Influence of Market Focus Strategy on Growth of Small and Medium Enterprises in Nandi County, Kenya

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ABSTRACT

A focus strategy targets a specific market segment, using elements of market focus. Small and Medium Enterprises (SMEs) often dominate local markets before scaling. Small and Medium Enterprises are plays significant role in development of the economy. In Kenya, they account for about 98% of all the businesses and support a large share of employment as well as income generation. However, many SMEs struggle to grow. A substantial proportion of SMEs fail to achieve sustained growth and many cease operations within first few years of operation. The biggest challenge for these SMEs is stiff competition. They lack resources to compete effectively with firms across the wider markets. The study objective is to determine the influence of market focus strategy on growth of Small and Medium Enterprises in Nandi County, Kenya. The hypothesis of the study is that here is no statistically significant influence of market focus strategy on growth of SMEs in Nandi County, Kenya. Market focus was determined as a significant predictor of growth among the SMEs ($B = 0.304$, $\beta = 0.263$, $t = 4.984$, $p < 0.001$). This is an indication that a unit increase in focus particularly on a well-defined customer segments lead to a 0.304-unit improvement in SME growth. The finding corresponds with the descriptive mean ($M = 4.00$) thereby reflecting that SMEs gain from specializing in specific niches where they can serve customers better and more efficiently. The p-value of 0.001 which is less than 0.05 meant the rejection of the null hypothesis. This shows that market focus strategy significantly affects SME growth. The study makes conclusion that market focus significantly enhance SME performance. SMEs that concentrate on specific market segments and tailor make their products to customer needs achieve higher sales and loyalty.

Keywords: Market focus strategy, growth of SMEs

INTRODUCTION

A focus strategy targets a specific market segment using elements of market focus strategies. SMEs often dominate local markets before scaling. In the Middle East, tech SMEs develop Arabic-language apps or halal-compliant services thereby addressing underserved cultural or religious niches. Collaborations with other SMEs or local governments often amplify reach. In Latin America, SMEs in agribusiness partner with cooperatives to serve small farmers hence offering affordable tools or training while maintaining a tight market focus (Brenes et al., 2014). SMEs pursuing cost leadership strive to provide cost-effective products or services without compromising on profit margins. Many SMEs adopt lean production techniques to reduce waste and operational costs (Kiaritha et al., 2014). For instance, manufacturing SMEs in Southeast Asia, like those in Vietnam, optimize supply chains by sourcing raw materials locally and minimizing transportation costs.

Problem statement

Small and Medium Enterprises are plays significant role in development of the economy. In Kenya, they account for about 98% of all the businesses and support a large share of employment as well as income generation. However, many SMEs struggle to grow. A substantial proportion of SMEs fail to achieve sustained growth and many cease operations within first few years of operation. The biggest challenge for these SMEs is stiff competition. They lack resources to compete effectively with firms across the wider markets. Because of this, many SMEs turn to market focus strategy where they put a lot of concentration on specific group of customers instead of serving everyone. They do this since that is where they can get the niche. This approach therefore, seems practical more so for small business since it allows them to understand better their customers and use their limited resource more efficiently. It is however not clear whether focusing on a narrow market leads to long-term growth of SMEs.

I some cases, SMEs focusing on a narrow market might limit business expansion more so in a situation where the market size is already small. In places like Nandi County, SMEs operate in environments with a limited market size and inadequate purchasing power which is relatively lower. There are also fewer opportunities for diversification and this makes market focus strategy even more significant.

There is limited research focusing particularly on rural or semi-urban areas like Nandi County. This therefore means that SMEs may not have enough local evidence that can guide their strategic decision. This therefore creates a gap in understanding whether market focus strategy truly supports SMEs growth. The study therefore sought to examine how market focus strategy influences the growth of SMEs in Nandi County, Kenya.

Research objective

To determine the influence of market focus strategy on growth of Small and Medium Enterprises in Nandi County, Kenya.

Hypotheses of the study

$H0_2$: There is no statistically significant influence of market focus strategy on growth of Small and Medium Enterprises in Nandi County, Kenya.

LITERATURE REVIEW

A study by Jamaludin et al. (2022) investigated the influence of market orientation and supply chain management strategy on performance of SMEs in Indonesia. The study used 150 samples made of SMES owners and managers. The study used equation modeling and results showed that market orientation had a positive impact on financial performance of the organizations. Karanja and Gakure (2013) carried a study examining the relation between competitive strategies and the performance of SMEs in Nairobi, Kenya. The study explored the impact of competitive strategies, including focus strategy on SME performance in Nairobi. The focus strategy positively influenced growth by allowing SMEs to cater for specific customer segments, ethnic markets or premium buyers and this led to increased sales and customer retention. The urban setting of Nairobi, with its diverse and accessible markets contrasts with rural contexts like Nandi County where niche markets may be harder to identify or reach.

On the other hand, Hernandez-Linares et al. (2021) examined the relationship between market orientation and SMEs performance. The study used 509 Spanish SMEs and the findings showed that SMEs that focus more on the needs of the customers perform better. It implies that market focus strategies can greatly improve performance since the firm is able to identify and exploit profitable markets. Didonet et al. (2020) carried a study on market orientation in the United Kingdom. The study sought to determine how SMEs performance are influenced by market and sales orientation. The study involved 122 SMEs and the results showed that market orientation enables SMEs to improve their performance. Mwangi and Bwisa (2014) carried research on the influence of focus strategy on SMEs growth in the manufacturing sector in Kenya. Using descriptive research design, the study assessed how focus strategy drives growth. SMEs adopting a focus strategy experienced growth in market share and revenue by targeting specialized needs such as custom furniture or organic products.

While the reviewed studies offer important understanding of how focus strategy relates to the growth of SMEs, a significant gap exists in the context of Nandi County, Kenya. Most research (Karanja & Gakure, 2013; & Kamau & Kagiri, 2015) focuses on urban or peri-urban areas like Nairobi and Kiambu or specific sectors like manufacturing, which benefit from larger, more accessible markets and better infrastructure. Others on the other hand focus on SMEs that are in developed countries (Didonet at al., 2020; Hernandez-Linares et al., 2021

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& Jamaludin et al., 2022). This gap calls for investigation to provide context-specific insights that can guide SME owners and policymakers in leveraging focus strategies for sustainable growth.

Theoretical review

The study applied Porter's generic competitive strategies. Porter (1980) explained that firms attempting to apply more than one strategy at a time without a clear priority may find themselves stuck in the middle and be unable to compete effectively on either cost or uniqueness. The clarity and exclusivity of strategy choice therefore are central to achieving and sustaining a competitive edge (Yamin, 2019). This theory applies to this study because each of the strategies highlighted by porter is reflected in the research objective. By using Porter's framework, the research is able to systematically assess how these strategic choices affect SMEs performance indicators like revenue, customer growth and market expansion. The theory provides a structured way to analyze which strategies are more effective in the unique rural and semi-urban setting of Nandi County. Porter's generic competitive strategies relate to SME growth by showing how the adoption of differentiation, cost leadership and market focus strategies enhances competitiveness and overall business performance.

RESEARCH METHODOLOGY

Explanatory design was used to determine the causal relationship between market focus strategies and SME growth, testing hypotheses about their influence. This dual design aligns with the need to describe the current state and explain the impact of strategies. In addition, the study adopted mixed method research approach. This study employed quantitative methods to measure the relationship between competitive strategies and SME growth. Qualitative methods were to explore contextual factors and perceptions of strategy implementation. Creswell and Creswell (2018) noted that the mixed-methods approach allows for a comprehensive understanding of both statistical trends and nuanced insights specific to Nandi County's SME landscape.

The study considered SMEs from a diverse range of industries present in Nandi County. These industries were agriculture, tourism, manufacturing, automotive and Spare Parts. According to the Nandi County Integrated Development Plan (CIDP 2023-2027), there are approximately 5,000 registered SMEs in the county which forms the target population of the study. The study focused on SMEs that have operated for at least 5 years in order to assess growth trends. They must equally be registered with the county government or relevant business associations. The study applied stratified random sampling. The sample was derived using Yamane (1967) formula. The formula therefore resulted in sample size of 370 respondents. Data was collected using structured questionnaires with closed and open-ended questions.

Data analysis and findings

Market focus strategy and its influence on SMEs growth was undertaken using mean, standard deviation and regression analysis. Descriptive results on how market focus influences SME growth is illustrated in table below.

Table 1 Market Focus Strategy and SMEs growth

Statement	Mean	SD
Our SME concentrates on a clearly defined customer segment.	4.44	0.78
Niche targeting has increased our sales revenue.	4.38	0.88
Market focus has enhanced customer loyalty and repeat business.	4.31	0.86
Specializing in a target market has improved efficiency in service delivery.	3.90	0.74
Market focus has contributed to the expansion and sustainability of our SME.	3.0	1.09
Average mean	**4.00**	

The results, which produced an overall mean of 4.00 and standard deviations that ranges between 0.74 and 1.09 points to general agreement on the importance of targeting well-defined customer segments. These findings agree with Otiso (2025) that market focus is fundamental for SMEs if they want to have sustainable growth. Majority of the respondents indicated that their enterprises concentrate on specific customer groups

(M = 4.44, SD = 0.78). Clear segmentation is widely practiced where firms intentionally target specific customer groups. This aligns with Porter's focus strategy and empirical findings (Karanja & Gakure 2013; Mwangi & Bwisa 2014) that niche targeting is a practical route to growth.

Concentration on niche markets was equally associated with increased sales revenue (M = 4.38, SD = 0.88). This reinforces the notion that specialization enables SMEs to serve their customers more effectively, thereby enhancing revenues for the firm. This is a suggestion that market focus produces tangible revenue effects. The findings are in tandem with the results of the study by Didonet et al. (2020) who established that market orientation enables SMEs to improve their financial performance. It is imperative to note that the slightly higher SD indicates variation in revenue impact in that some niches yield more revenue lift than others. Additionally, customer loyalty and repeat purchases were reported as key benefits of focused strategies as evidenced in the results (M = 4.31, SD = 0.86). This submits that consistent engagement with a well-understood customer base fosters relational trust in addition to satisfaction. These are factors very crucial for long-term growth of any business enterprise. Correspondingly, market specialization is perceived to enhance operational efficiency (M = 3.90, SD = 0.74). This can be construed to mean that it happens most likely due to familiarity with customer preferences and streamlined service delivery. Nevertheless, the perception of focus strategy and its influence on overall expansion and sustainability recorded a mixed result, as indicated by a neutral mean score (M = 3.00, SD = 1.09). The wider dispersion as evidenced in a larger SD suggests that while some SMEs have achieved stable growth through niche markets, others might be facing limitations when attempting to scale. It is prudent to note that the relatively small size of market niches in rural areas such as Nandi County could actually restrict opportunities for broader market expansion.

These findings resonate with Porter's focus strategy which observes that firms achieve competitive advantage by serving narrow segments more efficiently than rivals. They also align with findings by Karanja and Gakure (2013) and Mwangi and Bwisa (2014) who established that market focus enhances efficiency and customer retention. From the findings, market focus strategy has proven to be effective in enhancing sales, loyalty as well as service efficiency among SMEs in Nandi County. Nonetheless, its contribution on long-term expansion appears inadequate thereby implying that whereas focusing deeply within a market segment could be beneficial, it might need to be complemented by innovation and diversification for better growth.

Responses from open-ended questions were analysed using thematic analysis. The researcher first reviewed all responses to gain familiarity with the data. Similar responses were then coded and grouped into themes related to customer targeting, customer loyalty, resource utilization, and market specialization. Representative quotations were selected to illustrate the major themes that emerged from the analysis. Concerning open ended questions, respondents highlighted that identifying a clear target market and understanding customer needs were critical to success. Majority stated that close interaction with clients allowed them to gather feedback and adjust products accordingly. One participant stated, "We listen to our customers and adjust our products to what they want" (R4), while another explained, "Serving a specific market helps us manage our resources better and build strong relationships with the customers. When a customer is used to you then there are more referrals that comes along" (R99). Respondents further emphasized that maintaining customer loyalty through personalized service had helped them sustain their businesses even in difficult market conditions. This finding underscores the view that SMEs achieve growth by prioritizing customers and focusing their resources on markets they understand well. The results are in support of the findings of Hernandez-Linares et al. (2021) that market focus enables the SMEs to pursue markets that are profitable.

Before conducting regression analysis, test for assumptions were done. Multicollinearity was assessed using VIF where market focus strategy produced (VIF = 1.444) which shows absence of multicollinearity. A value above 10 indicates a serious problem that might require removing or even combining variables (Saunders et al., 2019). The Shapiro-Wilk test was used to test normality and produced a p-value of 0.283, which is above the 0.05 threshold. This is a suggestion that the residuals of the regression model are normally distributed thereby satisfying assumptions for linear regression analysis. The Durbin-Watson was used to test autocorrelation and the value of 2.065was realized which falls within the acceptable range of 1.5 to 2.5. This is an indication that there is no significant autocorrelation in the residuals. The study used Breusch-Pagan Test was used to test for homoscedasticity. Since the p-value of 0.842 was greater than 0.05, we fail to reject the

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null hypothesis of homoscedasticity. This means that the model does not have heteroscedasticity concerns confirming that the assumption is met since the residuals are homoscedastic in nature.

Table 2 Model fitness

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.737	0.543	0.537	0.576

The model explained 54.3% of the variation in SME growth ($R^2 = 0.543$), indicating strong explanatory power. The adjusted R^2 value of 0.537 suggests that the model remained robust after accounting for the number of predictors included in the analysis.

Table 3 ANOVA

	Model	Sum of squares	Df	Mean square	F	Sig
	Regression	39.785	4	22.036	66.333	0.001
	Residual	22.562	315	0.235		
	Total	62.347	319			

The ANOVA indicates a confirmation that the overall regression model was statistically significant, F (4, 315) = 66.333, p <0 .001. It simply explains that predictor has a significant effect on the dependent variable.

Table 4 Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	0.462	0.118	–	3.918	0.001
Market focus strategy	0.304	0.061	0.263	4.984	0.001

Market focus was determined as a significant predictor of growth among the SMEs ($B = 0.304$, $\beta = 0.263$, $t = 4.984$, $p < 0.001$). This is an indication that a unit increase in focus on well-defined customer segments leads to a 0.304-unit improvement in SME growth. The effect though small but still remains substantial and statistically significant. The finding corresponds with the descriptive mean (M = 4.00) thereby reflecting that SMEs gain from specializing in specific niches where they can serve customers better and more efficiently. This result supports Karanja and Gakure (2013) who demonstrated that focusing on a clear customer base leads to repeat purchases as well as revenue growth. Nevertheless, the results contrasts with parts of descriptive analysis, which showed that focus strategies were not always linked with expansion and sustainability (M = 3.00, SD = 1.09). This suggests that even though market specialization yields immediate gains in loyalty and revenue, it might constrain broader scaling unless complemented by other growth-oriented initiatives like innovation or even product diversification. The p-value of 0.001 which is less than 0.05 led to the rejection of the null hypothesis. This shows that market focus strategy significantly affects SME growth. This means that SMEs that target specific market segments and align their products with customer needs tend to perform better. This supports the findings of Jamaludin et al. (2022) that products must be aligned to the needs of the customers for the SMEs to realize performance improvement. Concentrating on well-defined markets enables SMEs to serve customers more effectively, improve satisfaction in addition to achieving sustainable growth.

CONCLUSIONS

The study makes conclusion that market focus significantly enhance SME performance. SMEs that concentrate on specific market segments and tailor-make their products to customer needs achieve higher sales and loyalty. Nevertheless, overreliance on narrow markets may limit broader growth thereby calling for gradual market focus.

SMEs needs to continue to serve defined customer segments while gradually exploring adjacent markets to expand their reach. Regular market research and customer feedback mechanisms can help in aligning products with changing consumer needs.

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