



## **Customer Value Proposition Innovation Strategy and Performance of Manufacturing Firms Listed on Nairobi Securities Exchange (NSE) in Kenya**

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# Customer Value Proposition Innovation Strategy and Performance of Manufacturing Firms Listed on Nairobi Securities Exchange (NSE) in Kenya

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## Abstract

Despite manufacturing firms being vital to national economic infrastructure through employment and revenue generation, most manufacturing firms in Kenya have recently experienced declining performance marked by low profit margins and stagnating market share due to increased competition from imports. Thus, this study investigated the effect of customer value proposition innovation strategy on performance of manufacturing firms listed on the Nairobi Securities Exchange in Kenya. The study was anchored on Porter's value chain model. A positivist research paradigm and an explanatory research design were adopted. The target population consisted of 95 functional heads of departments drawn from 19 listed manufacturing firms through a census approach. The data collection instrument was a semi-structured questionnaire with closed and open-ended questions. A pilot study was conducted to test the reliability of the research instrument, achieving Cronbach alpha indices of 0.964 for customer value proposition innovation strategy and 0.892 for firm performance, both well above the recommended threshold of 0.7. These reliability coefficients indicated strong internal consistency of the measurement scales, and the instrument was also subjected to face, construct, and content validity testing. The response rate was 88%. Quantitative data were analyzed using descriptive and inferential statistics. The study found that customer value proposition innovation strategy significantly and positively affected firm performance ( $\beta=0.659$ ,  $t=7.510$ ,  $p=0.000$ ), explaining 40% of the variance in performance. The study conclude that managers of manufacturing firms should prioritize customer value proposition innovation strategy to improve performance. Manufacturing firms should invest in advanced CRM technologies, establish dedicated account managers for key customers, and implement effective communication channels to enhance customer satisfaction and loyalty. Continuous feedback collection and refinement of value propositions should remain at the forefront of customer-centric strategies to ensure alignment with evolving preferences.

**Keywords:** *Customer value proposition innovation strategy, performance, manufacturing firms, Nairobi Securities Exchange, Kenya*

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## 1.0 Background of the Study

As the business environment becomes more turbulent and complex, organizations realize the need to revise their business models to increase firm performance. Firm performance refers to the measurable outcomes reflecting an organization's efficiency, effectiveness and overall success in achieving strategic objectives and generating value for stakeholders (Kaplan and Norton, 1992). According to Simons (2000), firm performance represents the quantifiable results of an organization's activities across operational, financial, and market dimensions that indicate its competitive standing. Improved performance can be achieved when internal controls are incorporated in all business processes, thereby eliminating resource frauds and wastage (Salfore, Ensermu and Kinde, 2023). The most innovative firms gain high turnover for services and products introduced. For firms to grow, they must adopt innovative approaches that will help in gaining a competitive edge in the current turbulent business environment. Business enterprises need to continually innovate to ensure growth and enhance performance (Mbogori, Gichohi and Moguche, 2018).

Firm performance may be determined by the business model innovation strategies adopted (Amineh, Hani, Ahmad and Suliman, 2021). Customer value proposition innovation strategy, as a key component of business model innovation, has emerged as a critical factor for organizational success. This approach involves enhancing the unique benefits that firms provide to customers, thereby differentiating themselves from competitors while increasing customer satisfaction and loyalty. In most developed countries, customer value proposition innovation strategies are implemented by manufacturing firms to increase their efficiency and profitability. By innovating their value propositions, manufacturers can reduce costs, increase profits, and expand their customer base (Briggs and Zoz, 2017; Zott & Amit, 2010).

Treacy and Wiersema (1993) emphasize the importance of personalized customer experiences, while Porter (1985) highlights the role of product/service differentiation in gaining competitive advantage. Customer value proposition innovation involves aligning products and services with changing market needs through improved communication channels, stronger customer relationships, efficient complaint resolution systems, and enhanced brand reputation. Prahalad and Ramaswamy (2004) underline the significance of efficient customer engagement channels in fostering long-term customer relationships. These elements collectively contribute to higher levels of customer satisfaction and business growth, enabling firms to differentiate themselves in competitive markets. Global manufacturing has undergone a remarkable transformation in recent decades, moving from a landscape dominated by offshoring to one increasingly characterized by reshoring and protectionism. This shift reflects not just evolving economic realities but also the complex interplay of technological advancements and socio-political pressures (Lopez-Acevedo and Abreha 2024).

In this dynamic context, customer value proposition innovation has become increasingly important as manufacturers seek to strengthen their competitive position and adapt to evolving market demands. The manufacturing sector functions as a catalyst to change a nation's economic structure from basic, slowly expanding, and low value industries to one that is more dynamic and productive (Kungu, 2015). Even in developed economies where manufacturing's relative contribution to GDP has declined, the sector remains strategically important. For instance, in the United Kingdom, manufacturing still accounted for the third highest proportion of GDP in 2015, after business services, wholesale and retail sectors. However, many manufacturing industries face challenges from global competition, as evidenced by Iran's

manufacturing industry which has been hindered by market share losses brought on by fierce import rivalry (Omrani, Jafari, and Mansori, 2019).

In Africa, the manufacturing sector has stagnated despite its potential, with its share of GDP declining from 16% in 1980 to less than 10% in 2016. Similarly, Africa's global share of manufacturing value added declined from 1.6% to 0.7% during the same period. This poor performance has been attributed to high costs of doing business, unstable political and regulatory environments, lack of long-term policy clarity, and inadequate infrastructure (Ndung'u, Shimeles and Ngui, 2022). In this challenging context, customer value proposition innovation represents a strategic pathway for African manufacturers, including those in Kenya, to revitalize their operations and improve their competitive positioning in global markets.

Thus, the study examined the effect of customer value proposition innovation strategy on the performance of manufacturing firms listed on the Nairobi Securities Exchange in Kenya. By investigating how these firms leverage customer value proposition innovations to enhance their competitive positioning and financial outcomes, the research aimed to provide valuable insights for business leaders and policymakers. The findings can contribute to a deeper understanding of how effective customer value proposition strategies—including relevant communication channels, enhanced customer relationships, efficient complaint resolution systems, and strengthened firm reputation—can drive sustainable performance improvements in Kenya's manufacturing sector. This knowledge is particularly relevant as the sector strives to increase its contribution to GDP in line with Vision 2030 objectives, offering a potential pathway for manufacturing firms to overcome current challenges and achieve long-term growth in an increasingly competitive global marketplace.

### **1.1 Statement of the Problem**

Kenya's Vision 2030 aims to increase the percentage contribution of manufacturing sector to over 20% of Gross domestic product (GDP) by year 2030, highlighting the need for strategic interventions to revitalize the sector to create more job opportunities. The manufacturing sector contribution to Kenya's GDP has been stagnant over the past five years. In 2019, the manufacturing sector accounted for 7.9%, which declined to 7.6% in 2020 and further decreased to 7.4% in 2021. Although there was a slight increase to 7.7% in 2022, it dropped again to 7.6% in 2023 (KNBS, 2024). Manufacturing firms in Kenya face several major problems including high input costs due to expensive raw materials and energy, unreliable energy supply, stiff competition from cheap imports, poor infrastructure, and inconsistent government policies, which all contribute to hindering the growth and competitiveness of the manufacturing sector in the country (KAM 2022). Research has established that implementing effective customer value proposition innovation strategies allows firms to capitalize on shifting customer expectations and strengthen their market position (Rahman and Choudhury, 2019; Yunus and Sijabat, 2021). Scholars such as Amineh, Hani, Ahmad, and Suliman (2021) have demonstrated that value proposition innovation significantly impacts organizational performance by enhancing customer satisfaction and loyalty

Previous research on customer value proposition innovation strategy has been fragmented and often limited in scope. For instance, Rakosa (2018) examined value proposition strategy solely within South Africa's banking industry, while Löfsten (2019) analyzed its role in Swedish new technology-based firms, creating contextual gaps when applied to Kenyan manufacturing. Treacy and Wiersema (1993) highlighted the importance of personalized customer experiences in value propositions, but their work lacked specific application to manufacturing contexts in developing economies. Prahalad and Ramaswamy (2004) discussed customer engagement

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channels but didn't specifically examine how these relate to manufacturing performance outcomes. Chen and Hsieh (2018) noted how value propositions offer competitive edge to businesses, but their research didn't focus on the specific indicators that drive successful value proposition innovation in manufacturing settings.

Methodological gaps further constrain existing knowledge about how customer value proposition innovation affects manufacturing firm performance. Many previous studies, such as those by Rahman and Choudhury (2019) and Yunus and Sijabat (2021), relied primarily on secondary data or literature reviews rather than primary data collection from manufacturing firms. This approach limits the applicability of findings to specific contexts like Kenya's manufacturing sector. Additionally, many studies fail to employ robust quantitative methods to establish the statistical significance of the relationship between customer value proposition innovation and firm performance metrics. In the Kenyan context specifically, there is a dearth of research examining how customer value proposition innovation strategies affect manufacturing firm performance. While Kitainge, Bor, and Wanza (2019) examined communication factors influencing Kenyan manufacturing firms' performance, they did not comprehensively address the broader aspects of customer value proposition innovation.

Similarly, Kariuki (2019) studied innovative strategies in manufacturing firms in Athi River Zone but did not focus specifically on customer value proposition components such as communication channels, customer relationships, complaint resolution, and firm reputation. Given these gaps in the literature, this study seeks to examine how customer value proposition innovation strategy affects the performance of manufacturing firms listed on the Nairobi Securities Exchange in Kenya. By investigating how these firms leverage relevant communication, enhanced customer relationships, efficient complaint resolution systems, and strong firm reputation to improve their performance, this research addresses a significant knowledge gap in strategic management literature. The findings can contribute to a deeper understanding of how effective customer value proposition strategies can drive sustainable performance improvements in Kenya's manufacturing sector, potentially helping these firms overcome current challenges and achieve long-term growth in line with national development goals.

## **1.2 Objective of the Study**

To establish the effect of customer value proposition innovation strategy on performance of manufacturing firms listed on Nairobi Securities Exchange (NSE) in Kenya.

## **1.3 Research Hypothesis**

**H<sub>0</sub>.** Customer value proposition innovation strategy has no statistically significant effect on performance of manufacturing firms listed on NSE in Kenya.

## **2.0 Literature Review**

The chapter includes a review of relevant literature. It explores key theories, concepts, and empirical studies related to the topic.

### **2.1 Theoretical Literature Review**

The study was anchored in Porter's value chain model. Porter (1985) presented a generic value chain model that consists of a succession of processes in operations deemed to be applicable to a wide range of organizations. A value chain, according to the theory, disaggregates a corporation into its strategically significant operations to understand cost behavior and existing and potential sources of distinction (Porter, 1990). The model is made up of primary and

support activities that are carried out to design, manufacture, sell, deliver and support products, ensuring they reach the customer with maximum value (Pujawan and Bah, 2022; Thompson, Dolan, Mayer, Roll and Yeoman, 2017). The theory's primary goal is to divide a company's complex operations into discrete building blocks where value is created. Porter's framework highlights that the way every value activity is performed determines a company's cost position relative to competitors and defines its contribution to customer needs, thereby creating differentiation (Löfsten, 2019; Teece, 2018). These value activities serve as competitive advantage's building blocks, with their execution determining whether a firm achieves superior performance through cost leadership or differentiation (Amineh, Hani, Ahmad, and Suliman, 2021; Chesbrough, 2010).

This model is relevant to examining customer value proposition innovation strategy as it directly addresses how firms create and deliver unique value to customers. By breaking down value activities, it enables a comprehensive assessment of how customer-focused innovations influence value creation within manufacturing firms. The theory emphasizes that effective execution of customer-related value chain activities-such as communication, relationship management, and complaint resolution-can significantly enhance a firm's differentiation and competitive position. This aspect directly relates to the study's focus on assessing how customer value proposition innovation affects manufacturing firm performance in Kenya. The framework demonstrates how enhancements in customer value activities can lead to improved customer satisfaction, stronger brand reputation, and ultimately superior financial outcomes. In summary, Porter's Value Chain Model provides a robust theoretical foundation for understanding how customer value proposition innovations translate into enhanced firm performance by emphasizing the strategic importance of customer-focused value creation processes.

## **2.2 Empirical Review**

Using one of the South Africa big banks, Rakosa (2018) investigated value proposition strategy. It was disclosed that the value proposition strategy of the bank studied was maturing and refining. The study contribution proved value propositions applicability as a strategic tool in banking. An interpretivism qualitative study technique was applied. The study recommended that product leadership utilization and technological perspective enhancement in appealing to aspirant, status-conscious clients. The methodological gap is that of a case study. The context also differs in that this research is done in Kenya as opposed to South Africa and in manufacturing as opposed to banking which is in services sector.

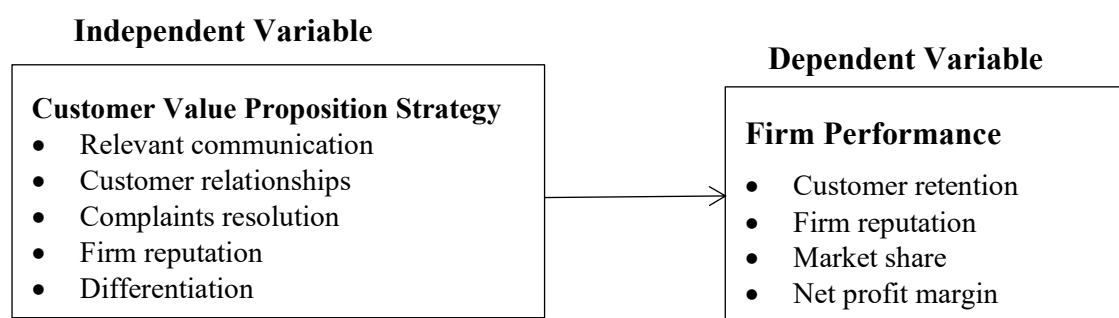
The study by Löfsten (2019) explored how customer relationships and value proposition in a firm model affect new technology-based firms' performance. Conducted among 401 small, young Swedish new technology firms, multiple regression analysis was used in examining how various factors tied to value propositions and customer relationships associated, and how it impacts business performance. Results suggested that in the early stages of a New Technology-based firm's life, factors like product similarity to existing products, internationalization, and close customer relationships are more indicative of higher business performance than radical innovation. However, the context differs in that current research is done in Kenya as opposed to Sweden and in manufacturing industry as opposed to new technology-based firms.

In Mavoko Sub-County, Kenya, Maingi (2020) examined how various innovation strategies affect real estate firms' performance. The research was motivated by the financial challenges affecting the real estate sector globally and the rapid expansion of real estate in Kenya, necessitating innovative approaches for sustainable performance. The study focused on four

main strategies: Innovative customer service, process innovation, product differentiation and technology strategy. Using a census method for its small, easily accessible population, the study gathered primary data through a questionnaire. Data evaluation was performed using SPSS, inferential and descriptive statistics (figures and frequency distribution tables) displayed the results. The study found that a combination of these four innovation strategies could explain 90.3% of the variance in real estate firm performance. Hence, it concludes that adopting these strategies would significantly improve the real estate firms' performance and recommends their broader application. However, this was done in real estate firms unlike manufacturing, thus contextual gap.

### 2.3 Conceptual Framework

The conceptual framework illustrated in Figure 1 depicts the relationship between the independent variable (customer value proposition innovation strategy) and dependent variable (firm performance).



**Figure 1: Conceptual Framework**

### 3.0 Research Methodology

The study employed a positivistic philosophy approach, setting up hypotheses based on relevant theories which were then tested using statistical and quantitative techniques. An explanatory research design with a cross-sectional survey technique was utilized to gather accurate information from participants at a specific point in time, demonstrating how variables were associated (Cooper and Schindler, 2014). This design facilitated the description of phenomena characteristics, making predictions, and establishing relationships between research variables. Through this methodological approach, the researcher was able to gather, aggregate, and analyze quantitative data effectively to determine how customer value proposition innovation strategy affects firm performance.

Data was collected from 19 manufacturing firms listed on the Nairobi Securities Exchange, with five key functional heads from each firm (strategy, marketing, finance, information, and operations) selected as respondents, resulting in a target population of 95 participants. Semi-structured questionnaires featuring both Likert-scale and open-ended questions were distributed using a drop-and-pick technique. The research instruments demonstrated strong reliability with Cronbach's alpha coefficients for customer value proposition innovation strategy (0.964) and firm performance (0.892). Data analysis employed SPSS to generate both descriptive statistics (mean scores, standard deviations, and frequencies) and inferential statistics through correlation and multiple regression analysis. The relationship between customer value proposition innovation strategy and firm performance was tested using the regression model  $Y = \beta_0 + \beta_1 X + \epsilon$ , where  $X$  represented the customer value proposition

innovation strategy index computed from indicators measuring communication channels, customer relationships, complaints resolution systems, and firm reputation.

#### 4.0 Research Findings and Discussion

The research findings and discussion were presented in sections.

##### 4.1 Response Rate

The respondents completed 84 out of 95 questionnaires, resulting in an 88% response rate. Prior studies consider a response rate of above 70% to be adequate for the analysis (Mugenda & Mugenda, 2003). The 88% response rate was thus considered appropriate for further statistical analysis. The responses provide a solid foundation for generating results that can be used for policy formulations.

##### 4.2 Customer Value Proposition Innovation Strategy

The objective of the study was to establish the effect of customer value proposition innovation strategy on the performance of manufacturing firms listed on the Nairobi Securities Exchange (NSE) in Kenya. Table 1 presents the descriptive statistics on customer value proposition innovation strategy.

**Table 1: Descriptive Statistics on Customer Value Proposition Innovation Strategy**

| Customer Value Proposition Innovation strategy                            | N  | Mean | Std. Dev. |
|---|----|------|-----------|
| Our firm actively communicates with customers about our products/services | 84 | 4.13 | 1.03      |
| Our firm gathers customer feedback and insights regularly                 | 84 | 4.04 | 0.88      |
| Our firm's marketing messaging highlights customer benefits clearly       | 84 | 4.00 | 1.06      |
| Our firm tailor communication based on customer segments                  | 84 | 4.18 | 1.01      |
| Our firm responds promptly to customer inquiries and concerns             | 84 | 4.06 | 1.07      |
| Building long-term customer relationships is a priority for our firm      | 84 | 4.05 | 0.93      |
| Our firm has dedicated account managers for key customers                 | 84 | 3.71 | 1.10      |
| Our firm's CRM system effectively tracks customer data and interactions   | 84 | 4.11 | 0.85      |
| Our firm offers customized solutions to meet unique customer needs        | 84 | 3.99 | 0.98      |
| Customer retention and loyalty programs are in place at our firm          | 84 | 3.96 | 1.01      |
| Customer complaints are treated as an opportunity to improve at our firm  | 84 | 3.87 | 1.06      |
| Our firm has clear procedures to address customer grievances              | 84 | 4.14 | 1.10      |
| Resolution of complaints is monitored for timeliness at our firm          | 84 | 4.08 | 0.96      |
| Root causes of recurring complaints are analyzed at our firm              | 84 | 4.00 | 1.04      |



|  |    |             |             |
|--|----|-------------|-------------|
| Feedback on complaint handling is collected from customers by our firm | 84 | 4.06        | 1.03        |
| Our firm actively builds and maintains a positive reputation           | 84 | 3.93        | 1.06        |
| Our firm differentiates through superior customer service              | 84 | 3.94        | 0.90        |
| Our firm's brand is synonymous with quality and trust                  | 84 | 3.95        | 0.98        |
| Ethical business practices are a core value at our firm                | 84 | 3.87        | 0.99        |
| Online reviews and ratings are closely monitored by our firm           | 84 | 4.12        | 0.74        |
| Our firm's products/services are uniquely different from competitors   | 84 | 4.06        | 0.50        |
| Our firm focuses on innovative features and capabilities               | 84 | 4.05        | 0.73        |
| Premium pricing is justified by superior value offered by our firm     | 84 | 4.13        | 1.03        |
| Our firm's brand positioning highlights key differentiators            | 84 | 4.04        | 0.88        |
| Our firm targets specific customer segments with tailored offerings    | 84 | 4.00        | 1.06        |
| <b>Aggregate Scores</b>  |    | <b>4.02</b> | <b>0.96</b> |

Source: Survey data (2024)

The study found that manufacturing firms listed on the Nairobi Securities Exchange demonstrate varying levels of implementation in their customer value proposition innovation strategies. As shown in Table 1, the study provides significant insight into the customer value proposition innovation strategy of manufacturing firms listed on the Nairobi Securities Exchange. According to the descriptive statistics, these strategies were generally implemented to a considerable extent by the surveyed firms, with mean scores ranging from 3.71 to 4.18. The lowest mean score of 3.71 was associated with having dedicated account managers for key customers, while the highest mean of 4.18 was observed for tailoring communication based on customer segments. This distribution of mean scores implies that while all aspects of Customer Value Proposition Innovation are given attention, certain strategies are more widely adopted than others. The standard deviations, ranging from 0.50 to 1.10, indicate moderate variability in responses.

An analysis of specific aspects of Customer Value Proposition Innovation strategy reveals a strong emphasis on customer communication and relationship management. The high mean scores for statements such as "Our firm tailors communication based on customer segments" (mean = 4.18, SD = 1.01) and "Our firm's CRM system effectively tracks customer data and interactions" (mean = 4.11, SD = 0.85) indicate widespread adoption of these practices. Similarly, the data suggests prioritization of customer feedback and complaint resolution, evidenced by high scores for "Our firm has clear procedures to address customer grievances" (mean = 4.14, SD = 1.10) and "Resolution of complaints is monitored for timeliness at our firm" (mean = 4.08, SD = 0.96).

The results also highlight the importance placed on reputation management and market differentiation among the firms surveyed. This is reflected in the high mean scores for

statements such as "Online reviews and ratings are closely monitored by our firm" (mean = 4.12, SD = 0.74) and "Premium pricing is justified by superior value offered by our firm" (mean = 4.13, SD = 1.03). However, it is noteworthy that the strategy of having dedicated account managers for key customers scored relatively lower (mean = 3.71, SD = 1.10), suggesting that while this practice is adopted, it may not be as prevalent as other Customer Value Proposition Innovation strategies. The aggregate Scores, with a mean of 4.02 and a standard deviation of 0.96, indicate that Customer Value Proposition Innovation strategies are widely implemented across the surveyed firms.

### 4.3 Firm Performance

Table 2 includes the descriptive statistics on customer retention and firm reputation.

**Table 2: Descriptive Statistics on Customer Retention and Firm Reputation**

| Statement  | Mean        | Std Dev     |
|--|-------------|-------------|
| <b>Customer Retention</b>  |             |             |
| There is a high rate of customer repeat purchases.                       | 3.45        | 1.36        |
| Most clients use the company's products more frequently.                 | 3.49        | 1.34        |
| We get a lot of recommendations from customers.                          | 3.54        | 1.34        |
| The firm's products are preferred by customers over those of its rivals. | 3.44        | 1.35        |
| The firm has high customer satisfaction score                            | 3.45        | 1.28        |
| <b>Aggregate mean score and standard deviation</b>                       | <b>3.47</b> | <b>1.33</b> |
| <b>Firm Reputation</b>   |             |             |
| We have won many industry awards   | 4.37        | 0.89        |
| The firm is committed to corporate social responsibility                 | 4.31        | 0.98        |
| The firm ensures high compliance level                                   | 4.55        | 0.95        |
| We have high brand mentions across various platforms                     | 4.16        | 1.03        |
| The firm is viewed by public as a good corporate citizen                 | 4.44        | 0.90        |
| <b>Aggregate mean score and standard deviation</b>                       | <b>4.37</b> | <b>0.95</b> |

Customers were very likely to repeat purchases from the firm, most of them were using their products more often, the customer retention rate was high, the company's products were preferred by customers over its competitors, and the company's customer satisfaction score was high. With respect to firm reputation, the Nairobi securities exchange indicates that most manufacturing companies had won several awards to a large extent, as indicated by their mean score of 4.37. Despite this, respondents expressed a wide variance in opinion, as indicated by 0.89 standard deviation. To a large extent, the firms are committed to corporate social responsibility, ensure high compliance levels to regulations, get high brand mentions across multiple platforms, and are viewed as good corporate citizens by the public as indicated by a mean score of 4.31, 4.55, 4.16 and 4.44, respectively. According to the aggregate standard deviation of 0.98, 0.95, 1.03, and 0.90, respondents' opinions varied. The mean scores of 3.47

and 4.37 suggest that most manufacturing firms listed on the Nairobi Securities Exchange retained a majority of their customers and maintained a strong reputation, though the standard deviations of 1.33 and 0.95 indicate varying respondent opinions, while Table 4.3 presents findings on market share and profitability growth from 2019 to 2023, measured on a 5-point Likert scale where 5 = Above 30%, 4 = Above 20% – 30%, 3 = Above 10% – 20%, 2 = Above 1% – 10%, and 1 = Less than 1%.

**Table 3: Descriptive Statistics on Market Share and Profitability**

| Statement  | Mean        | Std Dev     |
|--|-------------|-------------|
| <b>Market Share Growth</b>                         |             |             |
| 2019   | 2.55        | 1.08        |
| 2020   | 2.49        | 0.99        |
| 2021   | 2.46        | 1.00        |
| 2022   | 2.52        | 1.05        |
| 2023   | 2.45        | 0.94        |
| <b>Aggregate mean score and standard deviation</b> | <b>2.49</b> | <b>1.01</b> |
| <b>Net Profit Growth</b>                           |             |             |
| 2019   | 3.43        | 1.30        |
| 2020   | 3.36        | 1.31        |
| 2021   | 3.32        | 1.30        |
| 2022   | 3.45        | 1.37        |
| 2023   | 3.55        | 1.21        |
| <b>Aggregate mean score and standard deviation</b> | <b>3.42</b> | <b>1.30</b> |

The average net profit growth in 2019 was 3.43 (SD = 1.30), and in 2023, it increased to 3.55 (SD = 1.21), with an aggregate mean score of 3.42 and a standard deviation of 1.30. By 2022, there were signs of recovery, as profitability improved to 3.45 (SD = 1.37), continuing to rise in 2023 to 3.55 (SD = 1.21), thereby surpassing pre-pandemic levels. This recovery can be attributed to firms adapting to new market realities, including the implementation of strategies to optimize operations, explore new sales channels, and respond to shifting consumer behaviors. The decrease in standard deviation in 2023 suggests a more uniform recovery across firms, indicating a collective rebound within the industry. Overall, the net profitability data reflects the resilience of the manufacturing sector, with firms demonstrating the capacity to recover and grow despite significant challenges. According to Table 4, there was a high degree of variation in the respondents' opinions, as indicated by the aggregate standard deviation of 1.30.

**Table 4: Descriptive Statistics on Firm Performance**

|  | Mean        | Std Dev     |
|--|-------------|-------------|
| Customer retention                                 | 3.47        | 1.33        |
| Firm reputation                                    | 4.37        | 0.95        |
| Market share growth                                | 2.49        | 1.01        |
| Net profit growth                                  | 3.42        | 1.30        |
| <b>Aggregate mean score and standard deviation</b> | <b>3.45</b> | <b>1.15</b> |

Table 4 presents the aggregate mean scores for performance metrics, including customer retention, firm reputation, market share growth, and net profit growth, with a mean score of 3.45 indicating strong agreement among respondents, though a standard deviation of 1.15 suggests notable variations in their observations. The results highlight that while business model innovation strategies contribute significantly to firm performance, individual firms perceive their outcomes differently based on their unique strategic approaches.

#### 4.4 Qualitative Data Analysis

The study sought an opinion on the state of customer value proposition innovation strategy. Most of the respondents indicated that firms had adopted practices linked to customer value proposition innovation strategy. Major activities adopted included improving customer communication through various channels, building strong customer relationships, establishing efficient complaint handling processes, building a positive reputation, and implementing product differentiation strategies. Most respondents believed that customer value proposition innovation strategy had a significant influence on the performance of the firms. They highlighted that improving customer communication through channels like social media, email, and chatbots enabled more effective customer engagement, leading to increased satisfaction and loyalty. A Head of Strategy 14 remarked, *“Using multiple communication channels has allowed us to engage with customers effectively and understand their needs better.”* Building strong customer relationships through personalized interactions, loyalty programs, and excellent customer service contributed to improved customer retention and positive word-of-mouth referrals. A Head of Marketing 2 noted, *“Our loyalty program has been a game-changer in building lasting relationships with customers.”*

Efficient complaint-handling processes, including prompt resolution and root cause analysis, helped firms maintain their reputation and prevent customer attrition. Respondents emphasized that this aspect significantly enhanced customer satisfaction and loyalty. A Head of Finance 10 stated, *“Resolving complaints quickly not only retains customers but also builds trust in our brand.”* Such mechanisms provide insights into areas for improvement, enabling firms to enhance their operations and offerings continuously. A Chief Operations Officer 8 commented, *“Our focus on resolving customer issues efficiently has significantly reduced churn and improved our service standards.”* These processes ensured that firms could maintain a competitive edge by keeping customers satisfied and engaged. Building a positive reputation was another vital element of customer value proposition innovation strategy. Respondents highlighted that ethical practices, quality products, and corporate social responsibility initiatives enhanced customer trust and preference. A Head of Strategy 9 observed, *“Our focus on ethical business practices has been instrumental in building a trustworthy brand image.”* Additionally, investing in sustainability initiatives and community development further reinforced customer loyalty and brand equity. A Chief Information Officer 6 stated, *“Our CSR*

activities have created a strong emotional connection with our customers, setting us apart from competitors.” Firms that maintained a strong reputation found it easier to attract and retain customers, contributing to long-term performance improvements.

Product differentiation strategies, such as offering unique features, premium quality, or customization options, were emphasized as critical to standing out in competitive markets. A Head of Marketing 5 noted, “Our customized product offerings have allowed us to cater to specific customer preferences, boosting satisfaction.” By introducing innovative and tailored products, firms attracted new customers and retained existing ones, ultimately increasing their market share. A Head of Finance 15 remarked, “Differentiation through innovation has given us a competitive advantage and allowed us to command higher price points.” These strategies provided firms with the flexibility to adapt to changing market demands and customer preferences, ensuring sustainable growth.

Continuous innovation in customer value proposition strategies was stressed as crucial for adapting to the ever-changing market and consumer landscape. Respondents noted that firms that stayed agile and proactive in refining their strategies were better positioned to maintain customer loyalty and drive sustained performance. A Head of Strategy 12 remarked, “Constantly updating our value propositions based on feedback has ensured we remain relevant and competitive.” Additionally, respondents emphasized the importance of monitoring industry trends and integrating customer insights into their strategic planning. A Chief Operations Officer 3 noted, “Anticipating customer needs and market shifts has been key to our ongoing success.” This iterative approach to innovation ensured that customer value propositions aligned with dynamic business environments.

The findings align with the quantitative analysis, confirming the significant positive effect of customer value proposition innovation strategies on firm performance among manufacturing firms listed on the Nairobi Securities Exchange. Respondents emphasized that these strategies enhanced customer satisfaction, loyalty, and competitive positioning, with a Chief Information Officer noting, “Innovating around our customers' needs is not just a strategy; it's a necessity for staying ahead in the market.” The analysis revealed the importance of continuous innovation in value proposition strategies, as firms demonstrating agility in adapting to changing customer needs reported sustained performance improvements, underscoring the critical role of customer value proposition innovation in driving organizational success and fostering long-term relationships.

4.5 Correlation Analysis

The correlation results are summarized in Table 5.

Table 5: Correlation Results

|  |                 | Performance | Customer value proposition innovation strategy |
|--|-----------------|-------------|--|
| Performance                                    | Pearson         |             |  |
|  | Correlation     | 1.000       |  |
|  | Sig. (2-tailed) |             |  |
| Customer value proposition innovation strategy | Pearson         |             |  |
|  | Correlation     | .638**      | 1.000  |
|  | Sig. (2-tailed) | 0.000       |  |
|  | Sig. (2-tailed) | 0.000       | 0.000  |

Source: Survey data (2024)



The study discovered a positive and significant correlation between customer value proposition innovation strategy and performance ( $r=0.638$ ,  $p=0.000$ ). This suggests that companies that successfully innovate their value propositions by comprehending and satisfying customer needs are more likely to see improved performance results. The correlation coefficient of 0.638 indicates a moderately strong relationship, demonstrating that as firms enhance their customer value proposition innovation strategies through improved communication channels, strengthened customer relationships, efficient complaint resolution systems, and enhanced firm reputation, their overall performance tends to improve correspondingly. This finding aligns with the theoretical framework that positions customer-centered innovation as a critical driver of competitive advantage and organizational success in today's dynamic business environment.

#### 4.6 Test of Hypotheses

The test of regression was done based on simple regression analysis. Table 6 presents the regression results

**Table 6: Regression Results**

Table 6: Regression Results

| Model summary   |            |                             |                   |                            |        |        |
|---|------------|-----------------------------|-------------------|----------------------------|--------|--------|
| Model   | R          | R Square                    | Adjusted R Square | Std. Error of the Estimate |        |        |
| 1   | .638a      | 0.408                       | 0.400             | 0.3634679                  |        |        |
| ANOVA   |            |                             |                   |                            |        |        |
| Model   |            | Sum of Squares              | df                | Mean Square                | F      | Sig.   |
| 1   | Regression | 7.451                       | 1                 | 7.451                      | 56.398 | .000b  |
|   | Residual   | 10.833                      | 82                | 0.132                      |        |        |
|   | Total      | 18.284                      | 83                |                            |        |        |
| a Dependent Variable: Performance                           |            |                             |                   |                            |        |        |
| a Predictor: customer value proposition innovation strategy |            |                             |                   |                            |        |        |
|   |            | Unstandardized Coefficients |                   | Standardized Coefficients  | t      | Sig.   |
|   |            | B                           | Std. Error        | Beta                       |        |        |
| (Constant)  |            | 1.0260                      | 0.2630            |                            | 3.9050 | 0.0000 |
| Customer value proposition innovation strategy              |            | 0.6590                      | 0.0880            | 0.6380                     | 7.5100 | 0.0000 |
| a Dependent Variable: Performance                           |            |                             |                   |                            |        |        |

Source: Survey data (2024)

Regression analysis revealed a significant positive relationship between customer value proposition innovation strategy and performance of manufacturing firms listed on the Nairobi Securities Exchange. With an adjusted  $R^2$  of 0.400, the model demonstrated that customer value proposition innovation strategy explained 40% of the variability in firm performance, and the relationship was statistically significant ( $F(1,82) = 56.398$ ,  $p=0.000$ ). The regression equation (Firm Performance =  $1.0260 + 0.6590 \times \text{Customer Value Proposition Innovation Strategy}$ ) showed that a one-unit increase in customer value proposition innovation strategy resulted in a 0.659 unit increase in firm performance ( $\beta=0.6590$ ,  $t=7.5100$ ,  $p=0.000$ ). These findings align with previous research by Amineh et al. (2021), Salfore et al. (2023), and Maingi (2020), all of which confirmed that innovations in value propositions significantly enhance organizational

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performance across various industries, reinforcing the strategic importance of customer-centric innovation approaches for manufacturing firms seeking to improve their market position and financial outcomes.

## **5.0 Conclusion**

The study concluded that customer value proposition innovation strategy has a significant positive influence on the performance of manufacturing firms listed on the Nairobi Securities Exchange, driven by improvements in customer communication, relationship-building, complaint resolution, and brand reputation. The regression analysis revealed that a one-unit increase in customer value proposition innovation strategy resulted in a 0.659 unit increase in firm performance, with the model explaining 40% of the variation in performance outcomes. These findings empirically validate Porter's Value Chain Model, which emphasizes that effective execution of customer-related value activities significantly enhances a firm's competitive position and performance. The adoption of modern technologies to augment communication via social media, emails, instant messaging, and SMS not only intensifies customer engagement but also precipitates heightened satisfaction and loyalty. Moreover, the establishment of strong customer relationships through loyalty programs, after-sales services, and exemplary customer service significantly contributes to improved customer retention and favourable word-of-mouth advocacy.

## **6.0 Policy Implications and Recommendations**

The findings of this study provide essential insights into how manufacturing firms listed on the Nairobi Securities Exchange can enhance their performance through customer value proposition innovation strategy. Customer value proposition innovation strategy emerged as a key driver of performance, with practices like tailoring communication based on customer segments and tracking customer interactions through advanced Customer Relationship Management (CRM) systems showing high effectiveness. These strategies underscore the importance of personalized customer engagement in fostering satisfaction and loyalty. Firms should invest in advanced CRM technologies to enhance data tracking, enabling more personalized communication and efficient customer service. Additionally, while customer-centric strategies were generally well-implemented, the relatively lower emphasis on having dedicated account managers for key customers suggests room for improvement. Firms should prioritize establishing dedicated account managers, particularly for high-value clients, to foster deeper relationships and address specific needs effectively. Continuous feedback collection and refinement of value propositions should remain at the forefront of customer-centric strategies to ensure alignment with evolving preferences.

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