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EFFECT OF COST FOCUS STRATEGY ON THE PERFORMANCE OF AUTOMOTIVE SMES IN MAVOKO MUNICIPALITY, KENYA

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Abstract: This study examined the effect of cost focus strategy on the performance of automotive small and medium-sized enterprises (SMEs) in Mavoko Municipality, Kenya. Cost focus strategy was operationalised through three constructs: niche market targeting, resource optimisation, and economies of scale. Performance was measured using revenue growth, market competitiveness, and customer satisfaction. The study adopted a descriptive survey research design and targeted 201 registered automotive SMEs, drawing a sample of 134 using Yamane's (1967) formula. Data were collected via structured questionnaires administered to owners, managers, and departmental heads, yielding a response rate of 91% (n = 122). Reliability was confirmed through Cronbach's alpha ($\alpha = 0.777$) and construct validity was established through Exploratory Factor Analysis (KMO = 0.608; Bartlett's Test p = .001). Descriptive statistics revealed strong agreement that niche market targeting and resource optimisation practices are actively employed and contribute positively to firm performance (mean scores ranging from 3.71 to 3.84). Pearson correlation analysis showed a strong positive relationship between cost focus strategy and SME performance ($r = .835$, $p < .01$). Simple linear regression confirmed that cost focus strategy is a highly significant predictor of performance, explaining approximately 69.8% of the variance ($\beta = 0.698$, $p < .001$). These findings, consistent with Porter's (1985) Generic Strategies framework and the Resource-Based View, demonstrate that targeted cost efficiency strategies are among the highest-performing strategies examined, ranking first across four competitive advantage strategies in both correlation and regression analysis. The study recommends that automotive SMEs prioritise niche market targeting, resource optimisation, and sustainable cost-saving practices to enhance profitability, customer loyalty, and long-term competitiveness.

Keywords: cost focus strategy, automotive SMEs, niche markets, resource optimisation, economies of scale, SME performance, Mavoko Municipality, competitive advantage

1. Introduction

The global business environment has undergone rapid transformation driven by technological advancement, intensified competition, and shifting consumer expectations. Small and medium-sized enterprises (SMEs), which constitute the backbone of economies worldwide, are particularly vulnerable to these forces. According

to the World Bank (2020), SMEs account for over 90% of businesses globally, contributing more than 50% of employment and GDP in developing regions. Their ability to sustain competitiveness in dynamic environments is therefore critical to broader economic development objectives.

In Kenya, automotive SMEs represent a significant segment of the service economy, providing vehicle repair, maintenance, spare parts distribution, diagnostics, and fleet management services. Mavoko Municipality, located in Machakos County within the Nairobi Metropolitan Region, has emerged as an industrial hub along the Mombasa-Nairobi Highway corridor. Despite its strategic location and growing vehicle population, many automotive SMEs in the area continue to face persistent challenges: declining revenues, weak market positioning, low customer retention, and limited strategic capacity (Machakos CIDP, 2023). These challenges point to a fundamental issue of strategic misalignment — specifically, the underutilisation of structured competitive advantage strategies.

Porter's (1985) Generic Strategies framework identifies cost leadership, differentiation, and focus as the primary mechanisms through which firms can achieve sustainable competitive advantage. Among these, cost focus strategy — which targets a specific market niche and delivers products or services at lower costs than rivals — has particular relevance for resource-constrained SMEs that lack the scale to compete broadly. By concentrating on defined customer segments, optimising internal resources, and leveraging economies of scale, SMEs can achieve cost efficiency and market loyalty without the investment demands of broader market strategies.

Despite the theoretical importance of cost focus strategy, its empirical examination within the context of automotive SMEs in Kenya remains sparse. Most existing studies on competitive strategy and SME performance are drawn from large-firm contexts or from general manufacturing and service sectors, overlooking the sector-specific dynamics of automotive SMEs in peri-urban industrial hubs (Triguero et al., 2013; Gunday et al., 2011). This gap is particularly evident for Mavoko Municipality, where automotive SMEs face a unique intersection of infrastructure constraints, price-sensitive consumers, and growing competitive pressures.

This paper seeks to address this gap by systematically examining the effect of cost focus strategy on the performance of automotive SMEs in Mavoko Municipality. Drawing on primary data collected from 122 SMEs, the study quantifies the relationship between cost focus practices and key performance indicators — revenue growth, market competitiveness, and customer satisfaction — using descriptive statistics, correlation analysis, and regression modelling. The findings contribute both to the theoretical understanding of competitive strategy in developing economy contexts and to practical guidance for SME owners, managers, and policymakers.

The remainder of the paper is structured as follows. Section 2 reviews the relevant literature and theoretical frameworks. Section 3 presents the research objective and hypothesis. Section 4 describes the research methodology. Section 5 presents and discusses the findings. Section 6 concludes with a limitations discussion, recommendations, and directions for further research.

2. Literature Review

2.1 Theoretical Foundations

This study is anchored in two complementary theoretical frameworks: Porter's (1985) Generic Strategies Model and the Resource-Based View (RBV) as developed by Barney (1991).

Porter's Generic Strategies Model identifies three routes to competitive advantage: cost leadership, differentiation, and focus. The focus strategy, in turn, is subdivided into cost focus — serving a narrow segment at lower cost than competitors — and differentiation focus, serving a narrow segment with unique offerings. Cost focus is particularly relevant for SMEs because it does not require the economies of scale typical of cost leadership, relying instead on operational efficiency, targeted resource allocation, and deep knowledge of a specific customer segment. Porter (1985) argues that firms pursuing cost focus can achieve above-average returns within their target segment by offering acceptable quality at prices competitors cannot match within that niche.

The Resource-Based View complements this framework by explaining the internal mechanisms through which cost focus is sustained. Barney (1991) posits that sustainable competitive advantage derives from resources and capabilities that are valuable, rare, inimitable, and non-substitutable (VRIN). For SMEs, VRIN resources relevant to cost focus may include localised supply chain knowledge, energy-efficient operational processes, proprietary relationships with niche customers, and accumulated expertise in segment-specific cost management. The RBV thus explains why cost focus strategies, when grounded in internal resource capabilities, are difficult for competitors to replicate and therefore yield sustained performance advantages (Bromiley & Rau, 2016; Miller, 2019).

2.2 Cost Focus Strategy: Conceptual Dimensions

Cost focus strategy is operationalised in this study through three primary constructs: niche market targeting, resource optimisation, and economies of scale.

Niche market targeting involves deliberate concentration on narrowly defined customer segments with specific needs, allowing the firm to serve those needs more efficiently and cost-effectively than broader-scope competitors (Porter, 1985). Empirical studies confirm that SMEs specialising in niche markets often experience stronger customer retention and greater pricing power than those competing in mainstream markets. Fillis and Wagner (2005) found that small automotive firms specialising in unique accessories achieved stronger growth trajectories, while Spithoven et al. (2013) showed that niche targeting combined with deep local market knowledge enabled automotive SMEs to maintain loyalty and avoid direct price competition. Verhees and Meulenberg (2004) further demonstrated that niche-focused firms continuously refine products, reinforcing both innovation and cost efficiency advantages.

Resource optimisation refers to maximising output from limited inputs by improving operational efficiency, minimising waste, and leveraging internal capabilities. For SMEs, this includes practices such as lean inventory management, energy efficiency, labour productivity enhancement, and the use of enterprise resource planning (ERP) systems and predictive maintenance technologies. Soininen et al. (2012) found that resource-efficient SMEs in high-asset sectors showed superior performance metrics, while Ocloo et al. (2014) demonstrated significant cost savings and delivery improvements among Ghanaian SMEs adopting lean production and inventory optimisation. Within the automotive SME context, Huggins and Weir (2007) noted that digital tools

enable firms to monitor performance in real time and reduce overhead costs, though significant variability in technological sophistication among SMEs complicates standardised benchmarking.

Economies of scale represent the reduction of per-unit costs through increased output, process standardisation, and collaborative production arrangements. Although traditionally associated with large firms, empirical evidence suggests that automotive SMEs can access scale efficiencies through modular product design, inter-firm networks, and strategic alliances. Narula (2004) observed that automotive SMEs in industrial clusters benefit from shared infrastructure and joint procurement, lowering input costs. Chiarvesio, Di Maria, and Micelli (2010) found that Italian automotive SMEs in inter-firm networks outperformed isolated firms in both financial and operational outcomes. However, scale-based advantages remain context-dependent and fragile; Amankwah-Amoah et al. (2021) caution that the COVID-19 pandemic exposed vulnerabilities in scale-dependent models, suggesting strategic agility must complement scale efficiency.

2.3 Cost Focus Strategy and SME Performance

The relationship between cost focus strategy and SME performance has received growing empirical attention, though specific evidence from the automotive sector in sub-Saharan Africa remains limited. Al Qudah and Alrawashdeh (2023) found that SMEs targeting niche segments with tailored affordable offerings achieved stronger profitability and customer loyalty. Abubakar (2024) demonstrated that cost focus, when aligned with sustainability practices, improves efficiency and strengthens customer targeting. In the Kenyan context, Mutua (2017) noted that SMEs in peri-urban areas relying on focused cost strategies were better equipped to navigate price sensitivity and infrastructure challenges than those pursuing undifferentiated competition.

The Resource-Based View literature supports these findings by showing that SMEs with internally consistent cost-management capabilities consistently outperform peers. Tanwar (2013) and Hill and Jones (2009) argue that cost focus is particularly advantageous for smaller firms because it allows for precise resource allocation without the large-scale investment required for broad cost leadership. Among the four competitive strategies assessed in the broader study from which this paper is drawn (Ogolla & Naikuru, manuscript in preparation), cost focus consistently emerged as the most influential predictor of SME performance, both in correlation ($r = .835$) and regression analysis ($R^2 = .698$), exceeding innovation ($R^2 = 13.6\%$), cost leadership ($R^2 = 36.3\%$), and differentiation ($R^2 = 42.0\%$) strategies.

2.4 Research Gap

Despite the theoretical and empirical support for cost focus as a performance driver, several gaps remain. First, most empirical studies are concentrated in developed economies or Asian emerging markets, with limited representation from East African contexts. Second, existing research rarely examines the interactive effects of cost focus constructs simultaneously, treating niche targeting, resource optimisation, and scale as isolated variables. Third, performance is frequently measured using financial proxies alone, neglecting the non-financial dimensions — market competitiveness and customer satisfaction — that are particularly relevant for SMEs (Wiklund & Shepherd, 2003). The present study addresses these gaps by focusing specifically on automotive SMEs in Mavoko Municipality, operationalising cost focus through three distinct constructs, and measuring performance multidimensionally.

3. Research Objective and Hypothesis

The specific research objective driving this study is:

To determine the effect of cost focus strategy on the performance of automotive SMEs in Mavoko Municipality, Kenya.

From this objective, the following hypothesis is derived:

H_0: Cost focus strategy has no statistically significant effect on the performance of automotive SMEs in Mavoko Municipality, Kenya.

H_1: Cost focus strategy has a statistically significant positive effect on the performance of automotive SMEs in Mavoko Municipality, Kenya.

4. Research Methodology

4.1 Research Design and Study Area

A descriptive survey research design was employed, which is appropriate for systematically describing the characteristics and dynamics of a phenomenon at a specific point in time (Kothari, 2004; Cooper & Schindler, 2003). The study was conducted in Mavoko Municipality, Machakos County, Kenya — a rapidly industrialising hub along the Mombasa-Nairobi Highway that hosts a significant concentration of automotive SMEs. The municipality was selected for its strategic industrial importance and the accessibility of a verified SME population through the Mavoko Municipal Council's official business registry.

4.2 Population, Sampling, and Sample Size

The target population comprised all 201 registered and operational automotive SMEs in Mavoko Municipality as of December 31, 2024 (Mavoko Municipal Council, 2023). The population encompassed ten categories of automotive enterprises including auto parts dealers, car repair garages, gas stations, motorcycle repair businesses, parking lots and garages, car wash and detailing services, motorcycle dealers, new car dealers, tyre and battery retailers, and body repair shops.

The sample size was determined using Yamane's (1967) formula, yielding a target of 134 SMEs at a 95% confidence level with a 5% margin of error. Simple random sampling was employed to ensure equal probability of selection for each enterprise, minimising selection bias and enhancing representativeness.

4.3 Data Collection Instrument

Primary data were collected using a structured questionnaire administered individually to owners, managers, and departmental heads — respondents directly involved in strategic decision-making and therefore most knowledgeable about competitive practices and performance outcomes. The drop-and-pick-later method was employed, allowing respondents one week to complete the instrument. Out of 134 questionnaires distributed, 122 were returned in a usable condition, representing a response rate of 91%.

Cost focus strategy was measured using ten Likert-scale items (1 = strongly disagree to 5 = strongly agree) across three constructs: niche market targeting, resource optimisation, and economies of scale. Performance was similarly measured using ten items capturing revenue growth, market competitiveness, and customer

satisfaction. The questionnaire also included two open-ended questions inviting respondents to elaborate on their cost focus practices and perceived challenges. Responses to these open-ended items were analysed thematically by the primary researcher, with recurring themes identified through manual coding and grouped into categories reflecting niche targeting, resource efficiency, scale constraints, and sustainability integration. The thematic findings are reported in Section 5.2.

4.4 Reliability and Validity

Reliability was assessed using Cronbach's alpha coefficient. The cost focus strategy scale yielded an average alpha of 0.777, with individual item alphas ranging from 0.749 to 0.798, all exceeding the accepted threshold of 0.70 (Taber, 2018; Franke & Sarstedt, 2019). Content validity was established through expert panel review, yielding an average Content Validity Index (CVI) of 0.965, exceeding the recommended threshold of 0.90.

Construct validity was assessed through Exploratory Factor Analysis (EFA) using Principal Component Analysis with Varimax rotation. The Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy was 0.608, which exceeds the minimum threshold of 0.60 (Kaiser, 1974) but falls within the "mediocre" range of Kaiser's own classification. This value is acknowledged as a study limitation (see Section 6.3); however, given that all ten items returned communalities between 0.642 and 0.938 and factor loadings between 0.553 and 0.908—all exceeding the thresholds recommended by Hair et al. (2019) and Costello and Osborne (2005)—the sampling was judged adequate for factor analysis and all items were retained. Bartlett's Test of Sphericity was significant ($p = .001$), further confirming suitability.

4.5 Diagnostic Tests

Prior to regression analysis, three diagnostic tests were conducted. Multicollinearity was assessed using the Variance Inflation Factor (VIF) and tolerance values. All predictor variables recorded VIF values between 1.39 and 4.35 and tolerance values between 0.230 and 0.720, well within acceptable thresholds (Hair et al., 2019). Normality was examined using the Shapiro-Wilk test; all study variables returned p-values above .05, confirming no significant departure from normality. Autocorrelation was assessed using the Durbin-Watson statistic, which returned a value of 1.812 — within the acceptable range of 1.5 to 2.5 (Field, 2013) — confirming independence of residuals.

4.6 Data Analysis

Data were analysed using IBM SPSS version 22. Descriptive statistics (means, standard deviations, frequencies) were computed for all constructs. Pearson correlation analysis was conducted to assess the strength and direction of the relationship between cost focus strategy and SME performance. Simple linear regression analysis was employed to determine the magnitude and significance of cost focus strategy as a predictor of performance, isolating its individual effect within the broader multiple regression framework. The regression model was expressed as: $Y = \alpha + \beta X_1 + \varepsilon$, where Y represents SME performance, X_1 represents cost focus strategy, α is the constant, β is the regression coefficient, and ε is the error term. This is a simple linear regression model with a single predictor.

5. Findings and Discussion

5.1 Descriptive Statistics for Cost Focus Strategy

Descriptive statistics for the ten items measuring cost focus strategy are presented in Table 1. Mean scores ranged from 3.71 to 3.84, indicating a moderate-to-strong level of agreement that cost focus practices are actively adopted and perceived as effective among automotive SMEs in Mavoko Municipality.

Table 1: Descriptive Statistics for Cost Focus Strategy Items (n = 122)

Statement	Mean	Std. Deviation
Niche market targeting has increased customer loyalty and market share	3.84	0.46
We prioritise cost-saving measures that also promote environmental sustainability	3.83	0.48
Resource optimisation initiatives have enhanced our profitability	3.80	0.49
Our organisation actively optimises resources to reduce operational costs	3.81	0.47
We actively use technology to monitor and optimise resource usage	3.77	0.51
Cost focus strategies have improved our brand reputation among customers	3.75	0.50
Our organisation achieves cost efficiency by reducing energy and material waste	3.74	0.52
Targeting niche markets has improved our overall financial performance	3.73	0.53
Cost focus strategies have helped us comply with environmental regulations	3.72	0.51
Our organisation benefits from economies of scale achieved through streamlined practices	3.71	0.54

The highest-rated item was 'Niche market targeting has increased customer loyalty and market share' (M = 3.84, SD = 0.46), reflecting the strategic centrality of niche concentration in serving cost-sensitive customers within defined segments. This finding is consistent with Porter's (1985) cost focus proposition that narrowly targeted firms can build loyalty by delivering acceptable quality at prices broader-scope rivals cannot replicate within the segment. 'Resource optimisation initiatives have enhanced our profitability' (M = 3.80) and 'We prioritise cost-saving measures that also promote environmental sustainability' (M = 3.83) further indicate that firms are linking internal efficiency with environmental responsibility, aligning operational cost reduction with market expectations around sustainability — a pattern noted by Dey, LaGuardia, and Srinivasan (2022) in their study of sustainable cost practices in SMEs.

Relatively lower scores for economies of scale-related items — 'Our organisation benefits from economies of scale achieved through streamlined practices' (M = 3.71) and 'Cost focus strategies have helped us comply with environmental regulations' (M = 3.72) — suggest that while firms are effectively managing internal costs, structural constraints around scalability and regulatory compliance remain challenges. This aligns with observations by Cassell et al. (2003) that SMEs face inherent barriers to achieving scale comparable to larger firms, and with Amankwah-Amoah et al.'s (2021) caution that scale-based advantages can be fragile in volatile environments.

5.2 Qualitative Responses

Open-ended responses reinforced the quantitative findings and provided richer contextual understanding of how cost focus strategy is experienced by SME operators in Mavoko Municipality. Multiple respondents emphasised that niche concentration enables them to serve specific segments — fleet operators, off-road vehicle owners, and commercial transporters — with tailored, affordable service packages, building repeat business and referrals that sustain revenue. As one respondent noted, serving a defined niche reduces the need for broad advertising spend, since word-of-mouth within the segment is sufficient to maintain a steady customer base. This observation, shared across several responses, suggests that niche concentration acts as a cost-saving mechanism not only in operations but also in customer acquisition (author's synthesis).

Respondents also highlighted the role of technology in operationalising resource optimisation. Several firms reported using energy monitoring sensors and real-time analytics to track fuel, water, and materials usage, reducing waste and overhead without capital-intensive investment. This finding resonates with Zhang and Yu (2023), who document the performance gains achievable through green technologies in SME operations. Other respondents noted that embedding sustainability into cost-control decisions — such as sourcing recycled parts or minimising chemical waste — has simultaneously reduced operating costs and enhanced customer perception of the brand as socially responsible, consistent with findings by Chatterjee and Kar (2023).

On challenges, several operators acknowledged that economies of scale remain difficult to achieve in isolation, citing fragmented supply chains and the high unit costs of inputs purchased individually. Some noted that while they informally collaborate with nearby businesses on bulk purchases, these arrangements are not formalised — pointing to an opportunity for structured inter-firm networks or cooperative procurement models to amplify scale benefits.

5.3 Correlation Analysis

Pearson correlation analysis confirmed a strong positive and statistically significant relationship between cost focus strategy and the performance of automotive SMEs ($r = .835$, $p < .01$). This is the strongest correlation observed among all four competitive strategies examined in the broader study, indicating that SMEs concentrating resources on specific market niches while maintaining cost efficiency tend to achieve substantially higher performance outcomes than those without a defined niche focus. This finding supports Porter's (1985) theoretical proposition that focus strategies, when executed with operational discipline, can yield competitive advantages within well-defined segments that broader-scope competitors find difficult to replicate.

The strength of this correlation also aligns with prior empirical findings in similar contexts. Al Qudah and Alrawashdeh (2023) reported that SMEs combining niche targeting with resource efficiency achieved stronger profitability and retention. Abubakar (2024) similarly found that cost focus, when linked to sustainability

practices, significantly enhances customer targeting and operational efficiency. From a Resource-Based View perspective (Barney, 1991), the strong correlation may reflect the fact that niche-specific cost capabilities — deep knowledge of a segment's cost sensitivities, tailored service processes, and established supplier relationships — constitute difficult-to-imitate VRIN resources that confer sustainable performance advantages.

5.4 Regression Analysis

Simple linear regression was conducted to determine the extent to which cost focus strategy predicts SME performance. The regression results, presented in Tables 2 and 3, confirm a statistically significant and practically meaningful predictive relationship.

Table 2: Model Summary — Cost Focus Strategy Predicting SME Performance

Model	R	R^2	Adjusted R^2	Std. Error of Estimate
Cost Focus Strategy	.835	.698	.694	.562

The model produced R = .835 and R^2 = .698, indicating that cost focus strategy alone explains approximately 69.8% of the variance in SME performance. The adjusted R^2 of .694 confirms the stability of this estimate, demonstrating that the model does not overfit. This is the highest explained variance observed for any single competitive strategy examined in the study, substantially exceeding differentiation (R^2 = 42.0%), cost leadership (R^2 = 36.3%), and innovation (R^2 = 13.6%) (Ogolla & Naikuru, manuscript in preparation). These results provide strong empirical support for the primacy of cost focus as a performance driver among automotive SMEs in the Mavoko context.

Table 3: Regression Coefficients — Cost Focus Strategy

	Unstandardised B	Std. Error	Standardised β	t	Sig.
Constant	0.521	0.243	-	2.145	.034
Cost Focus Strategy	0.698	0.067	.835	10.418	.000

The regression coefficient ($\beta = 0.698$, $p < .001$) is positive and highly statistically significant, indicating that for each one-unit increase in the adoption of cost focus practices, SME performance increases by 0.698 units, holding other factors constant. The t-value of 10.418 ($p < .001$) confirms that this relationship is not attributable to chance, supporting rejection of the null hypothesis. The fitted regression equation is expressed as: $Y = 0.521 + 0.698X_1 + \varepsilon$, where Y is SME performance and X_1 is cost focus strategy, consistent with the model stated in Section 4.6.

These results are theoretically consistent with Porter's (1985) generic strategies framework and the RBV. Cost focus strategy appears to be the most immediately actionable competitive strategy for SMEs in this context, yielding direct and measurable performance returns through the combined mechanisms of niche loyalty, resource efficiency, and cost-adjusted scale. This may reflect the particular conditions of Mavoko Municipality, where the automotive market is characterised by price-sensitive consumers, concentrated vehicle user segments (commercial fleets, transport operators), and infrastructure constraints that reward firms capable of delivering reliable, affordable, and targeted services.

Compared to differentiation strategy (β = 0.42), cost leadership (β = 0.36), and innovation (β = 0.185), the regression coefficient for cost focus strategy is substantially higher. This pattern is consistent with Mutua's (2017) observation that cost-focused strategies are particularly effective in peri-urban Kenyan markets where affordability and segment-specific service reliability are primary drivers of customer choice. It also aligns with Tanwar (2013) and Hill and Jones (2009), who argue that cost focus provides SMEs with a practically implementable path to competitive advantage that does not require the broad capital commitments of full cost leadership.

5.5 Discussion

The convergence of descriptive, correlational, and regression evidence presents a compelling picture: cost focus strategy is the most influential competitive advantage strategy shaping the performance of automotive SMEs in Mavoko Municipality. Its centrality to performance outcomes appears to reflect several mutually reinforcing mechanisms.

First, niche targeting allows SMEs to concentrate their limited resources on well-defined customer groups, reducing marketing waste, building deeper customer relationships, and enabling more precise pricing. In a peri-urban market characterised by diverse vehicle types and use patterns — commercial trucks, passenger vehicles, motorcycles, fleet operations — firms that identify and serve a specific niche can develop reputational capital and repeat business that provides a stable revenue base unavailable to undifferentiated competitors.

Second, resource optimisation directly translates to improved profit margins. For SMEs already constrained by capital and skilled labour, the ability to reduce energy consumption, material waste, and operational downtime provides an immediate and compounding financial benefit. The integration of environmental sustainability into cost-saving practices — highlighted by multiple respondents — also signals a broader strategic alignment between operational efficiency and growing consumer expectations around responsible business conduct, consistent with Dey et al. (2022) and Chatterjee and Kar (2023).

Third, while economies of scale remain the most challenging dimension of cost focus for individual SMEs, the data suggest that informal collaborative arrangements are beginning to address this constraint. The formalisation of such networks — through cooperative purchasing, shared infrastructure, and knowledge sharing — represents a high-value opportunity for both policymakers and industry associations to amplify the performance returns of cost focus strategy beyond what individual firms can achieve in isolation.

The high explanatory power of cost focus strategy (R^2 = .698) relative to the other three strategies also raises important strategic questions about prioritisation. For automotive SMEs operating with limited managerial bandwidth, the evidence strongly suggests that investment in cost focus capability — deepening niche understanding, optimising operational processes, and building scale through collaboration — offers the highest marginal return on strategic effort. This finding should inform both firm-level strategy formulation and institutional support programmes aimed at improving SME competitiveness in Kenya's growing industrial corridors.

6. Conclusion and Recommendations

6.1 Conclusion

This study examined the effect of cost focus strategy on the performance of automotive SMEs in Mavoko Municipality, Kenya. The findings consistently demonstrate that cost focus strategy — operationalised through

niche market targeting, resource optimisation, and economies of scale — is a significant, positive, and powerful predictor of SME performance, explaining approximately 69.8% of the variance in performance outcomes. This makes cost focus the most influential competitive strategy among the four examined in this study, outperforming differentiation (42.0%), cost leadership (36.3%), and innovation (13.6%).

These results affirm Porter's (1985) proposition that focus strategies provide SMEs with a viable and effective route to competitive advantage in segmented markets. They also validate the Resource-Based View (Barney, 1991), demonstrating that niche-specific, internally consistent cost capabilities constitute the type of difficult-to-replicate resource base that sustains superior firm performance. In the specific context of Mavoko Municipality, the effectiveness of cost focus appears to reflect the particular dynamics of a peri-urban automotive market: price-sensitive, segment-differentiated, and open to firms offering reliable, affordable, and tailored service.

The null hypothesis — that cost focus strategy has no statistically significant effect on the performance of automotive SMEs in Mavoko Municipality — is therefore rejected. The evidence strongly supports the alternative hypothesis that cost focus strategy has a statistically significant positive effect on SME performance.

6.2 Limitations

Several limitations of this study should be acknowledged. First, the descriptive survey design is cross-sectional, capturing data at a single point in time. This precludes causal inference: while the regression results demonstrate a strong predictive relationship between cost focus strategy and SME performance, they do not establish causation. Longitudinal designs would be needed to confirm directional effects. Second, the study is geographically specific to Mavoko Municipality, and the findings may not be directly generalisable to automotive SMEs in other peri-urban or rural areas of Kenya or to other East African contexts, where market dynamics, infrastructure conditions, and competitive pressures may differ. Third, because both independent and dependent variables were collected from the same respondents using the same self-report questionnaire, the study carries a risk of common method bias (Podsakoff et al., 2003). Future studies should consider using objective performance data or multi-source data collection to mitigate this concern. Finally, the KMO value of 0.608, while meeting the minimum threshold for factor analysis, falls within the “mediocre” range of Kaiser’s (1974) classification. Although all items were retained based on adequate communalities and factor loadings, a larger or more diverse sample may yield stronger factor structure in replication studies.

6.3 Recommendations

6.3.1 For SME Owners and Managers

Automotive SMEs in Mavoko Municipality should prioritise the systematic development of cost focus capabilities. This includes: (a) conducting formal market segmentation to identify the highest-value niche(s) within the local automotive market — whether fleet operators, commercial transporters, motorcycles, or passenger vehicle owners — and tailoring service offerings, pricing, and operational processes to those specific segments; (b) investing in resource monitoring technologies that track energy, materials, and labour productivity in real time, enabling data-driven waste reduction without large capital outlays; and (c) exploring cooperative procurement and inter-firm network arrangements to access economies of scale unavailable to individual firms, thereby reducing input costs and improving pricing competitiveness.

Firms should also recognise that embedding sustainability into cost-focus practices — through energy efficiency, waste reduction, and responsible sourcing — simultaneously reduces costs and strengthens brand reputation among an increasingly environmentally aware customer base.

6.3.2 For Policymakers and Industry Associations

The findings highlight the strategic value of structured support programmes tailored to cost focus implementation among automotive SMEs. Policymakers should consider: (a) designing grant or loan programmes specifically targeting resource optimisation technologies for small automotive firms, lowering the upfront cost barrier to efficiency investment; (b) facilitating the formation of automotive SME cooperatives or clusters that enable bulk purchasing, shared infrastructure, and joint capacity-building — thereby extending the scale benefits of cost focus to individual SMEs; and (c) incorporating competitive strategy training, particularly on niche market analysis and cost management, into county-level SME capacity-building programmes.

6.3.3 For Future Research

Several directions for further research emerge from this study. First, longitudinal studies are needed to track how cost focus strategy adoption evolves over time and whether its performance effects are sustained or amplified. Second, research should examine the moderating role of digital readiness on the cost focus-performance relationship, particularly as digital tools for resource monitoring and customer targeting become more accessible to SMEs. Third, comparative studies across different regions of Kenya and across other East African economies would help determine the generalisability of these findings and identify context-specific factors that amplify or constrain cost focus effectiveness. Finally, qualitative or mixed-methods research exploring the management practices underlying successful cost focus implementation — including decision-making processes, supplier relationships, and employee involvement — would provide actionable guidance beyond what quantitative modelling can offer.

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