



# Value Proposition Practices and Growth of Retail Small and Medium Enterprises in Nairobi County, Kenya

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## Abstract

Small and Medium-Sized Enterprises (SMEs) are vital to the global economies as they are the backbone driving employment, innovation, and sustainable growth. Despite playing a critical and unique role, their growth remains a significant challenge, since the majority of them fail within their first few years of operation. This study examined the influence of value proposition practices on the growth of retail SMEs in Nairobi County, Kenya. The study adopted a positivist research philosophy and a descriptive correlational design. The study population included 199,600 registered retail SMEs in Nairobi County. Using Yamane's (1967) formula with a 5% margin of error and a 10% adjustment for non-response, a sample size of 439 SMEs was determined. Stratified random sampling and simple random sampling techniques were used to select respondents across the ten sub-counties of Nairobi County. Data was collected through structured questionnaires administered to owners, directors, and senior managers between July and September 2025, with 341 questionnaires being fully completed and returned, yielding a response rate of 77.7%. Data analysis employed descriptive statistics including frequency, mean, and standard deviation, and inferential statistics including Pearson correlation, ANOVA, simple linear regression, and regression coefficient analysis. Quantitative data was analysed using SPSS Version 30. Value proposition practices, particularly customer perceived value and customer satisfaction, showed a significant impact ( $r = 0.666$ ), contributing to 44.3% growth variance ( $R^2 = 0.443$ ). The study concludes that by creating and delivering value that aligns with customer needs and expectations, SMEs are able to strengthen their market position, attract and retain customers, and enhance overall business performance. The study recommends continuous refinement of value propositions, alignment with customer needs, innovation, and digital adoption by SMEs, alongside improved customer experience, satisfaction, and loyalty strategies. Policymakers should support SMEs through capacity-building in branding, digital marketing, and customer engagement to enhance competitiveness and sustain long-term retail SME growth in Nairobi.

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## Introduction

A value proposition is a declaration that emphasises a company's primary approach by guaranteeing better goods, services, and experiences and seeks to persuade consumers to pick a specific brand over rivals (Rosário & Raimundo, 2021). Contemporary literature increasingly conceptualises value proposition as an integrative lens that links what a firm offers to how that offering alleviates customer problems and enhances perceived benefits. The value map framework distinguishes among products



and services, pain relievers, and gain creators, providing a structured way to link firm offerings to customer needs (Utama & Sisilia, 2018). Products and services only create value when they address essential customer needs or enhance functional, emotional, and social outcomes (Pokorná et al., 2015). Pain relievers explain how an offering eliminates customer frustrations before, during, or after task completion, while gain creators emphasise the positive outcomes customers expect, including improvements in convenience, efficiency, or satisfaction. Together, these components illustrate that value proposition design requires systematic alignment between firm capabilities and segmented customer needs to ensure relevance and competitiveness (Suwanto et al., 2023).

Payne and Frow (2005) describe value proposition as an essential process in customer relationship management aimed at creating mutual value between businesses and customers. Kumar and Reinartz (2016) revealed that strong value proposition practices enhance customer satisfaction, loyalty, and profitability by improving the firm's ability to manage customer-perceived value. Customer perceived value is the trade-off between what customers give and receive, and it is essential in determining whether customer needs are adequately met (El-Adly, 2019). Farrentino and Boniello (2020) emphasise that customer satisfaction is a key indicator of an effective value proposition, as it reflects the ability of the firm to meet customer expectations based on their perceived value and their capability to manage those expectations. Additionally, Rane et al. (2023) state that customer loyalty is a demonstration of the customer's commitment to the brand based on the value the customer derives from the company. Customers who derive greater value from the firm are likely to remain loyal for some time. Accordingly, this study conceptualises value proposition practices using customer perceived value, customer satisfaction, and customer loyalty.

From a value-creation perspective, firms generate sustainable financial performance not through profit-seeking but by consistently delivering offerings that customers perceive as useful, relevant, and beneficial. From a strategic perspective, firm profitability is an outcome of successfully delivering value that meets or exceeds customer expectations. In this sense, financial sustainability emerges as a consequence of customer-perceived utility, where firms that effectively solve customer problems achieve stronger engagement and repeat purchase behaviour. Therefore, value creation is fundamentally mutual: firms achieve sustained profitability when they consistently deliver offerings perceived as beneficial, relevant, and superior in the market. (Utama & Sisilia, 2018). These elements ensure that the business offerings meet customers' specific needs and exceed their expectations (Azhar, 2022). Bailletti et al. (2020) reveal that for an emerging retail enterprise to scale to full height, its value proposition should benefit it by strengthening its capability to scale, increasing the demand for its products and services, increasing the quantity, diversity, and rapidity of external investments through continuous refinement of offerings.

However, Clough et al. (2019) observe that resource-constrained small firms often struggle when accessing, combining, deploying, and aligning resources to deliver coherent value propositions, requiring them to convincingly demonstrate long-term benefits to stakeholders. Despite its importance, empirical research on the link between value proposition practices and SME growth remains limited (Clarke & Freytag, 2022; Yadav & Mahapatra, 2024; Ladipo et al., 2021). This gap underscores the need to further examine how value proposition practices can be optimised to improve customer engagement and business growth. Therefore, this study examined the relationship between value proposition practices and the growth of SMEs in Nairobi County's retail sector.

## **Theoretical Review**

### ***Value Creation Theory***

Value Creation Theory explains how organisations generate benefits for customers, stakeholders, and society through the effective deployment of resources, capabilities, and relationships (Windsor, 2017).



The theory is founded on the premise that organisations achieve sustainable performance when they create benefits that exceed the costs associated with producing and delivering products and services. While earlier conceptualisations viewed value creation as an internal process driven by production efficiency and resource utilisation, contemporary literature emphasises that value increasingly emerges through interactions among firms, customers, suppliers, and other stakeholders within broader business ecosystems (Bal et al., 2023). Consequently, value creation is no longer viewed solely as a firm-centred activity but as a collaborative process that depends on integrating resources and knowledge among multiple actors (Michaelis et al., 2021; Minerbo & Brito, 2022). Organisations therefore create value not merely by producing outputs but by ensuring that those outputs generate meaningful benefits and positive experiences for customers (Michaelis et al., 2021).

The theoretical foundations of the theory are closely linked to strategic management and the Resource-Based View (RBV). The RBV posits that firms achieve superior performance when they possess and effectively utilise valuable, rare, inimitable, and non-substitutable resources (Luján Salazar, 2017). Within this framework, value is generated when organisational resources and capabilities are transformed into products and services that address customer needs more effectively than competing alternatives (Wales et al., 2023). Recent studies emphasise that value creation depends not only on resource possession but also on a firm's dynamic capabilities, including its ability to sense opportunities, seize emerging prospects, and reconfigure resources in response to changing market conditions (Michaelis et al., 2021; Wales et al., 2023). Consequently, value creation is increasingly understood as a capability-driven process that links organisational competencies with customer outcomes and firm performance.

A significant advancement in the theory is the concept of value co-creation, which recognises customers as active participants through their interactions with firms during product use and service experiences rather than passive recipients of value. According to the Service-Dominant Logic perspective, firms offer value propositions that customers evaluate and transform into realised value through consumption and use (Saha et al., 2025). Customer knowledge, feedback, preferences, and engagement, therefore, become essential inputs in value creation process. Empirical evidence indicates that value co-creation contributes to innovation, service quality improvement, and long-term competitiveness by fostering stronger relationships between firms and customers (Saha et al., 2025; Bal et al., 2023).

Technological advancement has further strengthened value creation by facilitating information exchange, customer engagement, process efficiency, and service personalisation, thereby enhancing firms' ability to create and deliver superior value. Digital platforms enable organisations to better understand customer preferences, provide customised offerings, and expand their market reach (Imschloss & Schwemmler, 2024). The integration of digital technologies has transformed value creation from a linear production process into a networked system in which multiple stakeholders collaborate to generate and capture value. Consequently, firms that successfully leverage digital capabilities are better positioned to respond to evolving customer expectations, improve operational efficiency, and sustain competitive advantage in increasingly dynamic markets (Imschloss & Schwemmler, 2024; Minerbo & Brito, 2022).

The theory is particularly relevant to this study because value proposition practices focus on identifying, communicating, and delivering benefits that customers perceive as valuable. It suggests that organisations achieve superior performance when they align their offerings with customer needs and continuously adapt their value propositions to changing market expectations. Therefore, the theory offers a strong theoretical foundation for explaining how value proposition practices contribute to the growth of retail SMEs through enhanced customer satisfaction, loyalty, and competitive advantage.



H<sub>0</sub>: There is no statistically significant influence of value proposition practices on the growth of retail Small and Medium Enterprises in Nairobi County, Kenya.

### Methods

The study adopted a positivist research philosophy, which assumes that reality is objective and measurable using statistical analysis and empirical techniques (Ali, 2024). A descriptive correlational research design was employed as it facilitates the examination of relationships between variables without manipulating them to determine the strength and direction of the associations. However, because data were collected at a single point in time, the design could only establish relationships rather than causal effects (Creswell & Creswell, 2022). The study was conducted in Nairobi County, Kenya's primary commercial hub, which hosts a high concentration of retail SMEs operating within a vibrant and highly competitive environment. Nairobi's rapid urbanisation, high business turnover, and diverse customer segments make it an appropriate setting for examining SME growth and value proposition practices. The Micro and Small Enterprises Act (2012), which broadly classifies businesses with up to 99 employees as SMEs, was used to define SMEs. Businesses reporting employment above this threshold were examined to ensure they aligned with the SME categorisation, thereby ensuring analytical consistency when interpreting the data. 199,600 registered retail SMEs in Nairobi County made up the sample population (Nyasani & Kalui, 2021).

Using Yamane's (1967) formula, a sample size of 439 SMEs was calculated with a 5% margin of error and a 10% allowance for non-response. Stratified random sampling was adopted to enhance representativeness across Nairobi County. The population was stratified according to the ten sub-counties of Westlands, Dagoretti, Langata, Kibra, Kasarani, Embakasi, Makadara, Kamukunji, Starehe, and Mathare. Proportional allocation using the formula  $n_h = (N_h/N)n$  ensured that each stratum was represented according to its population share. Thereafter, SMEs within each stratum were selected via simple random sampling using computer-generated random numbers, while owners, directors, or senior managers were purposively selected as respondents. A screening procedure was applied during data cleaning to ensure consistency with the SME classification criteria. Firms reporting employment levels beyond the SME threshold were retained only where they fell within nationally recognised medium enterprise classifications and were considered in a sensitivity interpretation of results.

*Table 1: Sample Distribution*

Sub-County	Number of retail SMEs	Sample	Percentage
Westlands	16349	36	8.20%
Dagoretti	22985	50	11.50%
Langata	10454	23	5.20%
Kibra	9834	22	4.90%
Kasarani	41325	91	20.70%
Embakasi	52344	115	26.20%
Makadara	10033	22	5.00%
Kamukunji	14201	31	7.10%
Starehe	11139	25	5.60%
Mathare	10935	24	5.50%
<b>Total</b>	<b>199,600</b>	<b>439</b>	<b>100.00%</b>

Primary data was collected between July and September 2025, a period selected to maximise respondent availability by avoiding peak financial reporting periods and major holiday seasons. Data were gathered using a structured questionnaire. Before the main survey, a pilot study involving 44 respondents, representing 10% of the sample, was conducted to evaluate the adequacy of the research instrument. Reliability was assessed using Cronbach's Alpha coefficient. Value proposition construct



attained a reliability coefficient of 0.713, while SME growth achieved 0.865. Both values exceeded the recommended threshold of 0.70, demonstrating acceptable internal consistency (Taber, 2018). The validity of the instrument was assessed through content and construct validity tests. Content validity was established through expert review, whereby experts evaluated the questionnaire items for relevance, clarity, and adequacy. Construct validity was examined using Exploratory Factor Analysis (EFA). Before conducting EFA, the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy and Bartlett's Test of Sphericity were assessed. The KMO value exceeded the recommended threshold of 0.60, while Bartlett's Test was statistically significant ( $p < 0.05$ ), confirming the suitability of data for factor analysis. The EFA results revealed that all items loaded satisfactorily onto their respective constructs, providing evidence of acceptable construct validity (Chan & Idris, 2017).

Of 439 questionnaires distributed, 341 were fully completed and deemed suitable for analysis, yielding a response rate of 77.7%. This response rate exceeded the minimum threshold commonly recommended for survey-based research and was therefore considered adequate for statistical analysis. Quantitative data were analysed using the Statistical Package for Social Sciences (SPSS) Version 30. Descriptive statistics, including means and standard deviations, were used to summarise the data's characteristics. Inferential techniques comprising Pearson correlation, simple linear regression, ANOVA, and the regression model were applied to test the study objectives and hypotheses.

Ethical considerations were observed throughout the study. Approval was obtained from the relevant Institutional Ethics Review Committee, while permission to conduct the research was secured from the relevant organisations and authorities. Participants were informed about the purpose and objectives of the study and provided voluntary informed consent before participation. The principles of confidentiality, anonymity, and voluntary participation were upheld. Respondents were assured that their identities would remain anonymous, that information provided would be used solely for academic purposes, and that they were free to withdraw from the study at any stage without penalty.

## Results

### *Demographic Variables*

The study sample indicated a nearly equal gender distribution, with 49.6% male and 50.4% female respondents, suggesting inclusive data and reduced likelihood of gender bias among SMEs in Nairobi County. In terms of age, the largest proportion of respondents were aged 50 years and above (16.1%), followed closely by those aged 25–30 years and 46–50 years at 15.5% and 15%, respectively. Other groups were also fairly represented, including 36–40 years (15%), 41–45 years (14.7%), 31–35 years (11.7%), and 18–24 years (12%), showing a balanced age distribution. Regarding respondents' roles, most held senior decision-making positions, with 35.5% being directors, 34.6% owners, and 29.9% senior managers, ensuring informed perspectives on business operations. In terms of years in operation, 23.5% of businesses had operated for 4–6 years, 21.4% for less than one year, 19.4% for 7–10 years, 18.2% for more than 10 years, and 17.6% for 1–3 years, reflecting a mix of start-ups, growing, and mature enterprises. For firm size, 27.9% of enterprises had 51–100 employees, 26.7% had more than 100 employees, 23.8% had 1–10 employees, and 21.7% had 11–50 employees, indicating balanced representation across SME categories. Finally, regarding annual income, 26.7% earned KSh 500,000–1 million, 26.4% earned KSh 1–5 million, 25.2% earned above KSh 5 million, and 21.7% earned below KSh 500,000. This distribution highlighted the diversity in financial performance across the sample and suggested that the study captured insights from both smaller enterprises with limited revenues and more established firms generating substantial income, as indicated in Table 2.

*Table 2: Demographic Variables*

<b>Demographic Variable</b>	<b>Category</b>	<b>Percentage (%)</b>
<b>Gender</b>	Male	49.6%
	Female	50.4%
<b>Age</b>	18-24 years	12.0%
	25-30 years	15.5%
	31-35 years	11.7%
	36-40 years	15.0%
	41-45 years	14.7%
	46-50 years	15.0%
	50 years & above	16.1%
<b>Role in Business</b>	Director	35.5%
	Owner	34.6%
	Senior Manager	29.9%
<b>Years in Operation</b>	Less than 1 year	21.4%
	1-3 years	17.6%
	4-6 years	23.5%
	7-10 years	19.4%
	More than 10 years	18.2%
<b>Number of Employees</b>	1-10 employees	23.8%
	11-50 employees	21.7%
	51-100 employees	27.9%
	More than 100 employees	26.7%
<b>Estimated Annual Income (KSh)</b>	Less than KSh 500,000	21.7%
	KSh 500,000 - 1 million	26.7%
	KSh 1 million - 5 million	26.4%
	Above KSh 5 million	25.2%

***Descriptive Analysis****Value Proposition*

Value proposition practices are important for this study as they indicate how effectively retail SMEs design and communicate the unique value they offer customers, which is essential for customer attraction, satisfaction, and competitive advantage. Under customer perceived value, the study assessed how social perception shapes customer choices and loyalty, customer experience, and emotional connection on customer preference and continued patronage. The results indicated that retail SMEs recognised the significance of customer perceived value in shaping purchasing behaviour and brand loyalty. Respondents strongly agreed that social perception influences purchasing



decisions (M = 4.18, SD = 0.92), highlighting the importance of reputation and social influence in the retail sector. They also agreed it enhances brand loyalty (M = 3.92, SD = 0.95), suggesting that trust and public image contribute to sustained customer commitment. Customers’ preferences strongly influenced experience associated with the SME’s offerings (M = 4.15, SD = 0.99), underscoring the value of service quality, convenience, and satisfaction in driving purchase decisions. However, emotional connection was weaker (M = 3.18, SD = 0.90), indicating it is less influential in driving preference. The average score of 3.86 (SD = 0.94) suggested a moderate to strong influence of perceived value, mainly driven by experience and social perception, as indicated in Table 3.

For customer satisfaction, the study examined its role in SME growth and profitability, price discount strategies, and competitiveness. Respondents strongly agreed that customer satisfaction contributes significantly to SME growth (M = 4.44, SD = 0.99) and profitability (M = 4.41, SD = 0.99), highlighting its central role in performance. They also agreed that product and service quality often exceed customer expectations (M = 3.91, SD = 1.01), though variation suggested inconsistency across firms. Price discount strategies were considered effective in enhancing satisfaction (M = 4.15, SD = 0.91), indicating that value-based pricing remains an important tool for retaining customers in the competitive retail sector. Additionally, respondents overwhelmingly agreed that customer satisfaction is essential for long-term competitiveness (M = 4.32, SD = 0.91), reinforcing the idea that meeting customer expectations is not only beneficial but strategically necessary. The overall average score of 4.25 (SD = 0.96) reflected a strong commitment among SMEs to prioritising customer satisfaction as a key component of growth and competitive advantage, as indicated in Table 3.

Regarding customer loyalty, the study assessed satisfaction levels, repeat patronage, loyalty programmes, personalised services, and brand reputation. The findings indicated that retail SMEs experienced moderate levels of customer loyalty, supported largely by customer satisfaction and brand reputation. SMEs reported relatively high satisfaction (M = 3.86, SD = 0.94) and continuous support (M = 3.80, SD = 0.96), indicating a stable customer base. However, loyalty programme (M = 3.40, SD = 0.93) and personalised service strategies (M = 3.44, SD = 0.94) were less effective in preventing customers from switching to competitors. Brand reputation had a moderate influence (M = 3.63, SD = 0.96), suggesting room for improvement in strengthening brand positioning. Overall, the average score of 3.62 (SD = 0.95) reflected moderate customer loyalty, driven primarily by satisfaction and support, as indicated in Table 3.

*Table 3: Value Proposition Practices and Growth of Retail SMEs*

<b>Customer Perceived Value</b>	<b>Mean</b>	<b>Std. Deviation</b>
The social perception of our products/services significantly influences customer purchasing decisions in our SME.	4.18	0.92
The social perception of our products/services significantly influences brand loyalty in our SME.	3.92	0.95
Our customers’ preference for our products/services is influenced more by the overall experience.	4.15	0.99
Our customers’ preference for our products/services is influenced more by emotional connection.	3.18	0.90
<b>Average</b>	<b>3.86</b>	<b>0.94</b>
<b>Customer Satisfaction</b>		
Customer satisfaction has significantly contributed to the growth of our SME.	4.44	0.99
Customer satisfaction has significantly contributed to the profitability of our SME.	4.41	0.99
The quality of our SME’s products and services consistently exceeds our customers’ expectations.	3.91	1.01



The price discount strategy implemented in our SME effectively enhances customer satisfaction.	4.15	0.91
Customer satisfaction is a key factor in ensuring the long-term competitiveness of our SME.	4.32	0.91
<b>Average</b>	<b>4.25</b>	<b>0.96</b>
<b>Customer Loyalty</b>		
Our customers express high levels of satisfaction with our SME products/services	3.86	0.94
We received continuous support from our customers	3.80	0.96
Our SME loyalty-program strategy has made it difficult for customers to switch to competitors.	3.40	0.93
Our personalised service strategy has made it difficult for customers to switch to competitors.	3.44	0.94
Our SME brand reputation has earned us more customers than our competitors.	3.63	0.96
<b>Average</b>	<b>3.62</b>	<b>0.95</b>

**Inferential Analysis**

*Correlation between Value Proposition and Growth of Retail SMEs*

The correlation analysis in Table 4 reveals a strong and statistically significant positive relationship between value proposition practices and the growth of retail SMEs. With a Pearson correlation coefficient of  $r = 0.666$  and a p-value of 0.000, the results indicate that SMEs with stronger, well-developed value propositions tend to achieve higher growth. The significance level confirmed that this relationship is not due to chance, underscoring value proposition practices as an important driver of SME performance.

*Table 4: Correlation between Value Proposition and Growth of Retail SMEs*

		Growth of Retail SMEs	Value Proposition Practices
Growth of Retail SMEs	Pearson		
	Correlation	1	.666**
	Sig. (2-tailed)		0
Value Proposition Practices	Pearson		
	Correlation	.666**	1
	Sig. (2-tailed)	0	

\*\* Correlation is significant at the 0.01 level (2-tailed).

*Regression on Value Proposition and Growth of Retail SMEs*

The regression model in Table 5 yielded an R Square value of 0.443 ( $R^2 = 0.443$ ), which implied that 44.3% of the variation in the growth of retail SMEs can be explained by their value proposition practices, highlighting the substantial influence of these practices on business growth.

*Table 5: Model Summary on Value Proposition and Growth of Retail SMEs*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.666a	0.443	0.441	0.28958

a Predictors: (Constant), Value Proposition Practices

The ANOVA results in Table 6 confirmed that the regression model predicting the growth of retail SMEs based on value proposition practices is statistically significant. The model produced an F-value of 269.536 with a p-value of 0.000, indicating a significant difference between the model and a model with no predictors.



*Table 6: ANOVA on Value Proposition Practices and Growth of Retail SMEs*

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	22.602	1	22.602	269.536	.000b
	Residual	28.427	339	0.084		
	Total	51.028	340			

a Dependent Variable: Growth of Retail SMEs

b Predictors: (Constant), Value Proposition Practices

The regression coefficient results in Table 7 indicate that value proposition practices have a strong and statistically significant positive effect on the growth of retail SMEs. The constant term (B = 1.089) indicates the baseline level of growth of retail SMEs when value proposition practice is held constant at zero. The unstandardised coefficient (B = 0.715) suggests that for every one-unit increase in value proposition, SME growth increases by 0.715 units.

The regression equation can be expressed as:

$$\text{Growth of Retail SMEs} = 1.089 + 0.715(\text{Value Proposition}) + 0.044$$

The t-test was used to test the study hypothesis:

The t-statistic results showed  $t = 16.418$ ,  $p < 0.05$ . Therefore, there was sufficient evidence to reject the null hypothesis and conclude that value proposition practices have a statistically significant influence on the growth of retail Small and Medium Enterprises in Nairobi County, Kenya.

*Table 7: Coefficient on Value Proposition Practices and Growth of Retail SMEs*

Model		Unstandardised Coefficients		Standardised Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.089	0.17		6.406	.000
	Value Proposition Practices	0.715	0.044	0.666	16.418	.000

a Dependent Variable: Growth of Retail SMEs

The regression analysis showed that value proposition practices have a substantial and statistically significant influence on the growth of retail SMEs. The model explains 44.3% of the variation in SME growth ( $R^2 = 0.443$ ), showing substantial explanatory power. The ANOVA results confirm the model's significance ( $F = 269.536$ ,  $p = 0.000$ ), validating its predictive strength. The regression coefficient (B = 0.715) shows that a one-unit increase in value proposition practices leads to a 0.715-unit increase in SME growth. This effect is statistically significant ( $t = 16.418$ ,  $p = 0.000$ ), confirming that value proposition is a key determinant of SME growth. Overall, the findings reinforced the critical role of a strong value proposition in driving growth among retail SMEs.

**Discussion**

Findings showed that retail SMEs in Nairobi County strongly emphasised value proposition practices as a driver of growth. The value proposition is not only correlated with growth but also meaningfully predicts it, supporting the view that SMEs grow by deliberately crafting and delivering a distinctive bundle of benefits that customers perceive as superior value (Osterwalder et al., 2015; Kotler & Keller, 2016). This reinforces the value-creation logic that firm performance depends on how effectively firms' offerings align with customer needs and expectations. Consistent with Payne et al. (2017) and Teece



(2018), improvements in value proposition practices were associated with increases in growth outcomes, including customer acquisition and revenue performance.

Importantly, the findings suggested that value proposition is a significant but not exclusive determinant of growth, aligning with evidence that SME performance is multi-determined and depends on complementary capabilities such as marketing execution, operational efficiency, and distribution systems (Heinonen et al., 2020). Similarly, Otto et al. (2019) noted that customer satisfaction contributes positively to performance but does not independently determine it, suggesting that value proposition effects operate through multiple pathways such as satisfaction and loyalty. A key explanation for the observed implementation gaps lies in structural and capability constraints within the SME sector. Many retail SMEs operate with limited financial resources, weak managerial capacity, restricted digital infrastructure, and lack of customer involvement and co-creation, which hinder full translation of value proposition strategies into sustained competitive advantage. Additionally, high competition and market fragmentation in Nairobi's retail sector reduce the durability of differentiation due to rapid imitation, explaining why value proposition practices exist but do not always generate strong defensible positioning.

The strong positive relationship observed aligns with evidence that perceived value influences satisfaction and loyalty, which in turn support repeat purchases and growth (Kuncoro & Kusumawati, 2021; Manyanga et al., 2022). Prior research also shows that economic, hedonic, convenience, and sustainability value dimensions shape satisfaction and preference patterns, which firms leverage to retain customers and sustain performance (Yapp & Yeap, 2023; Rahman & Haque, 2021). However, the relatively limited emphasis on emotional value suggests that SMEs prioritise functional and transactional dimensions such as price, convenience, and accessibility over experiential branding. This reflects Nairobi's retail sector, characterized by price sensitivity and intense competition.

Additionally, results showed that value proposition is strongly associated with SMEs' growth in Nairobi County. SMEs with clearer and more customer-focused value propositions tend to experience higher growth levels, consistent with Rosário and Raimundo (2021), who argued that value propositions based on customer priorities and competitive delivery drive differentiation and retention. Similarly, Eggert et al. (2020) demonstrate that customer-oriented value propositions enhance revenue growth when aligned with customer needs. The present findings showed a stronger relationship than earlier local evidence by Ole Kulet et al. (2019), possibly due to increased competition and greater importance of differentiation in the current retail environment.

These results suggested that value proposition practices are increasingly implemented through digital channels, customer attraction strategies, and innovation. This aligns with Anderson et al. (2018) and Eggert et al. (2020), who emphasise value proposition clarity as a driver of performance. The strong emphasis on e-commerce-enabled value delivery is also consistent with Bouncken et al. (2021) and Teece (2018), who highlight digital platforms as tools for expanding reach, personalisation, and scalability. However, evidence suggests that SMEs may still apply digital tools incrementally rather than through fully integrated omnichannel systems, indicating partial rather than advanced digital transformation. Thus, the findings confirmed the literature's direction but indicated that implementation may occur at a more operational level than the "advanced digital transformation" implied in some studies.

A critical insight is that competitive differentiation is the weakest indicator within the value proposition block despite high scores for innovation and customer attraction. This suggested that while SMEs actively create and communicate value, they struggle to sustain uniqueness in a highly competitive environment. This diverges from studies that treat differentiation as a natural consequence of strong value propositions (Zott & Amit, 2018; Leminen et al., 2021). Instead, it aligns



with arguments that SMEs struggle to sustain differentiation due to imitability, limited resources, and intense competition, which erode uniqueness even where value is present (Kandampully et al., 2018; Heinonen et al., 2020). This highlights a gap between value creation and long-term competitive positioning.

Customer perceived value was recognised to significantly influence purchasing decisions and brand outcomes. Social perception and customer experience were particularly important, consistent with Rahman and Haque (2021), Grönroos (2011), and Mawson (2019). However, emotional value was less influential, contrasting with Yapp and Yeap (2023), who identify emotional value as a strong driver of loyalty in experience-driven markets. This suggests context-specific consumer behaviour in Nairobi, where functional, social, and price-related factors dominate decision-making due to transactional purchasing patterns and limited branding investment.

Customer satisfaction emerged as a strong perceived driver of growth, confirming established links with profitability, loyalty, and competitive advantage (Fornell et al., 2006; Kotler & Keller, 2016). However, lower scores for exceeding expectations indicated an implementation gap between meeting expectations and “delighting” customers. This supports Oliver’s (2014) argument that long-term loyalty requires performance beyond satisfaction. SMEs appear capable of meeting expectations but may struggle to consistently exceed them due to resource constraints and operational limitations (Zakari & Ibrahim, 2021).

Finally, customer loyalty was found to be an important yet evolving outcome of value-proposition practices. This aligns with literature describing loyalty as behavioural repetition shaped by ongoing satisfaction rather than automatic emotional attachment (Gunawan, 2022; Manyanga et al., 2022). However, the limited strength of loyalty mechanisms suggests that satisfaction alone is insufficient to ensure retention. Kim et al. (2016) emphasise that loyalty requires differentiation, engagement, and emotional connection, which appear underdeveloped among SMEs in Nairobi.

From a Kenyan policy perspective, these findings have implications for SME development initiatives such as the Bottom-Up Economic Transformation Agenda (BETA) and SME digitalisation initiatives. While policy frameworks promote innovation, e-commerce adoption, and entrepreneurship development, the results suggest that SMEs require more targeted capacity-building in value proposition design, digital integration, and competitive positioning. This would help ensure that digital access and innovation translate into sustained business growth rather than temporary competitive gains.

### **Conclusion**

The study concluded that value proposition is a significant determinant of the growth of retail SMEs in Nairobi County. SMEs that develop and deliver value propositions aligned with customer needs and expectations experience improved market positioning, enhanced customer acquisition, stronger customer retention, and overall business growth.

The study further concluded that value proposition influences SME growth through interrelated mechanisms of customer-perceived value, customer satisfaction, and customer loyalty. Customer perceived value shapes purchasing decisions and brand preferences through functional, social, and experiential benefits. Customer satisfaction reinforces positive customer experiences, encouraging repeat purchases and supporting steady growth. Customer loyalty sustains growth by ensuring continued patronage and reducing customer switching behaviour.

The study also concluded that while value proposition practices are actively implemented among retail SMEs in Nairobi County, particularly through innovation, customer attraction strategies, and digital platforms, differentiation and strong loyalty outcomes remain comparatively weak. This



indicates that although value creation is present, its translation into sustained competitive advantage is uneven across all firms.

Overall, the study contributes to existing literature by empirically confirming that value proposition is not only a marketing construct but also a strategic determinant of SME growth in emerging markets. It further demonstrates that its effect operates through customer-perceived value, satisfaction, and loyalty, while highlighting that outcomes depend on firms' differentiation capacity and strength of customer relationships.

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