges in translating these gains into strategic and profit-related outcomes.

Source: Researcher (2026)

Regression Diagnostics

Rigorous diagnostic testing was performed prior to the regression analysis (Green, 2007; Tashakkori & Teddlie, 2010), covering normality, linearity, autocorrelation, multicollinearity, and homoscedasticity. As summarized in Table 6, the Shapiro-Wilk test returned p-values of .133 for the residuals, above the .05 threshold (Ghasemi & Zahediasl, 2012), and the supplementary Kolmogorov-Smirnov test was non-significant (p = .200), confirming normality. The ANOVA linearity tests were significant for both predictor pairs (p < .001), and deviation-from-linearity terms and scatterplot inspection confirmed linear trends (Field, 2018; Hair et al., 2019). Durbin-Watson statistics between 1.75 and 1.95, close to 2, confirmed the independence of errors (Gujarati & Porter, 2009). Tolerance values above 0.10 and VIF values below 10 confirmed the absence of multicollinearity (Cooper & Schindler, 2014), and Levene's tests were non-significant (p > .05), confirming homoscedasticity (Nordstokke & Zumbo, 2010). The dataset therefore satisfied all diagnostic benchmarks for a valid regression analysis.

Table 6: Summary of Regression Assumption Tests

Assumption	Test applied	Key results	Decision
Normality	Shapiro-Wilk; Kolmogorov-Smirnov (Lilliefors)	S-W = 0.945, p = .133; K-S p = .200	Satisfied

Linearity	ANOVA test for linearity; scatterplots	FP×IMS: F = 181.26, p < .001; FP×CI: F = 20.59, p < .001	Satisfied
Autocorrelation	Durbin-Watson statistic	FP×IMS = 1.95; FP×CI = 1.75	Satisfied
Multicollinearity	Tolerance and VIF	Tolerance = 0.515–0.869; VIF = 1.15–1.94	Satisfied
Homoscedasticity	Levene's test	p = .070 (FP), .200 (IMS), .209 (CI)	Satisfied

FP = firm performance; IMS = innovative marketing strategies; CI = competitive intensity. Source: Researcher (2026)

Pearson Correlation

Pearson's product-moment correlation was used to assess the strength and direction of relationships among the study variables (Field, 2018; Kothari & Garg, 2019). As shown in Table 7, firm performance was strongly and positively associated with innovative marketing strategies (r = .642, p < .01), indicating that firms with higher levels of marketing innovation tend to perform better (Kotler & Keller, 2021). Competitive intensity had a weak but significant negative relationship with firm performance (r = -.267, p < .01), suggesting that intense competition may reduce performance outcomes (Porter, 1985). However, competitive intensity was positively related to innovative marketing strategies (r = .263, p < .01), implying that competitive pressure encourages firms to adopt innovative marketing practices. The relatively low correlation coefficients indicate that multicollinearity was not a concern.

Table 7: Correlation Analysis

	IMS	CI	FP
Innovative marketing strategies (IMS)	1		
Competitive intensity (CI)	.263**	1	
Firm performance (FP)	.642**	-.267**	1

*** Correlation is significant at the 0.01 level (2-tailed). Source: Researcher (2026)*

Regression Analysis for Control Variables

Multiple regression analysis was conducted to determine the influence of firm age, number of employees, and manufacturing sector on firm performance. The control-variable model presented in Table 8 explained only 2.2% of the variation in firm performance (R^2 = .022; adjusted R^2 = .010) and was not statistically significant (F = 1.856, p = .138). Among the control variables, only the number of employees significantly predicted firm performance (B = 0.071, β = .180, p = .022), indicating that firms with larger workforces tended to perform better. In contrast, firm age (B = −0.039, β = −.096, p = .228) and manufacturing sector (B = −0.004, β = −.020, p = .661) were not significant predictors. Although the overall model was insignificant, all control variables were retained in subsequent regression analyses to account for their potential influence on the relationship between innovative marketing strategies and firm performance.

Table 8: Regression Analysis for Control Variables

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	3.96	0.090		43.84	<0.001
AGE	-0.039	0.032	-0.096	-1.21	.228
Nº of Employees	.071	0.031	0.18	2.31	.022
Sector	-0.004	0.009	-0.02	-0.43	.661
Model Summary statistics					
R	0.149				
R Square	0.022				
Adjusted R Square	0.010				
Std. Error of the Estimate	0.541				
ANOVA (goodness of fit statistics)	1.856				
F Stat	0.138				
F prob					

a Dependent Variable: Firm performance among manufacturing firms
Source: Researcher (2026)

Hypotheses Testing

Effect of Innovative Marketing Strategies on Firm Performance

The first hypothesis (H_{01}) stated that innovative marketing strategies have no significant effect on the performance of manufacturing firms in Nairobi, Kenya. The regression results in Table 9 show that the overall model was statistically significant, $F(4, 245) = 32.503$, $p < .001$, explaining 34.7% of the variation in firm performance ($R^2 = .347$; adjusted $R^2 = .336$).

Table 9: Regression Analysis for the Effect of Innovative Marketing Strategies on Firm Performance

	B	Std. Error	Beta	t	Sig.
Innovative marketing strategies	0.685	0.061	0.579	11.188	<.001
Age of the firm	-0.037		-0.092		.161
Number of employees	0.050		0.130		.048
Sector	-0.004		-0.029		.571
Model summary					
R / R^2 / Adj. R^2	0.589 / 0.347 / 0.336				
Std. error of the estimate	0.444				
F (df) / Sig.	32.503 (4, 245) / <.001				

Dependent variable: firm performance. Source: Researcher (2026)

Innovative marketing strategies had a positive and statistically significant relationship with firm performance ($B = 0.685$, $SE = 0.061$, $\beta = .579$, $t = 11.188$, $p < .001$). This indicates that a unit increase in innovative marketing strategies was associated with a 0.685-unit increase in firm performance, holding the control variables constant. Among the control variables, employee population had a

positive and significant relationship with performance (β = .130, p = .048), whereas firm age (p = .161) and sector (p = .571) were not significant. Therefore, the null hypothesis (H_{01}) was rejected, indicating that innovative marketing strategies significantly and positively relate to the performance of manufacturing firms in Nairobi, Kenya.

Moderating Effect of Competitive Intensity

The second hypothesis (H_{02}) stated that competitive intensity has no significant moderating effect on the relationship between innovative marketing strategies and firm performance. Hayes' PROCESS Macro Model 1 was used, with innovative marketing strategies as the independent variable, firm performance as the dependent variable and competitive intensity as the moderator. Firm age, sector experience and employee population were included as control variables.

The overall moderation model in Table 10 was statistically significant, F(6, 243) = 22.689, p < .001, and explained 35.9% of the variance in firm performance (R^2 = .359). Innovative marketing strategies had a positive and statistically significant coefficient (b = 1.603, SE = .430, t = 3.729, p < .001, 95% CI [.756, 2.450]). Competitive intensity also had a positive direct coefficient (b = .826, SE = .387, t = 2.138, p = .034, 95% CI [.065, 1.588]).

Table 10: Moderation Effect of Competitive Intensity on the Relationship between Innovative Marketing Strategies and Firm Performance (PROCESS Model 1)

	B	SE	t	p	LLCI	ULCI
Constant	-2.288	1.657	-1.381	.167	-5.551	0.976
IMS	1.603	0.430	3.729	<.001	0.756	2.450
CI	0.826	0.387	2.138	.034	0.065	1.588
IMS × CI	-0.213	0.098	-2.166	.031	-0.407	-0.019
Age of the firm	-0.040	0.027	-1.502	.134	-0.092	0.012
Sector	-0.005	0.007	-0.657	.512	-0.019	0.010
Number of employees	0.052	0.025	2.080	.039	0.003	0.102
Model summary						
R / R^2	0.599 / 0.359					
F (df) / Sig.	22.689 (6, 243) / <.001					
Interaction: ΔR^2 / ΔF (df) / Sig.	0.0124 / 4.692 (1, 243) / .031					

IMS = innovative marketing strategies; CI = competitive intensity. Dependent variable: firm performance. Source: Researcher (2026)

The interaction between innovative marketing strategies and competitive intensity was negative and statistically significant (b = −.213, SE = .098, t = −2.166, p = .031, 95% CI [−.407, −.019]). The interaction term accounted for an additional 1.24% of explained variance (ΔR^2 = .0124), with $\Delta F(1, 243)$ =

4.692, p = .031. Because the confidence interval did not include zero, the interaction provides evidence that competitive intensity significantly moderates the relationship between innovative marketing strategies and firm performance.

The conditional effects (Table 11, Figure 1) show that innovative marketing strategies remained positively associated with firm performance at low, moderate and high levels of competitive intensity. At low competitive intensity (CI = 3.875), the effect was b = .778 (SE = .082, t = 9.493, p < .001, 95% CI [.617, .940]). At moderate competitive intensity (CI = 4.125), the effect was b = .725 (SE = .072, t = 10.065, p < .001, 95% CI [.583, .867]). At high competitive intensity (CI = 4.750), the effect was b = .592 (SE = .082, t = 7.266, p < .001, 95% CI [.432, .753]). The pattern indicates that the positive association between innovative marketing strategies and firm performance becomes weaker as competitive intensity increases. However, the conditional effects remain positive and statistically significant at all three levels. Competitive intensity therefore reduces the magnitude of the performance benefit associated with innovative marketing strategies but does not eliminate that benefit. Consequently, the null hypothesis (H_{02}) was rejected, demonstrating that competitive intensity significantly moderates the relationship between innovative marketing strategies and firm performance by weakening its positive association.

Table 11: Conditional Effects of Innovative Marketing Strategies on Firm Performance at Levels of Competitive Intensity

Competitive intensity	Effect (B)	SE	t	p	95% CI
Low (3.875)	0.778	0.082	9.493	<.001	[0.617, 0.940]
Moderate (4.125)	0.725	0.072	10.065	<.001	[0.583, 0.867]
High (4.750)	0.592	0.082	7.266	<.001	[0.432, 0.753]

Source: Researcher (2026)

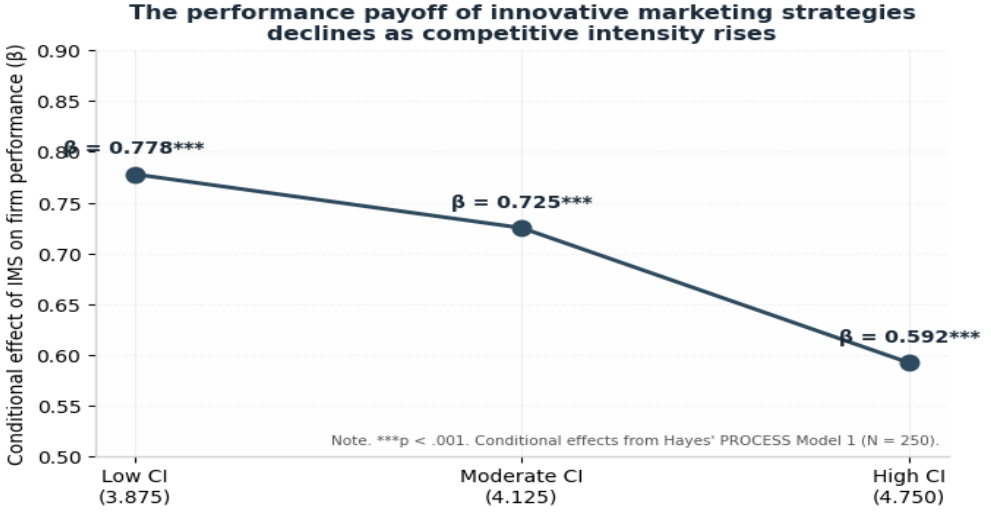


Figure 1: Conditional Effects of Innovative Marketing Strategies on Firm Performance at Low, Moderate, and High Competitive Intensity
Source: Researcher (2026)

Discussion

Innovative Marketing Strategies and Firm Performance

The study found that innovative marketing strategies had a significant positive effect on the performance of manufacturing firms in Nairobi (B = 0.685, SE = 0.061, β = .579, t = 11.188, p < .001), explaining 34.7% of the variation in firm performance. Consequently, H01 was rejected. This result supports the Resource-Based View, which argues that valuable and difficult-to-imitate capabilities enhance competitive advantage (Barney, 1991). Innovative marketing strategies enable firms to understand customer needs, differentiate products, and respond effectively to market changes. Similarly, marketing capability studies indicate that such capabilities enhance firm performance (Morgan & Feng, 2024), while effective resource orchestration strengthens their impact on organizational outcomes (Duah et al., 2024). The finding is also consistent with the Dynamic Capabilities perspective, which emphasizes the role of adaptive capabilities in changing environments (Stefia et al., 2024).

The result corroborates earlier empirical studies. Mboga et al. (2023) found a positive relationship between innovative marketing capability and manufacturing firm performance in Nairobi, while Kithinji (2022) reported similar findings among SMEs in Nairobi. Likewise, Ng'wasa and Kipangula (2025) observed that innovations in digital marketing, promotion, packaging, and advertising improved SME performance in Tanzania. The relatively strong effect identified in this study may reflect Nairobi's highly competitive and technology-driven market environment. Consistent with the Oslo Manual, innovative marketing represents a form of business innovation that enhances market positioning and customer engagement rather than merely increasing marketing expenditure (OECD/Eurostat, 2018). Among the control variables, only employee numbers significantly influenced performance, suggesting that workforce capacity complements, but does not replace, marketing innovation capability. However, because the study used cross-sectional data, the findings indicate a significant association rather than conclusive causal effects.

Moderating Effect of Competitive Intensity

The moderation model was significant, explaining 35.9% of the variation in firm performance, and the interaction between innovative marketing strategies and competitive intensity was negative and significant (b = −.213, p = .031). Therefore, H02 was rejected, indicating that competitive intensity weakens the positive effect of innovative marketing strategies on firm performance. This finding supports the Resource-Based View, which suggests that the value firms derive from strategic capabilities depends partly on environmental conditions (Barney, 1991). Similarly, Houessou et al. (2024) found that intense competition can reduce the performance gains obtained from firm-level strategic advantages. Although competitive intensity had a positive direct effect on performance, implying that competition promotes efficiency and responsiveness, it simultaneously reduces the returns firms gain from marketing innovations (Handoyo et al., 2023).

The conditional effects further showed that the impact of innovative marketing strategies declined as competition increased, being strongest under low competitive intensity (B = .778) and weakest under high intensity (B = .592), although remaining significant at all levels. This pattern aligns with Competitive Strategy Theory, which argues that firms capture greater value from differentiation when competition is low, but the benefits diminish as rivals imitate successful practices and

customers gain more alternatives (Porter, 1980, 1985). Similar findings were reported by Tang et al. (2021), who observed that the effectiveness of marketing innovation depends on the competitive environment. The results also concur with studies by Zhang et al. (2020), Tsai and Yang (2013), and Houessou et al. (2024), all of which found that stronger competition reduces the performance benefits of innovation and marketing capabilities. Differences reported across studies are not contradictory, as the moderating role of competition varies with factors such as market turbulence, technological change, imitation pressures, and the maturity of firm capabilities (Otache, 2024).

Conclusion

The study concludes that innovative marketing strategies are a key driver of performance among manufacturing firms in Nairobi, Kenya. Firms that adopt customer-focused, technology-driven, and innovative marketing practices tend to achieve better sales growth, profitability, market share, operational efficiency, and brand awareness. Innovative marketing should therefore be viewed as a strategic capability rather than merely a promotional activity.

The study further concludes that competitive intensity has both positive and negative effects. While competition promotes efficiency, innovation, and responsiveness, it also weakens the performance gains derived from innovative marketing strategies by increasing imitation, customer choice, and market rivalry.

Finally, innovative marketing strategies remain beneficial regardless of the level of competition, although their impact declines as competitive intensity increases. Firms should therefore focus on sustaining differentiation, developing difficult-to-imitate marketing capabilities, and continually renewing their marketing approaches to maintain performance advantages in highly competitive markets.

Recommendations

Recommendations for Management Practice

Managers should treat innovative marketing strategies as a core strategic investment rather than a discretionary expense, institutionalizing practices such as systematic competitor analysis, structured customer-feedback systems, experimentation with new engagement approaches, technology and digital-platform integration, and data-driven adaptation of pricing and promotion. Because competitive intensity weakens the returns to marketing innovation, managers should evaluate innovations by their distinctiveness and imitability, prioritizing those protected by complementary assets such as strong brands, proprietary market information, established customer relationships, distribution depth, and technological competence, and renewing them continuously so that imitation lags innovation.

Firms should also align marketing investments with the intensity of competition in their sub-sector, complementing innovative marketing with operational efficiency and product quality under intense rivalry, and should invest in human-resource capacity, given the positive effect of employee numbers on performance.

Recommendations for Policy and Industry Associations

Policymakers and industry associations, including the Kenya Association of Manufacturers and agencies responsible for industrial development, should design programmes

that strengthen the marketing and innovation capabilities of manufacturing firms, including training in digital marketing and market intelligence, support for technology adoption, and industry-academia linkages. Given competition's stimulating direct effect, procompetitive reforms that improve market functioning should be paired with capability-building measures that help domestic manufacturers convert competitive pressure into innovation rather than margin erosion, in line with Kenya Vision 2030.

Contribution of the Study

This study contributes to theory by integrating Resource-Based Theory and Competitive Strategy Theory and demonstrating that the performance benefits of marketing capabilities depend on competitive conditions. Contextually, it provides firm-level evidence from Nairobi's manufacturing sector and extends previous studies by examining the moderating role of competitive intensity. Methodologically, the study applies Hayes' PROCESS moderation analysis, offering a useful framework for future strategy and performance research in similar contexts.

Limitations of the Study

The study used a cross-sectional design, limiting conclusions about causality. Data were based on self-reported perceptions from chief executive officers, which may be subject to response bias. Competitive intensity was measured through perceived rivalry rather than objective market indicators, and the study was confined to Nairobi, limiting the generalizability of the findings. Finally, although the model explained 35.9% of the variation in firm performance, other factors such as financial resources, technological capability, leadership, and macroeconomic conditions may also influence performance.

Areas for Further Research

Future studies should employ longitudinal designs to establish causal relationships among innovative marketing strategies, competitive intensity, and firm performance. Researchers may also incorporate objective performance measures and market-based indicators of competition, replicate the study across different regions and industries, and examine whether the effects vary across manufacturing sub-sectors.

Additionally, future research should explore other moderators, such as market turbulence and technological dynamism, as well as mediating mechanisms through which innovative marketing strategies influence firm performance.

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