

STRATEGIC MARKETING INNOVATIONS AND FIRM PERFORMANCE AMONG FAST MOVING CONSUMER GOODS FIRMS IN NAIROBI CITY COUNTY, KENYA

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ABSTRACT

The Fast-Moving Consumer Goods (FMCG) sector in Kenya faces declining market performance of well-known brands, thin margins and intense competition from formal and informal players, while traditional price-led promotions and mass-media advertising are proving inadequate for an increasingly digital consumer. The purpose of this study was to assess the effect of strategic marketing innovations on the firm performance of FMCG firms in Nairobi City County, Kenya, and the moderating effect of market turbulence on this relationship. Strategic marketing innovation was operationalized as product, market, price and promotional innovation, firm performance as customer base and market operational efficiency, and market turbulence as competitive intensity and technological shifts. The study was anchored on Dynamic Capabilities Theory, supported by the Resource-Based View, Diffusion of Innovation Theory and Contingency Theory. A positivist philosophy and a cross-sectional descriptive and correlational research design were adopted. A census of 97 FMCG manufacturing, distribution and retail firms was conducted, targeting the heads of marketing, operations, finance and ICT in each firm (388 respondents), of whom 303 (78%) returned

usable questionnaires. Data were analyzed using descriptive statistics, Spearman rank correlation, simple and multiple regression and moderated regression analysis in SPSS. Product innovation ($\beta = 0.726$, $R^2 = 0.526$), market innovation ($\beta = 0.742$, $R^2 = 0.550$), price innovation ($\beta = 0.676$, $R^2 = 0.457$) and promotional innovation ($\beta = 0.792$, $R^2 = 0.627$) each had a positive and significant effect on firm performance ($p < .001$), and jointly explained 67.4% of the variance in firm performance, with promotional innovation the strongest and price innovation the weakest predictor. Competitive intensity ($\beta = 0.168$, $p < .001$) and technological shifts ($\beta = 0.132$, $p = .002$) positively and significantly moderated the relationship between strategic marketing innovation and firm performance. All five null hypotheses were rejected. The study recommends that FMCG firms adopt an integrated portfolio of marketing innovations that prioritizes digital promotion, invest in digital and dynamic capabilities, and treat market turbulence as an opportunity for innovation.

Key words: Strategic Marketing Innovation, Firm Performance, Market Turbulence, Fast-Moving Consumer Goods, Nairobi.

INTRODUCTION

Background

The Fast-Moving Consumer Goods (FMCG) sector is a competitive and intense market characterized by low profit margins, high sales volumes and changing customer loyalty (Guo & Liu, 2023; Schroedel, 2024). The industry requires firms to take innovative approaches that create customer value and sustain business performance. Traditional marketing approaches can no longer meet new consumer needs, and strategic marketing innovation (SMI) has therefore emerged as a comprehensive way of rethinking how value is created and delivered, extending beyond typical marketing campaigns (Theoharakis *et al.*, 2024). SMI enables firms to respond proactively to changing customer loyalty, technology and competition through product, market, price and promotional innovation, thereby enhancing differentiation and strengthening customer relationships.

Strategic marketing innovations are the deliberate design and development of new marketing mix activities that deliver greater customer value and establish long-term competitive advantage. Product innovation is the development of new product variations or the enhancement of existing products; market innovation refers to novel means of market segmentation, market channels and customer experience design; price innovation refers to new pricing methods that depart from conventional practice (Bui *et al.*, 2026); and promotional innovation comprises novel techniques of advertising, sales promotion and digital communication. These four dimensions directly affect consumer perception, purchase behaviour and brand loyalty.

Firm performance can be defined as a firm's ability to attain desired outcomes with respect to its customer base and operational efficiency (Bagna *et al.*, 2024). Customer base is a market-based indicator that reflects loyalty, retention, share of wallet and the rate of new customer acquisition, while market operational efficiency reflects resource utilization, speed to market, inventory turnover and demand responsiveness (Handoyo *et al.*, 2023). Because SMI aims to enhance customer value and firm responsiveness, its effectiveness is most directly visible in growth of the customer base and improvements in market operational efficiency.

Although SMI is expected to improve performance, the relationship may depend on market turbulence, the magnitude and unpredictability of changes in customer preferences, competitor actions and technology (Yi *et al.*, 2026). Market turbulence can alter the direction or strength of the relationship between marketing innovation and firm performance (Gyedu *et al.*, 2021). This study focuses on two dimensions of turbulence that most directly shape how marketing innovation creates customer value: competitive intensity, reflected in price wars, promotional battles and competitive positioning, and technological shifts, reflected in disruptive changes in production, information and distribution technologies. In Kenya, mobile money, e-commerce and social media

have revolutionized customer interaction (Yi *et al.*, 2026), and Wu *et al.* (2021) found that technological turbulence positively influenced the performance of digitally enabled organizations. The FMCG sector in Nairobi City County is characterized by fierce competition between local and global firms, intense pressure on profit margins from formal retail dynamics and input prices, and pervasive competition from a sizable informal sector (Wambua *et al.*, 2023). At the same time, a youthful, technologically connected population and a surge in product and market innovation targeted at metropolitan consumers are reshaping the market (Arvind & Mutegi, 2025). Historically, FMCG marketing in Kenya has depended on price-led promotions, mass-media advertising and wide distribution, strategies that are proving inadequate with a digitally savvy population, fierce price wars and the need for customized engagement. This makes strategic marketing innovation an important determinant of the performance of FMCG firms in Nairobi.

Purpose of the Study

To assess the effect of strategic marketing innovations on the firm performance of FMCG firms in Nairobi City County, Kenya, and the moderating effect of market turbulence on this relationship.

Research Hypotheses

H₀₁**:** Product innovation does not have a statistically significant effect on the firm performance of FMCG firms in Nairobi City County.

H₀₂**:** Market innovation does not have a statistically significant effect on the firm performance of FMCG firms in Nairobi City County.

H₀₃**:** Price innovation does not have a statistically significant effect on the firm performance of FMCG firms in Nairobi City County.

H₀₄**:** Promotional innovation does not have a statistically significant effect on the firm performance of FMCG firms in Nairobi City County.

H₀₅**:** Market turbulence does not have a statistically significant moderating effect on the relationship between strategic marketing innovations and the firm performance of FMCG firms in Nairobi City County.

Conceptual Framework

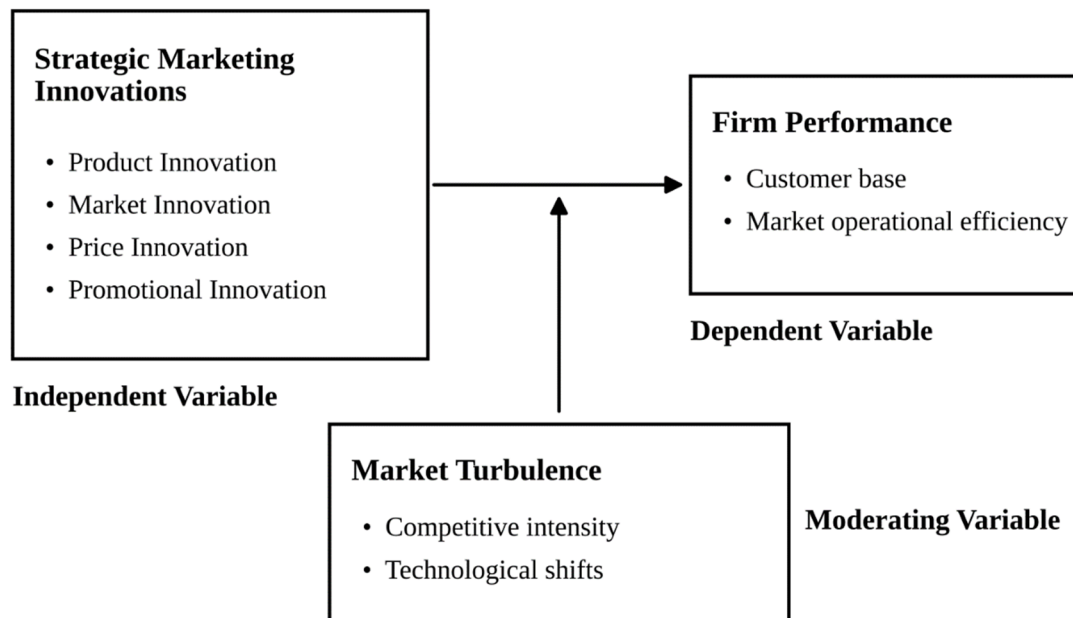


Figure 1: Conceptual Framework
Source: Researcher (2026)

Statement of the Problem

Strategic marketing innovation is widely identified as a critical source of firm performance, with customer acquisition, increased consumer loyalty, operational efficiency and competitive advantage documented as benefits of product, price, market and promotional innovation. In the highly competitive FMCG industry, positive performance would be anticipated from SMI. However, conventional sales tactics in the form of discount-based promotions, broad-media advertising and broad distribution are no longer effective in reaching digitally enabled consumers who demand individualized experiences, engagement and value propositions (Wambua *et al.*, 2023).

Kenyan FMCG firms face several challenges. The Kenya National Bureau of Statistics (2022) reported that slow growth in manufacturing, driven by high production costs, inflation and economic volatility, had depressed performance through lower profits, lower sales and rising operating costs. A number of firms have been ailing, closing down or failing to meet sales targets due to stiff competition from organized and unorganized retail outlets, rising input costs and competition from the informal sector (Wambua *et al.*, 2023). Shifting consumer preferences have increased price elasticity (Arvind & Mutege, 2025), while poor operational efficiency arising from misaligned resources and slow conversion rates has eroded profit margins (Lawrence & Mupa, 2024). Although SMI is being adopted in different forms, its efficacy has not been established, and

no study has sought to determine whether these performance problems arise from failure to adopt SMI or from market turbulence.

Prior studies also leave contextual, conceptual and methodological gaps. Contextually, they focused on other sectors: Laban and Deya (2019) studied ICT firms, Mboga *et al.* (2023) and Otiso (2024) studied manufacturing firms, and Kiveu *et al.* (2020) studied manufacturing SMEs. Conceptually, little attention has been given to the moderating influence of market turbulence, and where turbulence has been studied it has often been treated as a single aggregate construct. Methodologically, past research has relied on single measures of performance. This study therefore examines the effect of product, market, price and promotional innovation on a multidimensional measure of performance, comprising customer base and market operational efficiency, with competitive intensity and technological shifts as distinct dimensions of market turbulence.

Theoretical Framework

Dynamic Capabilities Theory

The study was anchored on Dynamic Capabilities Theory (DCT), developed by Teece and Pisano (1994). Dynamic capabilities refer to a firm's capacity to integrate, build and reconfigure its competencies and resources to adapt to changing environments and gain new competitive advantages. The term "dynamic" refers to the capacity to renew competencies to achieve congruence with a changing environment, while "capabilities" highlights the role of strategic management in integrating, reconfiguring and adapting organizational skills and resources (Teece, 2014). The basic activities that govern innovation potential are sensing, seizing and transforming (Teece, 2014; Teece, 2022).

Sensing, seizing and transforming capabilities allow FMCG firms to perceive developing trends, deploy resources to innovative marketing approaches and reorganize their marketing mix to maintain their competitive position. Ellström *et al.* (2021) show that seizing capabilities mediate the effect of market sensing on successful innovation, while Abel *et al.* (2025) show that transforming capabilities lead to stronger product innovation effects when firms adjust production processes to consumer preferences. The effectiveness of dynamic capabilities is contingent on market turbulence: Anning-Dorson (2020) found that competitive intensity amplifies the effect of promotional innovation on sales, and Chege (2025) found that technological transition moderates the effect of marketing innovation among food and beverage manufacturers in Nairobi.

A limitation of DCT is that capabilities are difficult to observe and measure directly, and the theory has been criticized for being abstract. Nevertheless, it is well suited to this study given the short product life cycles, intense rivalry, changing consumption patterns and short lead times that characterize the FMCG sector. In this study, DCT explains how FMCG firms in Nairobi sense changing customer preferences and competitor activity, seize opportunities through product, market, price and promotional innovations, and continuously reconfigure their marketing

resources, and why firms that do so effectively achieve superior customer base growth and market operational efficiency, particularly in turbulent markets.

Supporting Theories

The Resource-Based View (RBV) holds that firms with valuable, rare, inimitable and non-substitutable (VRIN) resources are more likely to sustain a competitive advantage (Gueler & Schneider, 2021). Strategic marketing resources such as brand reputation, established distribution networks and the capability to design innovative pricing or promotional strategies can act as VRIN resources, although RBV has been criticized for its static reasoning in dynamic markets (Abel *et al.*, 2025). Diffusion of Innovation (DOI) theory complements this by explaining how innovations spread through innovators, early adopters, the early majority, the late majority and laggards (García-Avilés, 2020; Wurster *et al.*, 2024), and therefore how quickly SMI translates into customer adoption and performance. Finally, Contingency Theory holds that there is no single best strategy, and that performance depends on the fit between a firm's internal capabilities and its external environment. It explains why market turbulence may moderate the relationship between strategic marketing innovation and firm performance.

EMPIRICAL LITERATURE REVIEW

Studies have generally reported a positive relationship between product innovation and firm performance, with the magnitude varying by context, method and moderator. Using secondary data, Agustia *et al.* (2022) found a positive effect of product innovation on performance, while technology capabilities did not play a significant moderating role. In Kenya, Mboga *et al.* (2023) found that product, process, marketing and technology innovation capabilities had a significant positive effect on the performance of manufacturing firms in Nairobi City County, and Nyamao and Tari (2023) found that product innovation improved the market share and customer satisfaction of FinTech companies. Tsai and Yang (2020) found that market turbulence and competition jointly moderated the relationship between firm innovativeness and business performance.

Studies across industries consistently show a positive relationship between market innovation and performance. Mbogori and Moguche (2021) found a significant positive effect of market innovation on the performance of Kenyan cement manufacturers, Sifuna and Kamau (2024) found that marketing innovation strategy improved the performance of Britam Insurance in Nairobi, and Peng *et al.* (2021) found that marketing innovations improved the performance of Chinese firms, although the effect was weakened by technological instability and intense competition. These contexts, however, differ sharply from the high-volume, partly informal FMCG retail environment of Nairobi.

Evidence on price innovation is more limited. Mugendi and Kihara (2024) found that price innovations such as price reductions and discounts had a strong positive effect on the financial

performance of insurance firms in Kenya. Tsambou and Djoumessi (2025), using data on 723 firms in Senegal, found that non-technological innovations, including pricing, increase competitiveness through new business models and selling practices. Gómez-Prado *et al.* (2022) found that pricing capability was positively related to the competitive advantage of internationally active startups in Peru, but that competitive advantage did not mediate the link between pricing capability and international performance.

Studies tend to find a positive relationship between promotional innovation and firm performance, although promotional innovation is often embedded in broader constructs. Chege *et al.* (2021) treated it as part of technological innovation and found that information technology innovation predicted firm performance in Kenya, while Adhaya *et al.* (2023) treated it as part of operational innovation among Kenyan manufacturing firms. Githaiya (2021) examined promotional innovation more directly, including digital promotion, and found that digital marketing and innovation positively affected the performance of firms in the beauty and cosmetics industry in Nairobi.

Research on market turbulence supports the notion that the environment influences the strategy-performance relationship, but with inconsistent findings. Onamusi (2021) found that environmental turbulence moderated the effect of entry mode strategy on the performance of firms in the Nigerian baby-care sub-sector. Tangtongpaith (2024) found that technological turbulence and competitive intensity positively moderated, while market turbulence negatively moderated, the relationship between business model innovation and competitive advantage in Thai technology-intensive manufacturing. Wu *et al.* (2021) found that market turbulence, competitive intensity and technological turbulence each positively moderated the relationship between user participation depth and innovation performance among Chinese internet companies, and Khan *et al.* (2026) reported a positive role of market turbulence in Pakistan. None of these studies examined strategic marketing innovation in the FMCG sector in Kenya.

RESEARCH METHODOLOGY

The study adopted a positivist philosophy and a cross-sectional descriptive and correlational research design. The target population comprised all 97 FMCG manufacturing, distribution and retail firms operating in Nairobi City County (26 manufacturers, 32 distributors and 39 retailers), drawn from the Kenya Association of Manufacturers directory and the East Africa Retail Industry Report. Firms had to be legally registered in Kenya, have operated in the Nairobi FMCG market for at least three years, and have functions responsible for marketing, operations, finance and ICT. A census of the heads of these four functions in each firm was conducted, giving 388 target respondents, while the firm was the unit of analysis.

Data were collected using a structured questionnaire with five-point Likert-scale items ranging from 1 (strongly disagree) to 5 (strongly agree), administered through drop-and-pick-later and Google Forms. The instrument was pretested on 39 heads of department in FMCG firms in Kiambu County, after which ambiguous and double-barrelled items were revised. Content validity was assessed using Lawshe's Content Validity Ratio with a panel of ten experts (mean CVR = 0.86), and construct validity using exploratory and confirmatory factor analysis, with standardized loadings between 0.70 and 0.91, average variance extracted between 0.59 and 0.68 and composite reliability between 0.88 and 0.91. Reliability was assessed using Cronbach's alpha, as shown in Table 1.

Table 1: Cronbach's Alpha Reliability Results

Variable	No. of Items	Cronbach's Alpha	Interpretation
Product innovation	8	0.878	Good
Market innovation	8	0.758	Acceptable
Price innovation	8	0.850	Good
Promotional innovation	8	0.865	Good
Firm performance	8	0.910	Excellent
Market turbulence	8	0.892	Good

Source: Researcher (2026)

All constructs exceeded the minimum threshold of 0.70, confirming the internal consistency of the instrument. Data were analyzed using SPSS version 30. Descriptive statistics (means and standard deviations) and Spearman rank correlation were used, followed by simple regression for each dimension ($Y = \beta_0 + \beta_i X_i + \varepsilon$) and multiple regression for the combined model ($Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$), where Y is firm performance and X_1 to X_4 are product, market, price and promotional innovation. Moderation was tested following Baron and Kenny (1986) using moderated regression with mean-centred variables: firm performance was regressed on the composite strategic marketing innovation score (SMI), competitive intensity (CI), technological shifts (TS) and the interaction terms $SMI \times CI$ and $SMI \times TS$. Moderation was inferred where the interaction terms were statistically significant at the 5% level. Linearity, normality (Kolmogorov-Smirnov), multicollinearity (VIF) and heteroskedasticity (Breusch-Pagan) tests were conducted before estimation.

Response Rate and Respondent Profile

Of the 388 questionnaires administered, 303 were returned and usable, a response rate of 78%, which is adequate for analysis and minimizes non-response bias. The respondents came from 78 organizations, comprising distributors (41%), retailers (36%) and manufacturers (23%), and were drawn from finance (32%), ICT (25%), marketing (23%) and operations (20%) departments. Sixty percent of the respondents were female, 68% were aged between 26 and 45 years, 77% held at least a bachelor's degree, and 73% had served in their organizations for between two and ten years.

Descriptive Statistics

Table 2: Summary of Descriptive Statistics

Construct	Items	Mean Range	Average Mean	SD Range	Average SD
Product innovation	8	3.842 – 4.175	4.019	0.965 – 1.247	1.115
Market innovation	8	3.931 – 4.142	4.025	0.983 – 1.190	1.079
Price innovation	8	3.627 – 4.033	3.906	0.941 – 1.176	1.050
Promotional innovation	8	3.983 – 4.201	4.049	0.970 – 1.336	1.106
Firm performance	8	3.703 – 4.003	3.927	0.906 – 1.117	1.022
Market turbulence	8	3.772 – 4.162	3.931	0.963 – 1.162	1.057

Source: Researcher (2026); average mean and average SD computed from the item-level statistics

Table 2 summarizes the descriptive statistics for the study constructs. Product innovation items averaged between 3.842 and 4.175, indicating strong agreement that product innovation benefits performance. The highest-rated item was that product improvements such as better taste, texture or convenience enable the firm to command premium prices and improve customer loyalty ($M = 4.175$), while the lowest was the regular introduction of entirely new-to-market products ($M = 3.842$). The widest dispersion was on whether new products expand the customer base ($SD = 1.247$), suggesting that this benefit depends on differences in distribution, brand equity and target segments.

Market innovation was uniformly rated highly ($M = 3.931$ to 4.142). Innovative product-service bundles that optimize sales and support processes received the highest rating ($M = 4.142$), followed by innovation of the total customer experience ($M = 4.099$), while redefining the core value proposition was rated lowest ($M = 3.931$). Price innovation recorded the lowest ratings of the four dimensions ($M = 3.627$ to 4.033). Cost-based pricing building a stable and growing customer base was rated highest ($M = 4.033$), while setting prices on perceived value rather than production costs was rated lowest and had the widest dispersion ($M = 3.627$, $SD = 1.176$), suggesting that Nairobi FMCG managers place more confidence in cost-based than in value-based pricing.

Promotional innovation received the highest overall agreement ($M = 3.983$ to 4.201). Innovative engagement strategies on social media platforms were rated highest ($M = 4.201$), and the use of new tools to measure the real-time return on investment of promotional campaigns was rated consistently ($M = 3.990$, $SD = 0.970$). The adoption of new digital communication channels to acquire customers had the widest dispersion of any item in the study ($SD = 1.336$), pointing to a digital divide between firms. For firm performance, maintaining optimal inventory levels and strong stock turnover was rated highest ($M = 4.003$), while sales growth outpacing competitors was rated lowest ($M = 3.703$). For market turbulence, rapid changes in digital technologies such as mobile money, e-commerce and social media were rated highest ($M = 4.162$), while aggressive price wars and promotional battles were rated lowest ($M = 3.772$), indicating that technological shifts were perceived as more salient than competitive intensity.

Correlation Analysis

Table 3: Spearman's Rank Correlation Matrix

Variable	PRDI	MKTI	PRCI	PRMI	FP
Product innovation (PRDI)	1.000				
Market innovation (MKTI)	0.867**	1.000			
Price innovation (PRCI)	0.812**	0.800**	1.000		
Promotional innovation (PRMI)	0.201*	0.229*	0.147*	1.000	
Firm performance (FP)	0.726**	0.742**	0.676**	0.792**	1.000

** Correlation is significant at the 0.01 level (2-tailed); * significant at the 0.05 level (2-tailed). $N = 303$.

Source: Researcher (2026)

Table 3 shows that all four dimensions of strategic marketing innovation were positively and significantly correlated with firm performance. Promotional innovation had the strongest association ($r = 0.792$, $p < .001$), followed by market innovation ($r = 0.742$), product innovation ($r = 0.726$) and price innovation ($r = 0.676$). Product, market and price innovation were also highly correlated with each other ($r = 0.800$ to 0.867), suggesting that firms develop them together, while promotional innovation was only weakly correlated with the other dimensions ($r = 0.147$ to 0.229), marking it as a distinct strategic dimension.

Diagnostic Tests

Table 4: Summary of Diagnostic Tests

Test	Variable / Statistic	Result	Decision
Normality (Kolmogorov-Smirnov)	PRDI, MKTI, PRCI, PRMI, FP	K-S = 0.036 – 0.045; $p = 0.156 - 0.238$	Normally distributed
Multicollinearity	PRDI, MKTI, PRCI, PRMI	VIF = 1.842 – 2.683; Tolerance = 0.373 – 0.543	No multicollinearity
Heteroskedasticity (Breusch-Pagan)	LM statistic	LM = 4.257, $df = 4$, $p = 0.372$	Homoskedastic
Heteroskedasticity (Breusch-Pagan)	F statistic	$F(4, 298) = 1.064$, $p = 0.374$	Homoskedastic
Autocorrelation	Durbin-Watson (combined model)	DW = 2.031	No autocorrelation

Source: Researcher (2026)

Scatter plots indicated positive linear relationships between each dimension of strategic marketing innovation and firm performance. Table 4 shows that the Kolmogorov-Smirnov statistics were small and non-significant for all variables ($p > 0.05$), indicating normality. VIF values ranged from 1.842 to 2.683 and tolerance values from 0.373 to 0.543, well within the conventional thresholds of 10 and 0.10, indicating that multicollinearity was not a concern. The Breusch-Pagan test ($p = 0.372$) did not reject the null hypothesis of constant error variance, and the Durbin-Watson statistic

of 2.031 indicated independence of errors. The data therefore satisfied the assumptions of regression analysis.

Regression Analysis

Table 5: Simple Regression Results for Each Dimension of Strategic Marketing Innovation

Predictor	R	R ²	F (1, 301)	Constant	B	β	t	Sig.
Product innovation	0.726	0.526	334.681	63.979	0.555	0.726	18.294	<.001
Market innovation	0.742	0.550	367.718	62.733	0.559	0.742	19.176	<.001
Price innovation	0.676	0.457	253.396	70.707	0.502	0.676	15.918	<.001
Promotional innovation	0.792	0.627	506.451	57.567	0.596	0.792	22.504	<.001

Dependent variable: firm performance. N = 303. Standard errors of B: 0.030, 0.029, 0.031 and 0.026 respectively.

Source: Researcher (2026)

Table 5 presents the simple regression results for each dimension. Product innovation explained 52.6% of the variance in firm performance ($R^2 = 0.526$, $F = 334.681$, $p < .001$), with a one-unit increase in product innovation associated with a 0.555-unit increase in firm performance ($\beta = 0.726$, $t = 18.294$, $p < .001$). The model is $Y = 63.979 + 0.555X_1$. This finding is consistent with Mboga *et al.* (2023) and Nyamao and Tari (2023), and, unlike Agustia *et al.* (2022), showed no sign that technical capabilities limited the benefits of product innovation. Consequently, H_{01} was rejected.

Market innovation explained 55.0% of the variance in firm performance ($R^2 = 0.550$, $F = 367.718$, $p < .001$), with a one-unit increase in market innovation associated with a 0.559-unit increase in firm performance ($\beta = 0.742$, $t = 19.176$, $p < .001$), giving the model $Y = 62.733 + 0.559X_2$. This agrees with Mbogori and Moguche (2021), Sifuna and Kamau (2024) and Peng *et al.* (2021). In the FMCG context, market innovation appears to work through better-targeted segments, more efficient distribution channels and innovative product-service bundles. H_{02} was therefore rejected. Price innovation explained 45.7% of the variance in firm performance ($R^2 = 0.457$, $F = 253.396$, $p < .001$), with a one-unit increase in price innovation associated with a 0.502-unit increase in firm performance ($\beta = 0.676$, $p < .001$), giving the model $Y = 70.707 + 0.502X_3$. Price innovation was the weakest of the four dimensions. This may reflect the price sensitivity of the Kenyan "kadogo economy", in which consumers buy small quantities frequently, the ease with which pricing moves are imitated by formal and informal competitors, and the difficulty of communicating value-based pricing for utility goods. The finding partly agrees with Mugendi and Kihara (2024), but managers' lower confidence in perceived-value pricing contrasts with Gómez-Prado *et al.* (2022). H_{03} was rejected.

Promotional innovation explained the largest share of the variance in firm performance, 62.7% ($R^2 = 0.627$, $F = 506.451$, $p < .001$), with a one-unit increase associated with a 0.596-unit increase in

firm performance ($\beta = 0.792$, $t = 22.504$, $p < .001$), giving the model $Y = 57.567 + 0.596X_4$. The strength of this effect may reflect Kenya's rapid mobile and internet penetration, consumers' preference for digital interaction and the growing emphasis on measuring the return on promotional investment. This supports and extends Githaiya (2021) from the beauty and cosmetics segment to the broader FMCG sector. H_{04} was rejected.

Table 6: Multiple Regression Results for the Combined Effect of Strategic Marketing Innovations

Variable	B	Std. Error	β	t	Sig.
(Constant)	32.461	5.234		6.203	<.001
Product innovation	0.157	0.040	0.205	3.925	<.001
Market innovation	0.148	0.038	0.196	3.895	<.001
Price innovation	0.088	0.032	0.119	2.750	0.006
Promotional innovation	0.384	0.028	0.510	13.713	<.001

$R = 0.821$; $R^2 = 0.674$; *Adjusted R*² = 0.671; *Std. error of the estimate* = 36.190; $F(4, 298) = 154.438$, $p < .001$; *Durbin-Watson* = 2.031.

Dependent variable: firm performance.

Source: Researcher (2026)

Table 6 shows that the four dimensions jointly explained 67.4% of the variance in firm performance ($R^2 = 0.674$, *Adjusted R*² = 0.671), and the model was highly significant ($F = 154.438$, $p < .001$). All four dimensions remained significant when estimated together. Promotional innovation was by far the strongest predictor ($\beta = 0.510$, $p < .001$), followed by product innovation ($\beta = 0.205$, $p < .001$), market innovation ($\beta = 0.196$, $p < .001$) and price innovation ($\beta = 0.119$, $p = .006$). The estimated model is $Y = 32.461 + 0.157X_1 + 0.148X_2 + 0.088X_3 + 0.384X_4$. The much larger unique contribution of promotional innovation is consistent with its weak correlation with the other dimensions: product, market and price innovation overlap substantially, so their unique effects shrink when entered together, whereas promotional innovation captures a distinct source of performance.

Moderating Effect of Market Turbulence

Table 7: Moderated Regression Results for Market Turbulence

Variable	B	Std. Error	β	t	Sig.
(Constant)	3.842	0.041		93.707	<.001
Strategic marketing innovation (SMI_c)	0.684	0.052	0.571	13.154	<.001
Competitive intensity (CI_c)	0.241	0.061	0.187	3.951	<.001
Technological shifts (TS_c)	0.318	0.058	0.246	5.483	<.001
SMI_c $\times$ CI_c	0.276	0.071	0.168	3.887	<.001
SMI_c $\times$ TS_c	0.194	0.063	0.132	3.079	0.002

$R = 0.923$; $R^2 = 0.853$; *Adjusted R*² = 0.851; *Std. error of the estimate* = 24.342; $F(5, 297) = 343.485$, $p < .001$; *Durbin-Watson* = 1.972.

Dependent variable: firm performance. The suffix _c denotes mean-centred variables.

Source: Researcher (2026)

Table 7 presents the moderated regression results. The model explained 85.3% of the variance in firm performance ($R^2 = 0.853$), well above the 67.4% explained by the main-effects model, and was highly significant ($F = 343.485$, $p < .001$). Strategic marketing innovation ($\beta = 0.571$), competitive intensity ($\beta = 0.187$) and technological shifts ($\beta = 0.246$) each had positive and significant direct effects. Most importantly, the interaction between strategic marketing innovation and competitive intensity ($B = 0.276$, $\beta = 0.168$, $t = 3.887$, $p < .001$) and the interaction between strategic marketing innovation and technological shifts ($B = 0.194$, $\beta = 0.132$, $t = 3.079$, $p = .002$) were both positive and significant. This indicates that both dimensions of market turbulence strengthen the positive relationship between strategic marketing innovation and firm performance, and H_{05} was therefore rejected.

Several mechanisms may explain this positive moderation. Turbulence acts as a "burning platform" that pushes firms to experiment and adjust their marketing strategies more rapidly; it gives firms with stronger dynamic capabilities an opportunity to anticipate change and seize opportunities earlier than rivals; technological shifts such as mobile money and social commerce provide new tools for reaching customers; and the cost of inaction rises in turbulent markets, so the returns to innovation become more visible. The finding is consistent with Dynamic Capabilities Theory and Contingency Theory, and with Wu *et al.* (2021), who found positive moderation by competitive intensity and technological turbulence. It differs from Tangtongpaith (2024), who found negative moderation by market turbulence in Thai manufacturing, and extends Onamusi (2021) by examining competitive intensity and technological shifts as distinct dimensions rather than as a single aggregate construct.

Table 8: Summary of Hypothesis Tests

Hypothesis	Key Statistics	p-value	Decision
H ₀₁ : Product innovation → firm performance	$\beta = 0.726$; $R^2 = 0.526$	<.001	Rejected
H ₀₂ : Market innovation → firm performance	$\beta = 0.742$; $R^2 = 0.550$	<.001	Rejected
H ₀₃ : Price innovation → firm performance	$\beta = 0.676$; $R^2 = 0.457$	<.001	Rejected
H ₀₄ : Promotional innovation → firm performance	$\beta = 0.792$; $R^2 = 0.627$	<.001	Rejected
H ₀₅ : Moderating effect of market turbulence	SMI×CI $\beta = 0.168$; SMI×TS $\beta = 0.132$	<.001; .002	Rejected

Source: Researcher (2026)

Conclusion

The study concludes that strategic marketing innovations are positively and significantly associated with the performance of FMCG firms in Nairobi City County. Product innovation, through formulation, packaging and feature improvements, enhances customer loyalty and enables premium pricing. Market innovation, particularly product-service bundles and innovation of the total customer experience, is a valid means of competing for customers and improving operational

efficiency. Price innovation contributes positively but is the weakest dimension, with managers placing greater confidence in cost-based than in value-based pricing, consistent with the price-sensitive "kadogo economy" and strong informal-sector competition.

Promotional innovation, especially digital and social media engagement supported by real-time measurement of return on investment, is the strongest driver of firm performance, although uneven adoption of digital channels points to a digital divide that may reinforce the advantages of digitally mature firms. Together, the four dimensions explain about two-thirds of the variation in firm performance. Market turbulence, in the form of both competitive intensity and technological shifts, strengthens the relationship between strategic marketing innovation and firm performance, in line with Dynamic Capabilities Theory. Because the study was cross-sectional and relied on managers' perceptions in formal FMCG firms in Nairobi, these relationships should be interpreted as associations rather than proof of causation.

Recommendations

FMCG firms in Nairobi City County should adopt an integrated portfolio of strategic marketing innovations rather than relying on a single dimension. Promotional innovation through digital and social media campaigns should be prioritized, complemented by continuous product improvement, market innovation through product-service bundles and new distribution channels, and pricing appropriate to the "kadogo economy", rather than competing on price alone, which is easily imitated by informal competitors.

Managers should invest in digital and dynamic capabilities, including human capital, data analytics and real-time systems for measuring the return on promotional investment, to close the digital divide revealed by the study. They should complement cost-based pricing with value-based pricing for suitable customer segments, and, since market turbulence strengthens the returns to innovation, treat competitive and technological change as opportunities for innovation rather than threats.

Policymakers, including the Communications Authority of Kenya and the Competition Authority of Kenya, should enforce guidelines that ensure digital promotional communication by FMCG firms is transparent and verifiable, protecting price-sensitive consumers. Government agencies should also support digital literacy and infrastructure so that smaller FMCG firms can compete fairly in an increasingly digital market.

Future studies should adopt longitudinal and mixed-methods designs to establish causality, use objective performance measures such as sales, market share and profitability to reduce common method bias, extend the scope to other counties and to informal-sector FMCG firms, examine why price innovation is the weakest predictor, and investigate the organizational capabilities that enable some firms to benefit more from digital promotional innovation than others.

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