

STRATEGIC CAPABILITIES AND PERFORMANCE OF NEW VEHICLE DISTRIBUTORS AND ASSEMBLERS IN NAIROBI COUNTY, KENYA

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ABSTRACT

The vehicle distribution industry in Kenya has experienced notable performance challenges, The vehicle distribution industry in Kenya has experienced increasing performance challenges due to intensified competition, changing customer preferences, and evolving market dynamics, highlighting the need for firms to strengthen their strategic capabilities. This study examined the effect of financing capabilities and marketing capabilities on the organizational performance of licensed new vehicle distributors and assemblers in Kenya. A descriptive research design was adopted. The study targeted 341 senior management employees drawn from 31 licensed new vehicle distribution and assembly firms, from which a sample of 184 respondents was selected using purposive sampling. Primary data were collected using a structured questionnaire and analyzed using the Statistical Package for the Social Sciences (SPSS) version 24. Descriptive statistics were used to summarize the data, while Pearson correlation and multiple regression analyses were employed to determine the relationship between the study variables. The findings revealed that financing capabilities had a strong positive and statistically significant relationship with organizational performance ($r = 0.772$, $p < 0.001$) and exerted a significant positive effect ($\beta = 0.382$, $p < 0.001$). Similarly, marketing capabilities recorded the strongest positive correlation with organizational performance ($r = 0.783$, $p < 0.001$) and a significant positive effect ($\beta = 0.340$, $p < 0.001$). The study concludes that financing and marketing capabilities are critical strategic capabilities that significantly enhance the organizational performance of licensed new vehicle distributors and assemblers in Kenya. The study recommends that firms strengthen their financing systems by improving access to capital and financial planning while investing in innovative marketing capabilities that enhance customer acquisition, retention, and competitive positioning. Future research should examine additional strategic capabilities and external environmental factors that may influence organizational performance in the vehicle distribution industry.

Keywords: Financing capabilities, marketing capabilities, organizational performance, strategic capabilities, vehicle distributors, Kenya.

Introduction

The simultaneous occurrence of trade liberalization and globalization has created a competitive economic climate characterized by shrinking defined markets. A major concern for management in this rapidly and unpredictably changing competitive environment is the development of new forms of competitive advantage. Sustaining manufacturing success and survival has become increasingly challenging. The unpredictability of the market and the regular introduction of new products have led to a growing demand for responsive production systems (Kalubanga & Gudergan, 2022). An organization's competitiveness is determined by its ability to perform well in areas such as cost, quality, delivery, dependability, speed, innovation, and flexibility to adapt to changes in demand (Lee et al., 2022). According to Skinner's original trade-off model, which describes how different organizations compete, some choose to make trade-offs in their competitive dimensions to focus on one or two core areas of strength.

Vehicle distributors refer to companies whose primary focus is the distribution of motor cars, including the production of most necessary components such as engines and bodywork but excluding tires, batteries, and fuel. Cars and light trucks, including pickups, vans, and SUVs, are the mainstays of this sector, while commercial trucks (including delivery vans and tractor trailers) play a supporting role in the transportation sector (Binder et al., 2020). Although the history of vehicle distributors is relatively short compared to many other industries, it holds incredible fascination due to its impact on history beginning in the 20th century. Despite the automobile's invention in Europe during the late 19th century, the United States was able to entirely control the industry worldwide during the first half of the 20th century by developing mass production methods. As the second half of the century progressed, western European countries and Japan emerged as important manufacturers and exporters, leading to a dramatic shift in the situation (Binder et al., 2020).

Statement of the Problem

In Kenya, the new vehicle distribution industry plays a significant role in economic growth through employment creation, tax generation, facilitation of transportation services, and support of local assembly activities. However, the industry has experienced considerable performance fluctuations over the last five years. According to data from the Kenya Motor Industry Association (KMIA), new vehicle sales declined from 13,949 units in 2021 to 13,352 units in 2022, representing a decline of 4.3 percent. Sales further dropped to 11,370 units in 2023, representing a decline of approximately 14.8 percent from the previous year. Although the market stabilized at 11,352 units in 2024, sales volumes remained approximately 18.6 percent below the 2021 levels. The industry recorded a recovery in 2025, with sales increasing to 13,583 units, representing a growth of about 19.7 percent compared to 2024. Nevertheless, the recovery merely restored volumes to near-2021 levels rather than generating sustained growth and expansion (Kenya Motor Industry Association, 2025; Reuters, 2024).

The declining performance of new vehicle distribution firms has been associated with several persistent challenges. First, imported used vehicles dominate the Kenyan automotive market and account for approximately 70 percent of total vehicle demand, thereby significantly reducing demand for new vehicles (PwC Kenya, 2024). Second, the depreciation of the Kenyan shilling, rising inflation, and increased taxation have substantially increased vehicle acquisition costs and retail prices, thereby constraining consumer purchasing power and reducing sales volumes (Reuters, 2024). Similarly, high financing costs and interest rates have limited access to vehicle financing by both dealers and prospective customers, adversely affecting market growth and profitability. Moreover, rapidly evolving customer preferences and increasing digitalization

require distributors to continuously develop innovative products, service delivery mechanisms, and customer engagement strategies to remain competitive (PwC Kenya, 2024). The persistent fluctuations in sales performance, increased competition from imported used vehicles, rising operating costs, and changing customer expectations suggest that existing interventions have not adequately addressed the performance challenges facing new vehicle distribution firms in Kenya. Unless these firms effectively develop and deploy strategic capabilities that enhance competitiveness and adaptability to environmental changes, their performance challenges are likely to persist.

Despite these challenges, existing empirical studies have largely focused on organizational performance in other sectors, with limited attention given to the Kenyan new vehicle distribution industry. Otiso (2024), Ogola and Kisingu (2023) both investigated the influence of strategic capabilities and the performance of local manufacturers in Kenya, Ndanu, (2020) studied the influence of strategic capabilities and the performance of private universities. Terouhid and Rheis (2016) studied the influence of strategic capabilities and performance of construction firms. The researchers showed a positive trend in the performance of organizations that adopted strategic capabilities. It is against this background that this study seeks to examine the influence of strategic capabilities on the performance of new vehicle distribution firms in Kenya.

Objectives of the Study

The main objective of this study is to assess the influence of strategic capabilities on the performance of new vehicle distributors and assemblers in Nairobi County, Kenya. The specific objectives of this study are:

- i. To determine the influence of financing capabilities on the performance of new vehicle distributors and assemblers in Nairobi County, Kenya
- ii. To establish the influence of marketing capabilities on the performance of new vehicle distributors and assemblers in Nairobi County, Kenya.

LITERATURE REVIEW

Theoretical Review

Resource Based-View Theory

The Resource-Based View (RBV), as proposed by Barney J. (1991), asserts that enterprises possess varying amounts of resources and that these resource disparities are stable over time. According to RBV, a firm's resources if they are valuable, rare, inimitable, and non-substitutable can lead to sustained competitive advantage. These four empirical measures are used to assess a firm's resources' capacity to provide a long-term competitive edge. The RBV suggests that a firm's superior performance and competitive advantage stem from its internal resources and how effectively they are managed, rather than from external environmental factors. This theory emphasizes that heterogeneity within an organization in terms of resources and capabilities is more critical to its performance and standing in both domestic and global markets than external influences (Alvarez & Barney, 2020). Firms are viewed as interlocking sets of expertise, resources, and capabilities, where success is determined by how well they acquire, integrate, and deploy these assets. Importantly, these resources are expected to be scarce, unique, valuable, and difficult to replicate or transfer (Freeman et al., 2021).

In the context of customer financing management and service quality, RBV highlights that a company's ability to establish and maintain a competitive advantage is closely tied to the customer financing capabilities and practices it adopts. This is particularly relevant in sectors such as vehicle distribution, where effective management of customer financing can influence customer loyalty,

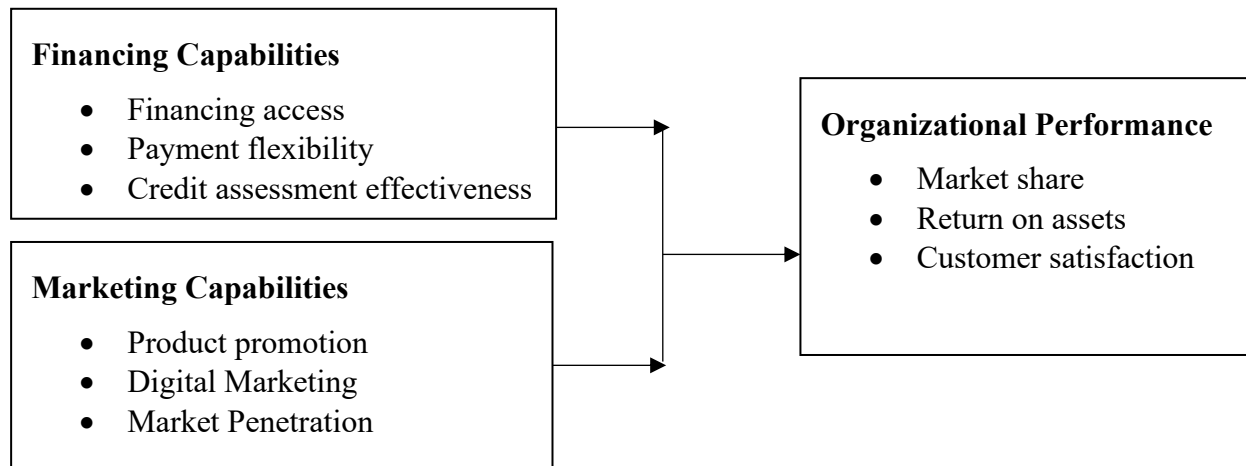
market share, and overall financial performance. For this research, the Resource-Based View (RBV) theory will be used to explore how customer financing capabilities influence the organizational performance of new vehicle distributors in Kenya. The theory's focus on internal resources, such as financial management systems, human capital, and operational processes, is crucial in understanding how vehicle distributors can leverage these resources to achieve and sustain competitive advantage in a highly strategic and competitive industry.

Dynamic Capabilities Theory

The theory of dynamic capability was first introduced by Gary Hamel (1989). This was first presented through a paper that was titled as the multinational strategy research that led to the Core Competencies of the organization or the firm. The theory was brought in place to fill the gap that had been identified in the previous theories this is because the theories failed completely to address the dynamic nature of the business environments. The dynamic capability theory is considered as being a progressive version of the resource-based view of the organization given that it is an inside out approach; however, the proponents of the theory accept the fact that influence of the prevailing external factors to some extent contributes towards incorporating the Porter's theory (Gathungu & Mwangi 2020).” The dynamic capabilities theory is of the greater essence especially with regards to explaining the greatest explanation power when the partly foreseeable alteration in line with the technology is on the edge of altering the overall competitions within the market (Chowdhury and Quaddus 2020). However, the theory has not been without criticism, the theory has however been criticized on the ground that it has very less power of the explanation given that the dynamic capabilities are not underestimated or are not considered as being limited. When the change itself is considered as completely great being unforeseeable and when there is the foreseeable change the theory is of significance with regards to its implementations and applications (Gathungu & Mwangi 2020). “Consequently, when the size of the impact of the new abilities is considered to be small, then the industries that are subjected to continuous changes in technology and in markets that remunerate short bursts of outstanding performance especially over the long-term consistency (Gupta 2021).” The theory is therefore relevant to the present study since it bridges the knowledge left by the other theories. The theory attempts to address the needs of the firms to use the inside outside approach while responding to the environment. For the vehicle assemblers to remain effective in the short-term and long run, they must consider competitive strategies that can be used towards building long term competitive advantages (Gathungu & Mwangi 2020).

Conceptual Framework

The conceptual framework, depicted in Figure 2.1, illustrates the influence of strategic capabilities on the organizational performance of vehicle distributors in Kenya. This framework is grounded in the Strategic Capabilities Theory proposed by Teece, Pisano, and Shuen (1997), which emphasizes the importance of integrating, building, and reconfiguring internal and external competencies to help firms navigate rapidly changing environments. The key strategic capabilities identified in this study are financing, and marketing.

Independent Variables**Dependent Variable****Figure 2.1 Conceptual Framework****Financing Capabilities**

Financing capabilities refer to a firm's ability to design, manage, and deliver financial solutions that support transactions while maintaining financial sustainability. In the context of vehicle distribution, financing capabilities enable firms to facilitate vehicle acquisition through structured financing arrangements while effectively managing associated financial risks. These capabilities are increasingly recognized as strategic resources that enhance firm competitiveness and performance, particularly in capital-intensive industries such as automotive distribution (Tece, 2014; Helfat & Peteraf, 2015).

One key dimension of financing capabilities is financing access efficiency, which relates to the firm's ability to process financing requests in a timely and streamlined manner. Efficient financing systems reduce delays in approval processes, enhance operational effectiveness, and improve transaction turnaround time. This efficiency allows firms to respond quickly to market demand and improve overall service delivery. Studies have shown that streamlined financial processes contribute to improved organizational performance by reducing administrative costs and enhancing responsiveness to market needs (Chappell et al., 2018).

Another important dimension is payment flexibility, which refers to the firm's ability to offer adaptable financing arrangements that accommodate varying financial capacities. Flexible payment structures, such as installment options and adjustable repayment schedules, allow firms to broaden their market reach and improve sales performance. By aligning repayment terms with the financial conditions of buyers, firms can reduce default risk while enhancing transaction completion rates. According to Alshura (2018), flexible financing arrangements play a critical role in improving financial inclusion and supporting market expansion in sectors characterized by high-value products.

The third dimension is credit assessment effectiveness, which involves the firm's ability to evaluate financial risk accurately before extending financing. Effective credit assessment ensures that financing decisions are based on reliable evaluation criteria, thereby minimizing exposure to non-performing accounts. The use of structured credit assessment tools and standardized evaluation procedures enhances risk management and contributes to financial stability. Prior studies indicate that strong credit assessment practices are essential for maintaining profitability and ensuring sustainable financial operations (Chappell et al., 2018).

Marketing Capabilities

The development of key marketing capabilities is regarded as one of the main avenues by which firms can achieve innovation and competitive advantage. Marketing capabilities are not resources in themselves but integrative processes whereby the collective knowledge, skills, and resources of a firm are applied to take care of the market-related needs of the business. Ultimately, marketing capabilities enable the business to add value to its goods and services, adapt to market conditions, take advantage of market opportunities, and overcome competitive threats. (Duah et al, 2023)

The relationship between marketing capabilities and firm performance, especially in Business-to-Customer (B2C), literature, has suggested that overall marketing capabilities are positively related to firm performance because they enable firms to acquire and use market knowledge to deliver superior customer value (Mostafiz et al.,2022). Marketing capability, therefore, refers to a package of interrelated routines that facilitate the capacity to engage in specific marketing activities and respond to market knowledge (Hoque et al., 2022). Meanwhile, Apasrawirote et al. (2022) define marketing capability as the integrative process of utilizing firm resources, both tangible and intangible, to recognize the specific needs of consumers, attain competitive product differentiation, and realize superior brand equity. He contends that, once these capabilities are developed, it becomes complex for competitors to copy.

Marketing capabilities refer to an organization's ability to effectively integrate and utilize various marketing resources and activities to meet customer needs and enhance overall business performance (Morgan et al., 2018). Marketing planning capabilities are the ability to strategically plan and execute marketing efforts. This involves analyzing market trends, understanding customer needs, setting marketing objectives, and developing comprehensive marketing plans that align with overall business goals (Fonseca et al., 2023). Strong marketing planning capabilities help organizations allocate resources efficiently, capitalize on market opportunities, and measure the success of marketing initiatives. These capabilities ensure that marketing efforts are aligned with long-term business strategies and are adaptable to changing market conditions. Alnasser (2025) highlights that marketing capabilities play a critical role in influencing various aspects of organizational performance, including motivation, market, productivity, and societal performance.

Organizational Performance

Organizational performance is a multidimensional construct that reflects the extent to which a firm achieves its strategic and operational objectives. It encompasses both financial and non-financial indicators that provide a comprehensive assessment of a firm's effectiveness and competitiveness. In this study, organizational performance is conceptualized using three key dimensions: market performance, financial performance, and service performance, which collectively capture the overall success of vehicle distribution firms (Dias et al., 2021).

Market performance refers to the firm's ability to compete effectively within its industry and expand its presence relative to competitors. It is commonly assessed through indicators such as market share growth, competitive positioning, and the firm's ability to attract and retain clients. A strong market performance indicates that the firm is successfully responding to market strategies and sustaining its position within the industry. According to Lee et al. (2022), firms that demonstrate strong market performance are better positioned to achieve long-term growth and maintain competitive advantage.

Financial performance reflects the firm's ability to generate returns from its operations and efficiently utilize its resources. It is typically measured using financial indicators such as return on assets (ROA), return on equity (ROE), and overall profitability. Strong financial performance

indicates effective cost management, revenue generation, and strategic resource utilization. As noted by Dias et al. (2021), financial performance is a key indicator of organizational sustainability, as it determines a firm's ability to reinvest, expand, and withstand economic fluctuations.

Service performance captures the firm's ability to deliver services that meet expectations and provide value to clients. It focuses on outcomes such as satisfaction with service quality, reliability of service delivery, and the firm's ability to meet expectations in areas such as vehicle delivery and after-sales support. High service performance reflects the firm's effectiveness in delivering consistent and satisfactory service experiences, which contributes to relationship continuity and overall organizational success. Khattak and Hassan (2019) emphasize that service outcomes are critical in shaping perceptions of performance and influencing long-term business success.

A study conducted in 2016 on Nigerian banks found that to properly evaluate an organization's success, it is necessary to consider not only quantitative indicators such as market share, investment return, and financial efficiency, but also qualitative indicators such as employee satisfaction and company culture. This approach, endorsed by Lee et al. (2022), classifies the company's performance metrics in terms of efficiency, or the capacity of an organization to generate more revenue than it spends. Additionally, non-financial performance metrics in the banking industry include the introduction of new products, the speed of response to market crises, the enhancement of existing products, the maintenance of existing customer bases, and the introduction of new processes (Mugambi & Kinyua, 2020). According to the ideas of Freeman et al. (2021), an organization's performance comprises three components: financial performance based on profit, asset return (ROA), and investment return (ROI); product performance, such as sales and market share; and shareholder returns, such as the total returns to shareholders.

Empirical Literature

Financing Capabilities and Organizational Performance

Arvidsson et al. (2019) argued that the guiding principle in customer financing capabilities is to ensure that only borrowers who require credit and are able to meet repayment obligations can access credit. According to Chappell et al. (2018), numerous approaches have been developed for incorporating risk into decision-making processes by lending organizations. These range from simple methods such as the use of subjective or informal assessment techniques, to fairly complex ones such as the use of computerized simulation models.

Chan et al. (2022), analyzing the determinants of the customer financing capabilities performance of Grameen Bank borrowers, found that multiple NGO membership, which they associated with access to other sources of 'cheap' finance, had a negative impact on repayment performance. They also found that education and the area of operated land, which can be proxies for the borrower's wealth, had a positive impact on repayment performance. The membership period was positively associated with default, while the loan size did not have a significant impact on repayment performance.

According to Chung et al. (2020), in customer financing capabilities, the causes of non-repayment of loans could be grouped into three main areas: the inherent characteristics of borrowers and their businesses that make it unlikely that the loan would be repaid, the characteristics of the lending institution and the suitability of the loan product to the borrower, which make it unlikely that the loan would be repaid, and systematic risk from external factors such as the economic, political, and business environment in which the borrower operates.

In the study by Wendel (2020), the most important factor inciting lending groups to repay is the relative value they attach to access to future credit. Customer financing, up to a certain level, has a significant positive effect on repayment performance. In a study on the Grameen Bank, Su (2021) found that the longer the branch operates in an area, the higher the loan default rate. They explain this feature by the possible decreasing marginal profitability of new projects. This could also be due to a decreasing power of strategic incentives as credit is renewed over time, especially if borrowers observe that credit is not systematically denied to defaulting or late borrowers.

Marketing Capabilities and Organizational Performance

Alnasser (2025) investigated the critical role of marketing capabilities in enhancing organizational performance across multiple dimensions, including motivation, market, productivity, and societal performance, within the manufacturing sector in Saudi Arabia. Utilizing a cross-sectional research design, data were collected from 316 managerial-level employees through convenience sampling and analyzed using structural equation modeling. The findings reveal significant positive relationships between marketing capabilities and various performance outcomes, indicating that organizations must invest in and develop their marketing functions to achieve operational efficiencies and enhance market competitiveness. The study underscores the importance of aligning marketing strategies with employee engagement and corporate social responsibility initiatives to foster a motivated workforce and build strong consumer relationships. Moreover, the integration of marketing capabilities into business processes is essential for driving productivity improvements and enhancing societal impact, ultimately leading to sustainable growth.

A study by Duah, Bamfo & Marfo (2023) investigated the intricate relationship between marketing capabilities, resource orchestration capacity, and firm performance within the context of contemporary business environments. A quantitative research approach was employed in this study. Drawing on a sample of 379 firms, the study employed PLS-SEM to assess the impact of marketing capability on a firm's performance and explore the mediating role played by resource orchestration capability in this dynamic. The study revealed that marketing capabilities directly influence firm performance. This is because of the variety and regularity of market shifts, and quick adaptation to their resource allocation to the ever-changing landscape. To add more, the ability to use and orchestrate resources with greater flexibility explains why some organizations are more successful than others. Through responsive and effective marketing processes, marketing capability enables businesses to achieve and retain a competitive edge and exceptional firm performance. Given the apparent impact of marketing capabilities on a firm's performance, firms with unchanging marketing capabilities use their resources and skills to please present customers, capitalize on existing products and distribution networks, and promote existing brands.

Kyengo, Muathe and Kinyua (2019) sought to establish the effect of marketing capability on the performance of food processing firms in Nairobi City County, Kenya. The study targeted 102 registered Food Processing Firms within Nairobi City County in Kenya and was anchored on dynamic capability theory and resource based view where positivism research philosophy and both explanatory and descriptive research designs were adopted. The study revealed that marketing capability has a positive effect on performance. The study recommended for management of food processing firms to ensure that adequate resources are acquired and provided for advertising activities. An appropriate policy should be developed to inform investment decisions and practices in relation to advertising

RESEARCH METHODOLOGY

The study adopted a descriptive research design to examine the influence of strategic capabilities on the organizational performance of licensed new vehicle distributors and assemblers in Kenya.

A descriptive design was considered appropriate because it facilitates the systematic collection of quantitative data, enabling the examination of relationships among study variables while providing a comprehensive understanding of organizational phenomena. The design also serves as a suitable foundation for empirical investigations involving measurable organizational constructs (Cooper & Schindler, 2011).

The target population comprised licensed new vehicle distributors and assemblers operating in Kenya, selected because of their formalized operational structures, standardized financing arrangements, organized maintenance systems, and established relationship management practices. These organizational characteristics provide an appropriate context for evaluating strategic capabilities and their influence on firm performance. The unit of analysis consisted of directors, functional managers, assistant managers, supervisors, and customer relations managers who are directly involved in strategic planning and operational implementation. Their positions enable them to provide reliable information regarding financing capabilities, marketing capabilities, and organizational performance (Mugenda & Mugenda, 2012).

The sampling frame consisted of 341 managerial employees drawn from 31 licensed vehicle distribution firms. A purposive sampling technique was employed to identify respondents with sufficient strategic and operational knowledge relevant to the study objectives. The final sample size of 184 respondents was determined using Yamane's sample size determination formula at a 95% confidence level, an approach widely recommended for finite populations (Taherdoost, 2016; Vasileiou et al., 2018). Primary data were collected using a structured questionnaire developed from the study objectives and existing literature.

Prior to the main survey, a pilot study involving 18 respondents, representing approximately 10% of the study sample, was conducted to assess the adequacy of the research instrument. Reliability was evaluated using Cronbach's Alpha coefficient, where values above 0.70 indicated satisfactory internal consistency, while values below the acceptable threshold prompted revision of the respective measurement items (Mugenda & Mugenda, 2008; Taherdoost, 2016). Instrument validity was established through expert review to assess content validity and through construct validity tests using the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy and Bartlett's Test of Sphericity. A significant Bartlett's test ($p < 0.05$) together with acceptable KMO values confirmed the suitability of the measurement scales for factor analysis (Ahmad & Ahmad, 2018; Field, 2013; Foss & Saebi, 2017). Completed questionnaires were edited, coded, and analyzed using the Statistical Package for the Social Sciences (SPSS). Descriptive statistics, including frequencies, percentages, means, and standard deviations, were used to summarize respondents' characteristics and perceptions regarding the study variables. Inferential analysis was conducted using multiple linear regression to determine the effect of financing capabilities, and marketing capabilities, on organizational performance. The regression model estimated the independent contribution of each strategic capability while controlling for the effects of the remaining variables.

RESEARCH FINDINGS AND DISCUSSION

The table indicates a 100% completion rate, with all 166 distributed questionnaires successfully returned. This high response rate suggests strong engagement and participation from the respondents, reflecting their willingness to provide relevant information for the study. The absence of unreturned questionnaires (0%) eliminates concerns about non-response bias, enhancing the reliability and validity of the collected data.

Descriptive Statistics Results

Financing Capabilities

Table 1 presents descriptive statistics on financing capabilities, indicating a generally positive perception among respondents.

Table 1: Descriptive for Financing Capabilities

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std Dev.
The firm processes financing requests within a short turnaround time	1.31%	7.84%	26.80%	43.14%	20.92%	3.75	0.92
The firm uses efficient procedures to minimize delays in financing approvals	1.31%	6.54%	27.45%	32.03%	32.68%	3.88	0.99
The firm offers payment plans that suit different financial capacities of vehicle buyers	3.27%	5.23%	30.07%	33.99%	27.45%	3.77	1.02
The firm allows flexible repayment arrangements based on clients' cash flow patterns	1.96%	7.84%	23.53%	37.91%	28.76%	3.84	1.00
The firm conducts thorough credit evaluation before approving financing	0.65%	2.61%	32.68%	35.95%	28.10%	3.88	0.87
The firm uses clear credit assessment criteria when determining financing eligibility	3.27%	5.23%	28.10%	36.60%	26.80%	3.78	1.01

The findings indicate that a majority of respondents agreed that their firms process financing requests within a short turnaround time, with 64.06% expressing agreement, while 9.15% disagreed and 26.80% remained neutral. The mean score of 3.75 and standard deviation of 0.92 suggest that respondents generally perceive financing processes to be efficient, although some variation in experiences exists across firms. Similarly, 64.71% of the respondents agreed that their firms use efficient procedures to minimize delays in financing approvals, while only 7.85% disagreed and 27.45% were neutral. The mean of 3.88 and standard deviation of 0.99 indicate a strong positive perception of process efficiency, reinforcing the importance of streamlined financing systems in enhancing operational effectiveness.

Regarding payment flexibility, 61.44% of respondents agreed that their firms offer payment plans suited to different financial capacities of vehicle buyers, while 8.50% disagreed and 30.07% were neutral. The mean score of 3.77 and standard deviation of 1.02 suggest that while payment flexibility is generally practiced, there is some inconsistency in its application across firms. In addition, 66.67% of respondents agreed that their firms allow flexible repayment arrangements based on clients' cash flow patterns, with only 9.80% expressing disagreement and 23.53% remaining neutral. The mean of 3.84 and standard deviation of 1.00 indicate a positive perception of repayment flexibility as a key financing capability.

Further, 64.05% of respondents agreed that their firms conduct thorough credit evaluation before approving financing, while only 3.26% disagreed and 32.68% were neutral. The mean of 3.88 and standard deviation of 0.87 suggest that credit assessment practices are widely implemented and relatively consistent across firms. Finally, 63.40% of respondents agreed that their firms use clear credit assessment criteria when determining financing eligibility, while 8.50% disagreed and 28.10% were neutral. The mean score of 3.78 and standard deviation of 1.01 indicate that most firms apply structured credit evaluation processes, although some variability remains.

Marketing capabilities

Table 2 presents descriptive statistics on marketing capabilities, reflecting the perceptions of respondents.

Table 2: Descriptive for Marketing Capabilities

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std Dev
The company uses advanced digital marketing platform to reach its clients	1.96%	3.92%	15.69%	43.14%	35.29%	4.06	0.92
The company regularly conducts a market trend analysis	1.96%	1.96%	20.26%	37.91%	37.91%	4.08	0.91
The company utilizes novel marketing stay ahead of competition	1.96%	2.61%	29.41%	33.99%	32.03%	3.92	0.95
The company uses upto date business branding strategies	3.27%	2.61%	16.34%	40.52%	37.25%	4.06	0.97
Advertising always increases organization sales	0.00%	4.58%	33.33%	30.07%	32.03%	3.90	0.91
The company regularly reviews its marketing practices to ensure they align with regulatory requirements and industry best practices	1.96%	3.92%	16.34%	41.83%	35.95%	4.06	0.93

The findings indicate that a majority of respondents (78.43%) agreed that their firms The Company uses advanced digital marketing platform to reach its clients, while only 5.88% disagreed and 15.69% remained neutral. The mean score of 4.06 and standard deviation of 0.92 suggest a high level of agreement and relatively low variation. Similarly, 75.82% of respondents agreed that their company regularly conducts a market trend analysis while only 3.92% disagreed and 20.26% were neutral. The mean of 4.08 and standard deviation of 0.91 indicate strong agreement, suggesting that firms actively conduct market trend analysis.

Regarding marketing novelty and efficiency, 66.02% of respondents agreed that their The company utilizes novel marketing stay ahead of competition, while 4.57% disagreed and 29.41% remained neutral. The mean score of 3.92 and standard deviation of 0.95 suggest a generally positive perception, although the relatively higher neutral responses indicate some variability in implementation or awareness across firms.

A higher proportion, 77.77% of respondents, agreed that their company uses upto date business branding strategies while only 5.88% disagreed and 16.34% were neutral. The mean of 4.06 and standard deviation of 0.97 indicate strong agreement and consistent application of monitoring practices. In terms of advertising techniques, 62.10% of respondents agreed that Advertising always increases organization sales while 4.58% disagreed and 33.33% remained neutral. The mean score of 3.90 and standard deviation of 0.91 indicate a positive perception, though the relatively higher neutral responses suggest that the forms of advertisement may not be uniformly experienced across all respondents.

Lastly, 77.78% of respondents agreed that their company regularly reviews its marketing practices to ensure they align with regulatory requirements and industry best practices while 5.88% disagreed and 16.34% were neutral. The mean of 4.06 and standard deviation of 0.93 indicate strong agreement and highlight the importance of continuous policy evaluation in marketing practices.

Performance of Vehicle Distributors

Table 3 presents descriptive statistics on the performance of new vehicle distributors, highlighting respondents' perceptions.

Table 3: Descriptives for Performance of New Vehicle Distributors

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std Dev
The firm's share in the vehicle distribution market has increased over recent years	1.96%	3.92%	24.18%	48.37%	21.57%	3.84	0.88
The firm has strengthened its competitive position compared to other vehicle distributors	3.27%	5.88%	22.88%	39.22%	28.76%	3.84	1.01
The firm has experienced improved returns on assets over time	3.27%	5.88%	30.72%	33.99%	26.14%	3.74	1.02
The firm has achieved growth in profitability relative to previous periods	2.61%	1.31%	28.76%	43.14%	24.18%	3.85	0.89
Vehicle buyers report high satisfaction with the quality of services offered by the firm	0.00%	5.88%	30.72%	33.99%	29.41%	3.87	0.91
The firm effectively meets client expectations in vehicle delivery and after-sales service	3.27%	5.88%	26.80%	39.22%	24.84%	3.76	1.00

The findings indicate that a majority of respondents (69.94%) agreed that the firm's share in the vehicle distribution market has increased over recent years, while only 5.88% disagreed and 24.18% remained neutral. The mean score of 3.84 and standard deviation of 0.88 suggest a generally strong perception of positive market performance with low variability across responses.

Similarly, 67.98% of respondents agreed that their firms have strengthened their competitive position compared to other vehicle distributors, while 9.15% disagreed and 22.88% were neutral. The mean of 3.84 and standard deviation of 1.01 indicate a favorable assessment of competitive positioning, although some variation exists among respondents. With respect to financial performance, 60.13% of respondents agreed that their firms have experienced improved returns on assets over time, while 9.15% disagreed and 30.72% remained neutral. The mean score of 3.74 and standard deviation of 1.02 suggest a generally positive perception of financial efficiency, though with moderate variability.

In addition, 67.32% of respondents agreed that their firms have achieved growth in profitability relative to previous periods, while only 3.92% disagreed and 28.76% remained neutral. The mean of 3.85 and standard deviation of 0.89 indicate strong agreement and relatively consistent perceptions regarding profitability growth. Regarding service performance, 63.40% of respondents agreed that vehicle buyers report high satisfaction with the quality of services offered by the firm, while 5.88% disagreed and 30.72% were neutral. The mean score of 3.87 and standard deviation of 0.91 reflect a generally positive perception of service quality with low variability.

Lastly, 64.06% of respondents agreed that their firms effectively meet client expectations in vehicle delivery and after-sales service, while 9.15% disagreed and 26.80% remained neutral. The mean of 3.76 and standard deviation of 1.00 indicate a favorable perception of service delivery, although some variability exists across firms.

Correlation Analysis

Table 4 presents the correlation analysis results, examining the relationships between the independent variables (Financing Capabilities, and Marketing capabilities) and the dependent variable (Performance of Vehicle Distributors).

Table 4: Correlation Matix

		Financing Capabilities	Marketing capabilities	Performance
Financing Capabilities	Pearson Correlation	1	.769**	.772**
	Sig. (2-tailed)		.000	.000
	N	153	153	153
Marketing capabilities	Pearson Correlation	.769**	1	.783**
	Sig. (2-tailed)	.000		.000
	N	153	153	153
Performance of New Vehicle Distributors	Pearson Correlation	.772**	.783**	1
	Sig. (2-tailed)	.000	.000	
	N	153	153	153

The correlation results indicated a positive correlation between financing capabilities and the performance of new vehicle distributors ($r = 0.772$, $p < 0.001$). This implies that improvements in financing processes, including efficient processing of financing requests, flexible payment arrangements, and effective credit assessment, are associated with improved performance outcomes. These findings are consistent with Arvidsson et al. (2019), who emphasized that effective financing decisions enhance financial performance by ensuring that credit is extended to reliable clients. Similarly, Chung et al. (2020) highlighted the importance of structured lending practices in supporting repayment and financial sustainability, while Wendel (2020) noted that access to financing incentives encourages repayment behavior, thereby contributing to improved firm performance.

The findings also revealed a positive correlation between marketing capabilities and the performance of new vehicle distributors ($r = 0.783$, $p < 0.001$). This indicates that firms that apply effective credit management practices, including credit risk assessment, monitoring, and compliance with credit policies, tend to achieve improved performance outcomes. These findings are supported by Saunila et al. (2020), who noted that effective credit management contributes to financial stability. Similarly, Mwangi (2018) emphasized that structured credit control enhances institutional performance, while Francis et al. (2017) found that well-implemented credit control mechanisms improve repayment rates and overall firm performance.

Regression Analysis

Table 5 presents the model summary for the regression analysis, indicating the strength of the relationship between the independent variables (Financing Capabilities, Marketing capabilities,) and the dependent variable (Performance of New Vehicle Distributors).

Table 5: Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate
0.855	0.731	0.724	0.4339

The R Square value of 0.731 indicates that financing capabilities and marketing capabilities, collectively explain 73.1% of the variation in the performance of new vehicle assemblers and distributors. This suggests that the model has strong explanatory power, with the selected predictors accounting for a substantial proportion of the observed differences in organizational performance. The findings imply that these capabilities are important determinants of performance within the industry. The remaining 26.9% of the variation in performance may be attributed to other factors not included in the study, as well as random variation.

Table 6 presents the ANOVA results, which assess the overall significance of the regression model.

Table 6: ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
Regression	75.898	2	18.974	100.772	.000b
Residual	27.867	163	0.188		
Total	103.765	165			

The F-statistic value of 100.772 indicates that the independent variables (Financing Capabilities, and Marketing capabilities) collectively have a statistically significant impact on the dependent variable (Performance of New Vehicle Distributors and Assemblers). A high F-value suggests that the variation explained by the regression model is significantly greater than the unexplained variation (error), reinforcing the strength of the model. This means that the predictors included in the model provide a better explanation of performance variations than what would be expected by chance alone, confirming the model's statistical reliability.

Table 7 presents the regression coefficients, which indicate the individual impact of each independent variable (Financing Capabilities, and Marketing capabilities) on the dependent variable (Performance of Vehicle Distributors).

Table 7: Regression Coefficients

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-0.263	0.216		-1.215	0.226
Financing Capabilities	0.382	0.074	0.351	5.156	0.000
Marketing capabilities	0.340	0.075	0.326	4.541	0.000

The regression results indicated that financing capabilities ($B = 0.382$, $p < 0.001$) have the highest positive effect on the performance of new vehicle distributors. This implies that a one-unit increase in financing capabilities leads to a 0.382-unit increase in performance of new vehicle distributors, holding other variables constant. This finding suggests that efficient financing processes, flexible payment arrangements, and effective credit assessment mechanisms contribute significantly to improved performance. These results are consistent with Chappell et al. (2018), who noted that structured credit assessment enhances financial outcomes by ensuring appropriate lending

decisions. Similarly, Wendel (2020) observed that access to financing mechanisms supports repayment behavior and contributes to overall business growth.

Marketing capabilities ($B = 0.340$, $p < 0.001$) also showed a positive and significant effect on the performance of new vehicle distributors. This indicates that a one-unit increase in marketing capabilities results in a 0.340-unit increase in performance, assuming other factors remain constant. This highlights the importance of marketing practices, including advertisement, brand promotion and brand positioning, and enforcement of marketing policies, novel marketing practices in enhancing performance outcomes. These findings are supported by Mugo (2020) who emphasized that marketing improves organization performance

$$Y = -0.263 + 0.382X_1 + 0.211X_2 + 0.340X_3 + 0.126X_4$$

Where:

- Y = Performance of New Vehicle Distributors
- X_1 = Financing Capabilities
- X_2 = Marketing capabilities

Conclusion

The study concluded that financing capabilities have a significant positive effect on the performance of new vehicle distributors and assemblers. The findings demonstrate that efficient financing processes, flexible payment arrangements, and effective credit assessment mechanisms contribute to improved financial and operational outcomes. Firms that strengthen financing systems and enhance access to financing are better positioned to improve performance by facilitating transactions and managing financial risk.

The study concludes that marketing capabilities are critical strategic resources that significantly enhance the organizational performance of new vehicle distribution and assembling firms in Kenya. Firms that invest in product promotion, digital marketing initiatives, and market penetration strategies are more likely to improve their market share, customer acquisition, sales growth, and overall competitiveness. Marketing capabilities enable firms to sense changes in customer preferences, respond to market dynamics, and differentiate themselves from competitors. Therefore, strengthening marketing capabilities is essential for new vehicle distributors seeking sustainable growth and improved organizational performance in an increasingly competitive and technologically driven business environment.

Recommendations

Based on the study findings, it is recommended that vehicle distributors and assemblers enhance their customer financing capabilities by implementing flexible and well-structured credit policies. Organizations should strengthen their loan assessment processes to evaluate borrowers' creditworthiness effectively, ensuring that only financially capable customers receive financing. Additionally, companies should develop risk mitigation strategies, such as credit insurance and collateral valuation methods, to minimize loan defaults and enhance financial stability. Providing competitive and affordable interest rates will also attract more customers, improving market penetration and overall performance.

The study recommends that new vehicle distribution and assembling firms in Kenya should continuously invest in developing and strengthening their marketing capabilities. Specifically, firms should allocate adequate resources towards digital marketing platforms, develop integrated promotional strategies, and adopt market intelligence systems that facilitate the identification of

emerging customer needs and market opportunities. In addition, management should establish robust market penetration strategies, strengthen brand positioning initiatives, and leverage data analytics to improve customer targeting and engagement. By institutionalizing innovative and customer-centric marketing practices, vehicle distributors and assemblers will be better positioned to increase sales volumes, enhance customer satisfaction, and achieve sustainable organizational performance.

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