

**MARKETING ANALYSIS OF  
AIRLINE SERVICES  
WITH REFERENCE TO NEPAL AIRLINE  
CORPORATION (NAC)**

**BY**

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**A**

**Thesis**

**Submitted to:**

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# **RECOMMENDATION**

This is to certify that the thesis

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**WITH REFERENCE TO NEPAL AIRLINE CORPORATION (NAC)**

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# **VIVA- VOCE SHEET**

We have conducted the viva-voce examination of the thesis submitted by

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and found the thesis to be the original work of the student written according to the prescribed format. We recommend the thesis to be accepted as partial fulfillment of the requirement for Master of Business Studies (MBS)

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## **DECLARATION**

I hereby declare that the work reported in this thesis entitled **Marketing Analysis of Airline Services with Reference to Nepal Airline Corporation (NAC)** submitted to Office of the Dean, Faculty of Management, Tribhuvan University is my original work done in the form of partial fulfillment of the requirement of Master's Degree in Business Studies (M.B.S.) under the guidance and supervision of Mr. Chakra Bahadur Bom, (Lecturer) of Mahendra Multiple Campus, Nepalgunj. Hence, the sole responsibility would be remained on me regarding this thesis for any positive or negative implication if emerged in future.

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August, 2012  
Nepalgunj

**Yak Narayan Sharma**

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## **LIST OF ACRONYMS**

AMA	=	American Marketing Association
B.S.	=	Bikram Sambat
F/Y	=	Fiscal Year
GDP	=	Gross Domestic Production
G.M.	=	General Manager
GN	=	Government of Nepal
HMG	=	His Majesty Government
MBS	=	Master of Business Studies
NAC	=	Nepal Airlines Corporation
RNAC	=	Royal Nepal Airlines Corporation
Rs.	=	Rupees
S.N.	=	Serial Number
SAARC	=	South Asian Association for Regional Corporation
T.U.	=	Tribhuvan University
WTO	=	World Trade Organization

# CHAPTER- I

## INTRODUCTION

### 1.1 Background of the Study

Nepal Airlines Corporation (NAC) is the state airline of Nepal, and one of the driving forces behind the country's tourist industry. Thousands arrive every year to visit the birthplace of Buddha or to see Mount Everest, the tallest mountain in the world. Nepal maintains international branches in Hong Kong, Shanghai, Singapore, Bangkok, Dubai, Frankfurt, London, Osaka, Calcutta, Delhi, Bombay, and Patna. Infrastructure in the closed kingdom was very primitive at the time of RNAC's formation, and in many cases, the new air routes provided an alternative to weeks of walking between destinations. The airline has had to operate at the most rudimentary airports and has had to contend with a high local cost of fuel, which must be carried through land routes controlled by India. ([www.nac.com.np](http://www.nac.com.np))

**HISTORY OF AIRLINES:** It is generally believed that the Wright brothers of Dayton, Ohio made the first powered flight in a heavier than air machine. That the Wright brothers with no formal education as engineers were able to reason out the essential elements of controlling the flight was indeed remarkable. The Wright brothers not only discovered that control was the key to success, they made aerodynamic research in a wind tunnel of their own construction a central element of the program. They tested hundreds of airfoils and applied their findings to both wing and propellers. (Encyclopedia: 1996)

From those brilliant manufacturing and research efforts, culminating in the first flight of a heavier – than aircraft in December 17, 1903, at Kitty Hawk NC, has grown one of the major industries of the 20<sup>th</sup> century. The Wright brothers were greeted with disinterest had caused excitement and a flurry of activity. In France they were received with great praise and adulation. The Wright sold the patents to their aero plane in 1908 to the French Astra syndicate, thus marking the first significant business transaction of a new industry, a flying school was set up in Pau France and Willow Wright personally trained its first three students.

The advance of the aero plane industry is closely tied to the major conflicts of this

century and to the attempts by nations , even in peace time ,the exploit the war-making capabilities of aircrafts fortunately much of this development has been adaptable to commercial use.

### **1.1.1 Introduction of Nepal Airline Corporation (NAC)**

Air transport service in Nepal was initiated from early 1950s. At that time flights to Pokhara, Simara, Biratnagar and Bhairahawa was operated from Kathmandu by Indian Company. Nepal airline corporation, then RNAC was established in 1<sup>st</sup> July, 1958 under a special act by the government of Nepal as a joint ventures corporation with majority of shares held by the government. It was changed from RNAC to NAC in 2063 Jestha 4.

After its long history, now it has air services almost all over the country and few in international services. Seeing the past, at the time of establishment it had only DC -3 aircraft and 97 staffs in total, but now it has given employment to 1509 employees.

NAC had four basic objectives of safety, expansion, profitability and social services. The airline was formed to manage air transport services inside and outside the Nepal in a safe, efficient, economical and proper manner (Source: [www.nac.com.np](http://www.nac.com.np)). The corporation was empowered to exercise its power developing air transport services in order to ensure maximum profitability while at the same time it was expected to provide services at economic fares as far as possible.

After starting its initial flights to above four places in the country by July, 1958 it was felt necessary to provide air transport to other parts of the country also. As a result by acquiring additional DC-3 aircrafts and building airports within country wherever possible, it started schedule flights to other parts of the country like Janakpur, Dhangadhi, Surkhet, Bhadrapur etc and in addition to Patna, Delhi and Calcutta in India and Dhaka then east Pakistan by 1960s. Though it was important step in the development of airline services, it couldn't navigate smoothly in the high mountain of the north and was not suitable for landing at the short stretch of plain land available in the hilly terrain which features the vast majority of the country's landscape.

The concept of short take-off and landing (STOL) technology was adapted in 1971 to develop a network of air services also in the hilly areas. It was made possible by the introduction of Canadian Twin-otter (DHC- 6) aircrafts and Swiss Pilatus (PC- 6)

planes. By the introduction of these aircrafts a number of hilly places like Lukla ., Rumjatar, Tumlingtar, Lamidanda, Jumla, Baglung, etc were connected with the capital Kathmandu similarly by 1980s other remaining places like Rolpa, Manang, Bajura etc was also connected with the capital of Nepal.

In international sector with the introduction of B- 277 A /C in 1972, the national flag carrier started its operation to Bangkok, Colombo, by 70s and Hong Kong , Dhaka, Rangoon ,Singapore ,Karachi, Dubai , Male, Lhasa by 1980s .In the year 1987 the airline acquired most sophisticated technology aircraft B – 757 and started its operation to Europe continent that is Frankfurt in 1988 and to London in 1989 , here is some list of planes which corporation owns.

<b>Name of Aircraft</b>	<b>Model</b>	<b>No. of Aircraft</b>
Boeing (on use)	B- 757	2
Twin-Otter (on use)	DHC – 6	4
Twin- Otter (not on use)	DHC-6	3
Avro planes (grounded)	(HS- 748)	1

These planes are not sufficient to compete with the international airline service as well as with the private airline services inside the country, so there is lots of reforming to be done to make the corporation strong.

Knowing the fact that our country is landlocked and lush of possibilities of tourism it's very important to develop the industry like airlines.

### **1.1.2 NAC management and its human resources**

NAC has been operating under the act of 2019. In the organization committee, president is from Nagarik Udyan Mantralaya's director, member of Aartha Mantralaya and Mahaprabhandhak from Nepal government, 3 private members altogether 6 members in organizing committee.

In NAC now 1509 human resources are working in different field. In crew service 160, technician service 269 and its administration 1036 .44 local workers are working in external stations.

**Crew Service**

Cockpit crew (Boeings)	52
Cockpit crew (Twin-otter)	12
Cabin crew (For both)	96
<b>Total</b>	<b>160 no</b>

**Technical Service**

Licensed engineer for maintenance of Boeings	9
Licensed engineer for Twin-otter 4 or more than	10
4 grade technicians 4 or less than 4 grade	200
technicians	50
<b>Total</b>	<b>269</b>

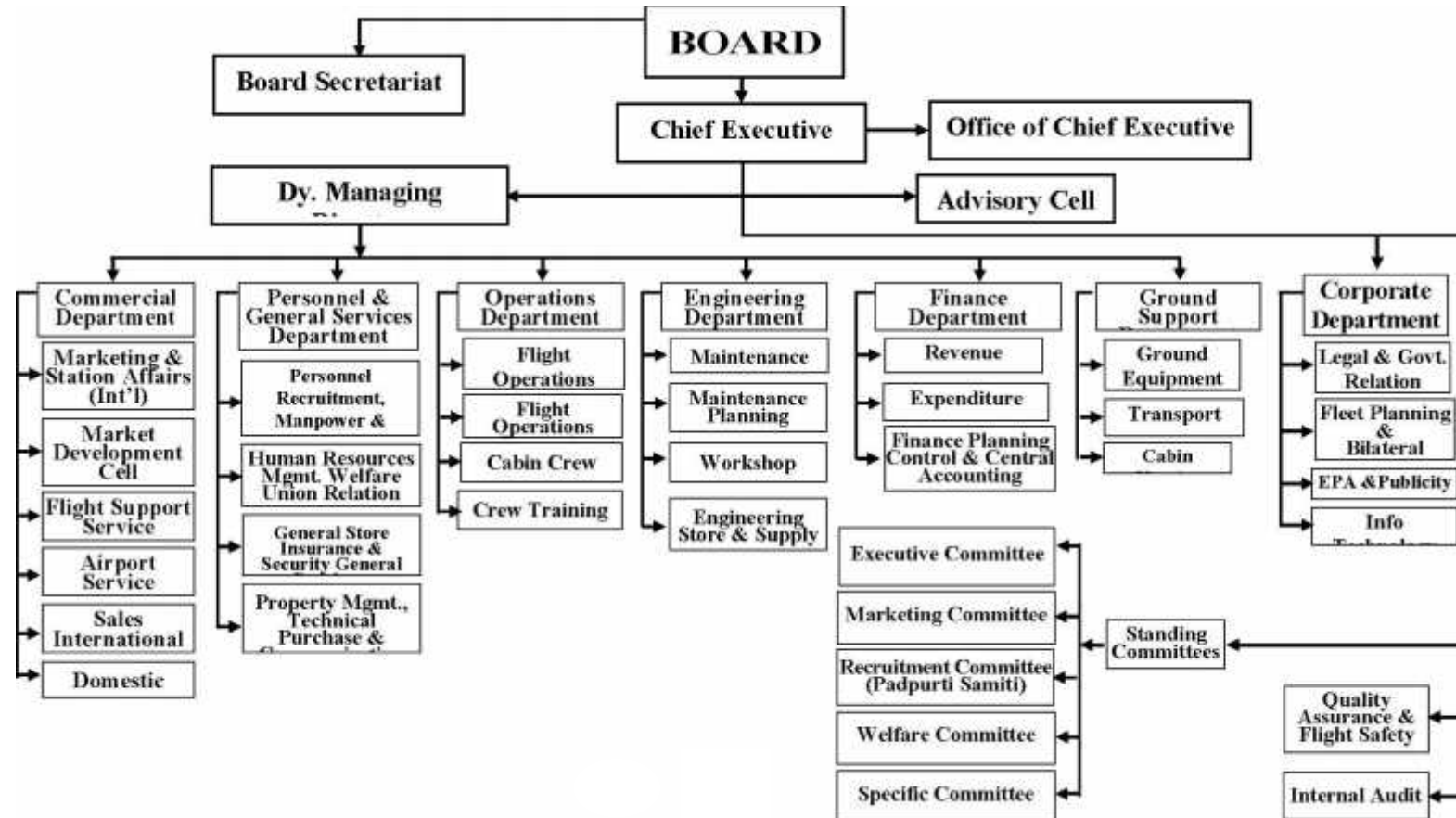
**Administration Service**

4 or more than 4 grade administrative workers	362
4 or more than 4 grade accounting workers	118
4 or more than 4 grade administrative workers	437
Total	917
Workers on lease	119
External local workers	44
<b>Grand total</b>	<b>1509 Nos</b>

Sources: NAC Swet Patra 2068

## Organizational structure of NAC

### ORGANISATIONAL STRUCTURE OF NAC



### **1.1.3 Department of NAC and their functions**

NAC is the biggest airline of Nepal. These are number of people working in different department of NAC .All the department have its own function and importance. Each and every department is connected with each other and all the department have some objectives i.e. to achieve the goals set or outlined by Government (Source: Operating Plan and Budgeting, 2010/11), NAC.

- **Commercial Department**

Commercial Department is also known as Marketing Department. This department handles all the functions concerned with marketing. This department formulates all the strategies, plans and policies related with marketing function, like sales promotion, pricing, promoting, distributing etc. This department controls all the activities that takes place from the transfer of good till is consumed.

- **Personnel and General Services Department**

Personnel department handles personnel form R to R i.e. Recruitment to Retirement. Personnel are recruited, selected trained and placed by this department. All the functions like performance evaluation for upgrading the staffs to the higher position, taking disciplinary action (reward and punishment), terminations etc are handled by this department. It also handles general stores, insurance and security matter. It also handles property management, technical purchase and communication which are very important to NAC.

- **Operations Department**

This is also one of the important department like other departments of NAC.It handles all the flight operation international and domestic. It selects the cabin crew and gives the required training.

- **Engineering Department**

This is also one of the important department of NAC .It handles all the problems related to maintenance of Boeings, maintenance planning and its

workshop.

- **Finance Department**

This department of NAC control overall financial activities of the organization. This department prepares all the financial statement of NAC Clearance sheet, profit and loss statement etc and the department also does the financial and budgetary control.

- **Ground Support Department**

It handles all the related equipment to ground and transport as well as cabin cleaning.

- **Corporate Department**

This department plans at a corporate level .This department makes the annual plans and controls the revenue and expenses of the organization. This department handles the functions like purchase or lease of aircraft, fleet evaluation, making annual operation plan etc.

### **1.1.4 Future plans and policy of NAC**

NAC has now entered in the 21<sup>st</sup> century. It has to be proud of its past. During this period, the airline has gone through varied experiences mixed with both prosperity and paucity. The demand for the standardized airlines services are increasing. The competition to meet the demand is also increasing day by day. So to meet such challenges, NAC should be change according to the time. So, to meet the present competitive market NAC has formulated some plans and programs which are given below: ([www.nac.com.np](http://www.nac.com.np).)

- It is looking forward to establish its services in more and more country.
- It is trying to bring more and more tourist.
- It is trying to link many other places of the country.
- To win the hearts of rural people by giving the quality social services.

### **1.1.5 Objective of NAC**

NAC was established with a view to develop the air transport services in Nepal. The

airlines have contributed a lot for the upliftment of economic state of the country. It has got some objectives as follows:

- )] To manage air transport services inside and outside Nepal in safe, efficient, economical with a professional manner.
- )] To uplift and develop economic condition and tourism in the country through expanding domestic and international air transport services.
- )] To continue diversifying air transport services.
- )] To promote tourism activities and opening up remote isolated areas for the benefit of the Nepalese.
- )] To provide employment opportunities and the economical air transport services within and outside the country.
- )] To provide rescue services at of natural calamities like earthquake, flood, landslide etc.
- )] To ensure optimum profitability while offering services at economical fares as far as possible.

(Source: [www.nac.com.np](http://www.nac.com.np))

## **1.2 Statement of the problem**

Marketing airlines services is very complex and not that much old concept in this region even though it is not completely new. To get success in the organization an airlines has to be very specific and careful to determine its marketing strategies. While analyzing the characteristics of our own national carrier, NAC there are some questions, which can be termed as a problem area in this study. Those research questions are given below:

- )] In context of present challenge NAC has to be more market oriented. It has to give more emphasis to marketing management .But has the NAC been more market oriented and has it given more importance to marketing management?
- )] Has the NAC been able to maximize its sales and captures its share in the market?
- )] Has it been able to establish most suitable distribution (place) internally and externally?

) Has it been promoting its product most suitably all over the world?

) Has the NAC got sufficient of product to service the customers?

) Has t it been able to evaluate its marketing efforts?

### **1.3 Objectives of the study**

The specific objectives are given below:

) To assess the existing market size and growth.

) To assess the services of airlines.

) To assess the promotion policy

) To measure the perception of passenger relation to promotion tools.

### **1.4 Importance of the study**

As the world is termed as a global village by the excess development of communication and the fast and easy means of transportation from one place to another place, airlines has its own importance to fulfill the demand of the present condition. Despite of this importance it has got more importance in a country like ours because it is one of the landlocked countries in the world.

In our country, the first means of transportation is air because the reach to hilly places through road is not easy to access as well as it takes lot of time to travel through road.

With reference to important of research study is going to conduct in NAC due to number of reasons. They are explained as follows.

) NAC is only the airlines of Nepal which was established as a state undertaking with domestic and international flight destination.

) NAC is only the airline which is responsible to provide rescue service at the time of natural calamities.

) NAC is only the national flag carrier has been proud to show throughout the world.

) NAC is the backbone to develop the tourism industry by carrying tourist from different international destination of the world.

) NAC is only the airline of the country which has earned fame and glory in

national as well as international area.

### **1.5 Limitation of the study**

- J Though marketing department is very big department, it is hard to gather all the documents and finding but had collected as much as possible.
- J The study generally based on data and information that has been provided by the NAC and its marketing department.
- J The study has been based on primary and secondary data to present and analyze the present situation of marketing department.
- J The study has been taken officer level employees i.e. from grade VI – X as a research population and more than 10% sample has been taken to distribute questionnaire and conduct interview to justify the problem and understand the process and procedures of marketing department.
- J Data and information has been used in the research study from the year 2005-2011.

### **1.6 Organization of the Study**

This study is divided in to following five chapters: prior to the body of thesis, preliminary materials such as title page, Viva Voce sheet, Recommendation, Declaration of researcher, Acknowledgements, table of contents, list of tables, list of figures and abbreviations used have been included. Then chapters are structured as follows.

#### **Chapter I: Introduction of the study**

Chapter one deals with introduction, statement of the problem, objectives of the study, limitation of the study, importance of the study, limitation of the study and organization of the study.

#### **Chapter II: Review of Literature**

Chapter two consists of review of literature. This chapter is subdivided into various sections such as conceptual framework and related studies of Nepal where is review

from different studies, review from journal, article and magazine and review from master's thesis for the concerned topic.

### **Chapter III: Research Methodology**

Chapter three present methodologies adopted for the research. It comprises research design, general research activities and analysis tools and techniques used

### **Chapter IV: Presentation and Analysis of Data**

Chapter four deals with the techniques used in analyzing the collected data and its presentation in the descriptive and analytical manner.

### **Chapter V: Summary, Conclusions and Recommendations**

Chapter five consists of summary, conclusion and recommendation about the topic concerned.

## **CHAPTER- II**

### **REVIEW OF LITERATURE**

“Literature review is basically a “stock taking” of available literature in one’s field of research .The literature survey provides the student with the knowledge of the status of their field of research. The library is a rich storage base for all kinds of published materials including thesis, dissertations, business reports, government publications etc.

The purpose of literature review is thus to find out what research studies have been conducted in ones’ chosen field of study and what remains to be done. It provides the foundation for developing a comprehensive theoretical frame work form which hypothesis can be developed for testing. The review of literature also minimizes the risk of pursuing the dead ends in research.

#### **2.1 Conceptual Review**

##### **2.1.1 Introduction of Marketing**

In the current millennium, marketing has entered a new dimension. This is the age of marketing .Every manufacturing organization needs to produce and market products to achieve its goal. With increased consumer awareness due to globalization, liberalization and IT development, many new challenges have arisen in the market place. Because of rapid improvement , many new challenges have arise in the market place .Because of rapid improvement in technology .the marketing environments is being more competitive day by day. The entire way of communication and marketing logistics have totally changed the marketing practice both at the domestic and international fronts (Source: Philip Kotler and Keller, Kevin Lane, 2006)

Hence survive in such dynamic environment an organization must be able to implement the modern marketing concept, organize the marketing department, monitor scan marketing environment and establish the information networks. It should also be able to plan, implement, evaluate and control marketing activities balancing the interest of the organization, customers and society. Thus strategic planning and integrated implementation have not only become a demand of time but also an indispensable aspect of the modern marketing.

### 2.1.2 Definition of Marketing

Different individual and association have tried to define marketing in their own terms. For instance, Prof. Philip Kotler has defined marketing as “social and managerial process by which individual and groups obtain what they need and want through creating offering and exchanging products of value with others.”

American Marketing Association (AMA) has defined marketing as “the process of planning and executing the conception, pricing, promotion and distribution of ideas good and services to created exchanges that satisfy individual and organizational goals. Thus in brief, marketing encompasses all the activities aimed at satisfying the needs of the customers through the exchange relationship to achieve organization objectives with social responsibility in a dynamic environment of the target market”

Increasing competition, changing customer want, declining sales, slow growth in the sales and increasing market expenditure are some reasons, which force organization to adopt and embrace the marketing concept. As information is the lifeblood of marketing to analyze marketing opportunities and threat and finding strength and weakness of the organization, marketing research has great role in marketing.

According to Philip Kotler “Marketing research is the systematic design, collection, analysis and reporting of data and findings relevant to a specific marketing situation facing the company.”

According to American Marketing Association “ Marketing research is the function which links the consumer , customer and public to the marketer through information used to identify and define marketing opportunities and problem , generate , refine and evaluate marketing actions , monitoring marketing performance and improving marketing as a process.

Thus marketing research is a direct of adoption of the marketing concept by business organization. Marketing concept gives more accurate understanding of consumers need, preference and delivery of most want satisfying product and service to a present and potential consumer. Competitive environment of the market has forced most organization to give up “hit and trial” method for business and encouraged them to adopt marketing research for better understanding of consumer, competitors and micro and macro market forces. Thus modern marketing concept emphasize on achieving organizational objective by marketing activities integrated toward

determining and satisfying customer need and target market. This new philosophy of marketing need top management support, market intelligence system, organizational restructuring, human resources development and appropriate marketing mix.

### 2.1.3 Marketing Mix

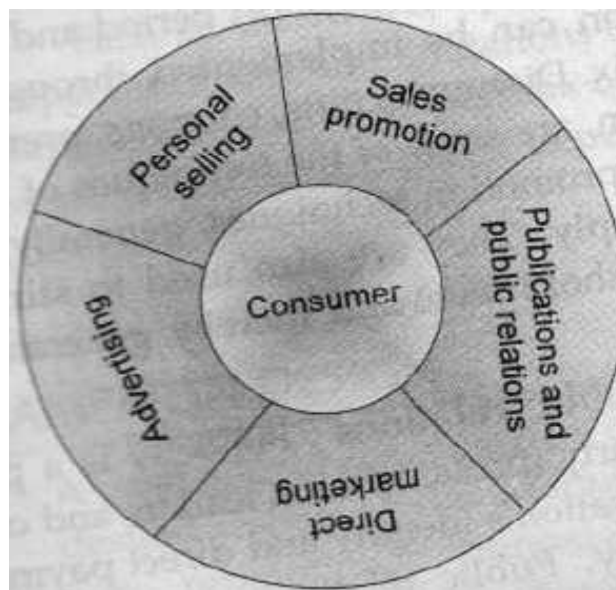
Marketing mix is defined as the set of marketing tools that organization use to pursue their marketing objective in the target market. These tools or marketing mix are known as 4ps product, price, place and promotion. The total marketing effort consists of the design; implementation and evaluation of the marketing mix. Organization should strike right balance between these 4ps.

1. **Product:** mix to satisfy consumer need, quality variety, branding, design (shape, size, color), packaging.
2. **Price:** reasonable, discount in bulk buying too stockiest, allowance, terms of sale.
3. **Place:** distribution channels – its either direct selling approach, through which services can be offered to the customer at a lower cost. Beside this agents and brokers, franchisers and electronic channels which are use for distribution channel.
4. **Promotion:** Advertising, sales promotion, public relation personal selling, direct marketing.

Beside these 4ps other 3ps are also added in the case off service marketing. They are:

5. **Physical Evidence:** Most services cannot be offered without the support of tangibles .Though customers cannot see the service; they can definitely see the tangibles associated, examinee them and try to form an opinion on the service provider. For instance, a passenger airline organization’s promise of a safe, comfortable and timely journey from one place to another will be examined by the planes condition ,seating facilities and other physical facilities, the office furniture and equipment being used and also the way in which the employees are responding to customers. All these physical objects are used as evidence by the customer to assess and expect performance from the service provider. Hence, physical evidence plays a critical role in shaping consumer perceptions and also expectations.

- 6. People:** Service organization is people-oriented and people-based organizations. Employees of a service firm constitute the major competency in undertaking business operations. Every employee of the service organization is a marketing person, who undertakes either full-time or part-time marketing activity. Whether an employee is involved in direct contact with the customer or not, if he was placed on the line of visibility, his behavior, activities and performance will have a direct influence on consumers. Service employees are to be trained and motivated for better performance in marketing activities.
- 7. Process:** Process is a functional activity that assures service availability and quality. The way the physical setting is designed technically and how the functions are scheduled and routed to provide promised services to the customers speaks of the efficiency of the process. In simple terms, the management of process is to manage service encounters effectively. Gronroos has described process as interactive marketing wherein moments of truth occur. The challenges of process management are to improve the moment of truth.



(Source: Philip Kotler and Keller, Kevin Lane, 2006)

#### 2.1.4 Marketing in Nepal

The marketing philosophy has not been well adopted by most organizations in Nepal. The industrial sector is in a developing stage. Although the role of services and production has been growing in the recent years, marketing has remained fragmented due to the topographical diversity, poor transport and communication facilities.

Although public sector remains dominant in Nepalese economy, the private sector is developing. The advent of global companies had resulted in the transfer of basic marketing skills, capital and technology. It is high time for Nepalese enterprises to adopt modern marketing than to concentrate on traditional production and selling concept. This new concept is gradually emerging as a part of the management philosophy for meeting the marketing challenges of 21<sup>st</sup> century.

## **2.2 Related Studies in Nepal**

There are some related studies in Nepal.

### **2.2.1 Related Articles**

An article entitled, **“The weekly Mirror” by Lohani (2002)** has shed light on the contribution of RNAC in the field of air service and overall development of nations, which is as follows:

In connection with RNAC, there is a rising eagerness about its operation among the people, because RNAC has been established in our country as the result of national necessity. Though it has impressive growth record, its real performance is not praiseworthy. As it is supposed to contribute an immense base for balance upliftment of Nepalese backward economy. It is even provided with monopoly power. Lohani points out mainly three causes for that. They are existence of scale economics possible usually through state monopoly, the possibility of raising investment resources in the fore of monopoly profits and welfare consideration for people in the country. However the existence of state monopoly alone does not assure profit, to the extent at monopoly industries controlled by the government like RNAC lacks the satisfactory profit and provide investment resources needed for expansion in other sectors they have failed in one of their primary objectives. Its failure to generate a reasonable rate of return is a direct social loss. Though RNAC as a strictly profit making institution, any evaluation of corporation must take into account both the social as well as private benefits.

Articles entitled ‘Crying shame’ by Damaru Lal Bhandari (2064) in Himalayan Times writes, The Nepal Airlines Corporation (NAC) is known to hit the media headlines for wrong reasons. Its in the news this year too. Just in case word has not spread around why, here is the update: Come December, it will be without both the Boeings for two

weeks.

Stranger still is the way the crying shame is being presented as a mere technical snag. The instance of both the Boeings falling into disrepair is being presented as a breakthrough recorded by its engineers. Worse, the arrangement to have them repaired smacks of another scam.

A responsible engineer of the airline only the other day shocked an unsuspecting colleague by saying that he had no knowledge about where the faulty parts of the aircraft have been taken for servicing. While this could be singled out as a classic case of “generalist” versus “specialist”, but that by no means sheds any light on the entire story. Nobody believes the airline is in safe hands in its diamond jubilee year.

More so amid all the chances of the number if aircraft likely to fall while replacements never come by. But that will not alter the destiny of those at the helm who can be compared with the mice inside a ball of cheese. The level of insouciance is always been high. Much like my colleague who came back shell-shocked that senior technical staffs were no better informed than her, I had encountered an equally bizarre situation a decade ago.

Looking for a business story I had gone to its head-quarters in New Road. I was pretty confident that I can dig out something or the other .But speaking with the benefit of hindsight I was blissfully unaware of the shock I was in for. I don't now remember why but I had begun by asking the number of aircraft the airline had on that day. I was told that come to the Planning Division instead of the Marketing Division which should know it.

I took that in good spirit since the guilt of not knowing the number was gnawing me deep down. I hurried to the Marketing Division .That, too, did not help and I was told to go to the Accounts Department. Once there, I was told to go the Operations Department .By now I had realized the futility of it all.

Another Article published by Damaru Lal Bhandari (2065) in Himalayan Times write giving the heading “**Clipped wings**”, The Nepal Airlines Corporation (NAC) has yet to come out of its years-old crisis of existence. Both of its Boeing -757s were grounded due to technical snags this week.However, one aircraft that had developed faults in New Delhi returned to Kathmandu Wednesday. It had faced technical problems in its circuit breaker while starting the engines. The other Boeing still has

serious cracks in its flaps. Worse, since the maintenance work is not possible at home, the Boeings have to be flown to Brunei. Such problems are anything but new to the beleaguered airline.

Unfortunately, the NAC still depends on two aging Boeing-757s to fly to almost 10 destinations in seven countries. Because of decades of poor management and lack of financial discipline, NAC has proved incapable of coping with the tremendous pressure to increase the number of its flights. Corporation officials say they are trying to add one more aircraft, but the problems go much deeper. At the time of competition among the airlines, the national flag carrier has been reduced to one or two aircraft, whereas private airlines that started from scratch have flourished in the last several years. The question, therefore, is one of restructuring both the ownership and the management of the NAC. It should be allowed to function on purely commercial principles, and a visible and substantial public participation in its stakes is indisputably a pre-requisite.

Another Article published in Kantipur by **Rajesh K.C. (2007)** writes, same as Nepal's political and economy crisis Ethiopia's most successful Corporation is Ethiopian Airlines. In the research of World Bank, it found the reason behind the success of it was the capable of its management. There's only objective was- Customer Satisfaction. In 2005 AD it was awarded by 'African Airline of the Year' award. Here NACC passenger wrote his experience on Jestha 10 in Airline quality .com, "I unfortunately booked Nepal Airlines ticket. I was heard bad facts about the Airline but did not experience it. My connecting flight was from Delhi so I went to Kathmandu airport but I was just reached airport to hear about thee cancellation. Staffs informed to send by Sahara Air. After landing at Delhi I did not found any NAC passenger so I missed another flight. So to manage it I had too expense 7000 Dollar .Don't ever use NAC, its worse".

According to Drucker, the aim of marketing is to know and understand the customer so well that the product or service fits himself and sells itself. In the view of Levitt, management must think of itself not as producing products but as producing customers creating value satisfactions. Here both Drucker and Lewitt are trying to give more emphasis on customer and their satisfaction which is the most important and challenging aspects of modern marketing management.

Kotler defines, marketing as the means through which organization identify unfulfilled human needs, convert them into business opportunities and create satisfaction for others and profit for themselves.

According to American Marketing Association, “Marketing is an organizational function and a set of process for creating, communicating and delivering value of customers and its stake holders”.

Marketing strategies should be comprehensive and properly molded with general organizational strategies. It should be able to suit with the existing and changing environment. Strategies designed and planned with due analysis of future probabilities encompassing all essential aspects of marketing and organizational needs will be the most valuable tool in attaining goals.

In general marketing activities cover from product planning and designing to distribution with the help of suitable promotional tools. It covers every aspect from the production of goods and services to its sales. Marketing covers all its marketing covers all its marketing mix that is product, price, places, and promotion. Every aspect is to be given equal importance.

If we say the success of business enterprise depends upon the efficient management, the management itself can get success only when it will have good marketing strategy. So marketing is very much important for the success of business organizations. Today’s world is a growing world. Every day or even every moment new things are coming. Competition is increasing every second. In such a situation there is a great scope and importance of marketing.

Most of the developing and under-developed countries like Nepal used to give more emphasis on production side. They had the concept that production is most important. Once the goods and services will be produced, they would be consumed very easily. But the production has become in such a huge lot that is has been very difficult and even impossible to sale such production. So gone are the days of production oriented economy. Due to a lot of competition in all aspects, the distribution aspect has become most important and complex too. Marketing tries to balance the production and distribution aspect in such a situation.

But such an important aspects of management, that is marketing cannot be in isolation. It should be as per the need of organization. It should be able to adjust itself

with the need of organization and as per the environments prevailing around it.

Marketing needs proper attention. There has been a lot of development in marketing philosophy. Marketing should be able to catch every opportunities that the organization would pass through. There should be suitable strategy through marketing that the organization would be able to catch all opportunities and encounter away all threats. A proper marketing strategy should lead the organization to the success in modern competing world.

Airlines of present day also cannot escape from the environment and threats prevailing under it. For an airline also to have success, they need good, marketing like any other organizations of present day. There has become a lot of competition in airline business also. The successful airline will be that one can compete with other airlines and hold its share in the market.

Airline's product is highly perishable. Once the aircraft will take-off, all the unutilized seats, space will go into waste. So the seats, the space is to be sold before the aircraft will take-off. Therefore airlines should have such a marketing strategy that they would be able to sale as maximum as possible before it will be wasted. Airlines need to be much more sales oriented. For this most of the airlines today have started automation, by the help of which they will be able to provide efficient and quick service to their valued customers.

Competition is the most challenges factor to modern airlines. Each and every airline has to face competition in their business. Nepal Airlines, our national flag carrier also has been facing competition in all its sectors.

Airlines product is service oriented. Passenger will prefer that airline which has good service in ground and in air consumer satisfaction is the prime factor in airline business.

Most of the airlines today are launching different programmes to serve its customers and to have maximum consumer satisfaction.

Generally there are these tools are classified into four broad groups that the four Ps of marketing.

### **Product**

Product is one of the important factors of marketing mix. Without product no

organization can do any business. It is the first step of any kind business in tangible or intangible way. In the airline business seat factor is considered as a product. More the Boeings and Twin-otters more the seat capacity in the international and domestic sectors. As a airline business is service oriented, a service product is a package of a series of services elements executed in proper order in keeping with the needs and wants of the customer, with an intention to maximize consumer satisfaction. There are three elements in basic service package.

- ) Core service
- ) Facilitating services
- ) Supporting services

The core service is the reason for being in the market. As in airline core service is for transportation. Facilitating services are those services without which core service cannot be performed. So having the Boeing is not only the solution, together it needs comfortable seats, good food, other entertainment tools inside the planes. Facilitating service make it possible for the passengers to use a core service. But at the same time supporting services do not facilitate the consumption or use of core services. But increases the value of the service offering. Thus, NAC can run a restaurants or duty free shop inside the airports or good transport service after and before the flights. As far as the core service and facilitating services are concerned, there will not be much scope for the competitive edge. But in a case of supporting services a high level of differentiation is possible, and as such ,the firm can enjoy a competitive edge by being up to date, innovative, fast, bold and flexible (Source: Philip Kotler and Keller, Kevin Lane, 2006).

### **Pricing**

Pricing is also one of the important aspects of marketing without proper pricing, a product cannot be sold effectively .Price in airlines term is called as fare for the passenger and rate for the Cargo.NAC being a public enterprise is following government directed pricing

Pricing has become another prime factor in airlines business of today. Most of the airlines are under-cutting their prices to secure maximum business. They are offering different incentives to the passengers.

Thus we see that marketing is the most challenging and important factor for the airlines of today. They have to face competition from its production, which is scheduling up to distribution. Consumer satisfaction is the most important factor in airlines business. Every thing is to be competitive, schedule should be competitive, price should be competitive, distribution system, service on ground, on air etc, each and everything should be competitive to capture its share of market. For all this a good marketing strategy is essential.

Pricing is the influence factor in consumer decision making, related to the purchase. In services marketing mix, price is only 'p' that generates inflow to the company. The revenue of the company will be greatly influenced by the pricing decision. Traditional approaches of pricing have some problem when applied to services. Taking into consideration the service characteristics and consumer perceptions, service firms should take the right decision relating to the pricing of services.

Price in airlines term is called as fare for the passengers and rate for the cargo. NAC being a public enterprise is following government directed pricing in its domestic sector and market competitive pricing in its international sector both for passenger and cargo.

### **Promotion**

Promotion means, "to move forward" in its broadest sense. Promotion can be defined as "marketing communication that attempts to inform and remind individuals and persuade them to accept, recommended, re-sell or use of product, service or an idea.

Promotion is popularly know as external marketing in services as a traditional marketing. To continue the traditional identity, promotion was included as one of the components of services marketing mix.

) Advertising: Advertising is the non personal mass communication by an identified sponsor. Advertising is a cost effective and powerful means to reach the masses. The cost per unit of exposure is the lowest in advertising, when compared to other promotional approaches. Informative, educative and persuasive objectives can be achieved through advertising.

) Personal selling organization establish communication channels through their sales force with the target market, it is called personal selling. Personal selling is

face-to –face communication. Feedback can be spontaneous and customers can clarify doubts on the spot. This type of selling is very costly and difficult to reach the mass market. All employees in a service organization are marketing employees. Some sell in full-time basis and some on part-time basis. But everyone contributes to sales.

- J) **Publicity and public relations:** Publicity is promotional campaign through a third party (press, opinion leaders and other indirect sources).Its a deliberate attempt by the organization to establish relations with various people like customers, suppliers, creditors, shareholders, media and social organizations who are capable of influencing, directly and indirectly, business prospects. Both public and publicity are powerful techniques for promotion of services. With the use of these two, a favorable word-of-mouth communication can be generated in the market.
- J) **Direct marketing:** When intermediaries are not involved between producers and consumers, it is called direct marketing. Its not the recent concept. It is one of the alternatives for the producer to reach the market. The evolutionary changes that promotional mix in the areas of communication system and networking, information technology, transport and technology in recent rears promoted the direct marketing concept as one of the promotional tools.

Today's business can not be expected to be success without a proper promotion policy.NAC being an airlines business has to give even more importance in proper promotion activities. To be very frank NAC has not have promote its product in its domestic sector as there is always problem to get seats especially in hilly region sectors. But in the other hand promotion plays vital role in its international sector where as there has not been promotion of its product that much effectively in the foreign market. But recent promotion strategies have becoming very effective in international sector also.

### **Distribution**

Business firms or social organization measure their growth in terms of market expansion. When a service provider intends to expand his market operations, there are only two options before organization. Either it has to start service outlets at various places offering the same package and quality, or to use private distributors for the purpose. Maintaining standards of performances at the service outlet is always

challenging for the service provider. If this job is assigned to middlemen, there may be a danger of decrease in the value of offering and bad reputation to the organization. However, if the distributors have the ability and willingness to offer such services, the risk of failure and damage to the company image gets minimized.

Distribution's objective is to make services available at the right time and at the right place and accessible to consumer with ease and convenience.

Airlines product also can be distributed through both channels that is directly to the customers or through middle-men. Middleman for airlines products are travel agents, General sales agent, cargo sales agents, etc. NAC is also selling its product to its customers directly by its own offices that is district sales offices and different regional offices outside the country. It is also selling its product by appointing different agents inside the country and worldwide outside the country.

### **Competition**

Competition has also become a common challenging factor for today's business enterprise. Airlines business can not be the exception of competition as well, rather they have to face more competition in comparison to other types of business. Their fare should be competitive, schedule competitive, service and all the other things should be competitive. NAC also is facing a lot of competition in all its international sectors with big international airlines like Delhi and Calcutta with Indian Airlines, Singapore with Singapore Airlines, in Bangkok with Thai Airlines, in Hong Kong with Dragon Air and yet there are more other international airlines in other market. Thus even a single sector is not without competition. In domestic sector also NAC has been facing a little bit competition with road transport especially in terrain region.

As we know Yeti Airlines just spread its wings to international sector which is a great leap for the Nepal Aviation history but the challenging competition threat to the Nepal Airline Corporation.

### **2.2.2 Review of Thesis**

Next study had done by **Agrawal and Singh (1977 A.D.)** about the NAC (Aspects of Cost Control). In this studies they concluded, Nepalese organization seem to be badly suffering from the acute absence off cost control awareness. Public corporation sector has been the leader and the private sector has been a silent follower in this regard

.There are many e.g. increase in price of bricks, sugar, electricity etc. where government meekly allowed the government corporation to make price increase instead of demanding of them effective control of costs in the interest of price stability. The poor accountability coupled with the absence of standards to evaluate their performance has perpetuated the status quo. However, it is essential that there attitude of cost control be inculcated in the workings of organizations in Nepal.

**Shyam Bahadur Ranjit's** study, unpublished **Master Degree Thesis 1978 A.D.**, One of the constraints of progress of air transports in the underdeveloped countries is the scarcity of capital.

) The development of air transport depends on the extension of airports and airstrips , because of mountainous topography , suitable stretch of level of land for airports are not easily available in the country .Due to shortage of plain land , it has become obstacle to extend the air services of big planes in the various part of the country.

) Another major problem of our national airlines is the shortage of well-trained personnel. In this direction, though the friendly countries train many technicians such as engineers, overseers, draftsman and pilots, their number are still insufficient for the need of the country. In this regard, airlines have to adopt appropriate numbers of mechanics must be trained than the more engineers' to maintain the aircraft properly. Due to sophisticated technology, corporation has to pay more money to foreign country for training .This is also a vital problem for the corporation due to lack of aeronautical school.

For the regards, remarkable study done by **Singh (1979 A.D.)** is worth mentioning. In her study she observed that the shoe in industry in Nepal made no significant effort to increase their sales. Since, the Nepalese factories were unable to sell their products throughout the country themselves, she recommended to concentrate selling through dealers and dealers should be entrusted with exclusive s rights for sales on areas basis, she further pointed that the term and condition s for dealer s should not be changed too frequently nor should they be amended unilaterally by the factory.

Mr. P.N Vidya study, **A case study of RNAC", 1987** had pointed some conclusions and recommendation as follows:

) RNAC's contribution in visitor influx to the country has always been significant but

due to the growing competition from foreign airlines, it has not been able to maintain its share in trafficking tourist. The Situation should be viewed from the total tourism industry perspectives. The industry after making remarkable progress in the sixties and a good progress in the seventies has a virtually stagnated after 1979. However same diversification tendencies in purpose of visit is notice through pleasure seeker group continued to dominate in total tourist arrivals .the situation after 1979, therefore has not been very encouraging to RNAC, due to increasing competition and other factors. In bringing tourist in the country it has conceded the lead to Indian Airlines though in total share in external service, RNAC reigns supreme.

- ) RNAC has been making considerable efforts to promote tourism in Nepal .It has been making considerable various publicity campaigns, advertisements programs and other sales promotional campaigns. Its effort to sell Nepal as a destination has attracted enthusiastic response .RNAC is proving probably the best means to promote the tourism wealth of Nepal. Its publicity ,expenses in the 15 years period , have almost groom by 25times, which indicates the extents of efforts being made by RNAC. Yet there are still more areas where RNAC's promotional efforts should be directly matched by adequate financial resources.
- ) There is a very good prospect for developing interregional tourism as in Europe and North America. Even now Indian tourists constitute the largest chunk of tourists visiting Nepal. In view of the large potential regional market the potentiality for Nepal and RNAC to tap it is quite bright. However, only limited attention seems to have been provided in this direction of promoting tourism in region through joint and common strategies. Materialization of South Asian Association For Regional Corporation (SAARC), however, should make a very favorable impact in this aspect.

#### Recommendation

- ) RNAC should extensively expand tourism promotion program through suitable methods or suitable mix of promotional mix tours in the true originating areas like Europe, America, Japan etc.
- ) RNAC should enhance sales promotional measures in the proper tourist generating markets.
- ) Service improvement is essential in domestic feeder lines, also especially in such routes which the tourist generally use.

- J It should develop adequate contacts and establish relation with world-class travel agents and tour promotional wholesaler to promote tourism packages as well as its services.
- J RNAC should start developing strategies to meet the demands of business and official visitors in view of their potential growth.
- J RNAC should promote attractive packages to promote tourism from the region and its publicity should get wide coverage. Attention should be provided to give greater courage to the potential market areas.

**Yogesh Pant (1993)** in his study “**A study on Brand Loyalty**” found that most of the Nepalese consumer lack of consciousness for research work. They are unaware of the fact that a research work is beneficial not only for the researchers but also for the country as a whole .So, they do not respond elegantly to the questionnaire distribution to them. This becomes a much more complex problem when the questionnaire is long. They feel monotonous to fill up along questionnaire .So it is suggested to convince the consumers first before the asking the questions for giving the questionnaire so that they feel the study to be conducted is really big benefit for them also. The questionnaire to be used in the study should be short and simple as possible. A short and simple questionnaire can procure more accurate information then a long and complex one.

**Hari Prasad Shrestha (2002)** in his study, “A study on factor affecting the tourist influx in Nepal, with special reference to accommodation ,transportation and publicity “ concluded that publicity on the facts about country trends to attract the foreign visitors significantly .But the publicity media has not been so effective in both quality and quantity. It is needed to give due alteration to expand the amount of publicity in the effective media of publicity in the country and abroad. No noticeable effort has been made abroad in this respect. Time has come to invade world tourism market in the more vigorous way which we can do by increasing genuine publicity measures.

## **CHAPTER- III**

### **RESEARCH METHODOLOGY**

Research methodology is a systematic way to solve the research problem. Research methodology refers to the various sequential steps to be adopted by researcher in studying a problem with a certain object in view.

Marketing Research involves specific inquiries into specific marketing problems. It is basically problem oriented and based on systematic and careful planning and implementation. The purpose of marketing research is to generate information, which helps the business executive to take appropriate and timely decision. Marketing research provides the firm with important customer feed-back and understand the dynamics of the market place. Today, business decisions are increasingly based on the market-place reality than intuitions. The increase in marketing research activities reflects a transition from intuitive to scientific problem solving methods.

Thus this chapter highlights the research methodology which is used during the course of research study regarding “Marketing analysis of Nepal Airline Corporation”.

#### **3.1 Research Design**

A research Design is the agreement of condition for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedures. Thus it is not possible for the researcher to conduct a research project without research design.

The research is designed in such a way that it would be more convenient for the researcher to collect the actual data and information during the course of research study. Since this study is basically descriptive and analytical in nature.

#### **3.2 General research activities**

With reference to research methodology the different research activities have been conducted by researcher. They are:

**Population:** The term population or universe for researcher means all the member of any well defined class of people event or objects.

Similarly, employees have been taken as a research population by the researcher in the research study. The total population of the study was 1509 employees.

**Sample** – A population in most studies usually consists of a large group of people. Because of its large size it is fairly difficult to collect detailed information from each member of the population. Rather than collecting information from each member a sub – group is called a sample and the method of choosing this sub – group is done by sampling.

In the research study, the whole employees of department taken as a population where as 60 employees of the population has been taken as a sample which represents the population stated earlier in the study.

**Data and Information gathering Techniques:** Data and information has been collected by following two methods –

- ) Primary data
- ) Secondary data
- ) **Primary Data**

While collecting primary data, the different methods has been taken into consideration. They were:

- a) **Observation method:** Observation method is more direct way to gather information from the particular field, area and event .It is one of the best ways for researcher to get the real information. By following this method the researcher has frequently visited the organization , observed different department ,concentration has been made in marketing department , observed different divisions and units of the department , existing systems , procedures, technology employed in central reservation unit communication unit and Abacus unit of NAC , Tickets Reservation and Sales procedures in International and Domestic sales counter , Agency ,Tariff Schedule sub divisions of marketing department.
- b) **Questionnaire Method:** During the course of research study different questionnaires has been designed as per the requirement of research study. The list of questionnaire and their types are attached in the Appendix ‘I’ of the research study. The list of questionnaire has been distributed to the officer level employees randomly to collect information from the different divisions of the marketing

department.

- **Secondary data and information:**

Secondary data are actually the results and data collected by previous investigator. It provides the researcher with a considerable amount of useful information.

With reference to research study the different secondary information has been collected from different sources .The different sources are – In formations and records kept by department divisions and units , NAC in house journals , profiles , NAC operating plans and budgets , business magazines , daily newspapers , Swetpatra published by NAC, Nepal Airlines Corporation magazines , on time flight schedule guide.

### **3.3 Analysis tools and techniques used**

With reference to research methodology, different tools and techniques has been used by researcher to present and analyze the existing marketing system.

Use of tools and techniques

) Tables and figures

) System approach

) Data flow diagram

) Flow chart

) Tables and figures: A system is presentation of data in columns and row form. Typically tables are used to present the data and information to make the content clear whereas the term figure usually includes graphs, maps, drawings and charts.

) System approach: A system is a group of element or components joined together to fulfill certain function. In large context a system is an assemblage has three basic interacting components .They are :

- Input
- Process
- Output
- Feedback

- Control
- System boundary
  - ) Input involves capturing and assembling elements that enter the system to be processed.
  - ) Process involves transformation processes that convert input into output.
  - ) Output involves transferring elements that have been produced by the transformation process to their ultimate destination.
  - ) Feedback is the data about the performance of a system.
  - ) Control is the major system function that monitors and evaluates feedback.
  - ) System boundary, note that system does not exist in a vacuum rather it exist and function is an environment containing other system. If a system is one of the components of a large system it is called a sun-system and the large system is its environment. And the system separated from its environment and other system by its system boundary.
  - ) Data flow diagram: Data flow diagram is an important tools used in analysis of system. A data flow diagram models a system by using external entities or data stores. Stored data may also flow to process as inputs. The main merits of Data Flow diagram is that it can provide an overview of what data system would process what transformation of data are done, what data are stored and which stored data are used and where the result flow. Thus data flow diagram is a graphical network which magnifies the relation between different procedures within the system. The concept of data flow diagram was developed by De Marco in 1978 AD.

## **CHAPTER- IV**

### **PRESENTATION AND DATA ANALYSIS**

A good business is the outcome of a good management. An efficient management system is vital for the success of any business. It is the management which leads the organization rather to success or failure. If the management is not good and efficient one, sometimes the existence of business itself may be a matter of doubt.

A good management system covers all the aspects of management that is marketing, financial, production, personnel etc. It has also to interact with all the environments, external as well as internal prevailing around it. If the management cannot interact and adjust with the environments around it then it will be very difficult for the enterprise to survive and run smoothly.

Of all the components of management, marketing has become one of the most important and challenging aspects of today's business organization. It has become one of the most difficult tasks to handle. If the organization is not well prepared to handle its marketing aspects, then the organization can never get the success and exist. The growing importance of marketing in the present day is in basically due to its impact on the success or failure of an enterprise.

Now let us briefly see what this most important aspect of management that is "marketing" is?

#### **Marketing Department**

NAC is the biggest Airlines of Nepal. There are about 1509 employees working in different departments of NAC. The different departments have its own functions and importance. Each and every department is connected linked with each other according to their requirements. Among the different departments, marketing department is one of the most sensitive departments of NAC which plays numerous roles to uplift and compete in the competitive environment. The success and failure of airlines service depends on the proper and efficient management of marketing department.

Basically, marketing department handles all the function concerned with marketing. The department formulates all the strategies, plans and policies related with marketing activities such as Sales Promotion Pricing, Advertising Distribution, Schedule Planning, Station Management, Market Research and Development etc. The

marketing department of NAC consists number of divisions and it is further divided into units. The structure of marketing department and their respective divisions and units are presented below.

### **Marketing Department**

#### **a) Marketing and Station Affairs ( International )**

- ) Product policy and strategy
- ) Tariff and price strategy
- ) Market promotion
- ) Station affairs

#### **b) Market Development Cell**

- ) Market research and development
- ) Traffic review, monitoring and forecasting
- ) Schedule planning
- ) Management information report

#### **c) Sales International**

- ) Reservation and sales policy
- ) Agency policy, distribution and control
- ) Yield management

#### **d) Domestic**

- ) Product policy and strategy
- ) Sales and reservation policy
- ) Market promotions
- ) Station management
- ) Management information report

#### **e) Flight Support Service**

#### **f) Airport Service**

### **Duties and responsibilities**

The functions, duties and responsibilities of the Director, Marketing are as of the Department.

1. To formulate and implement marketing and sales plan and programme of the Department.

2. To ensure smooth operation of the sales and marketing functions related to area of the Department.
3. To plan and implement operation of schedule, non-schedule and charter flights in co-ordination with other Departments as and when required.
4. To carry out market research activities and market studies of existing as well as potential routes and report to Chief Executive through Deputy Managing Director.
5. To monitor tariff vs. yields in different routes and implement measures for improvement of yields.
6. To suggest measures for maximizing revenue from sales and other activities and its implementation.
7. To prepare and submit annual traffic and revenue forecast and to make efforts to achieve the target and review the target vs. achievement quarterly.
8. To prepare and implement annual expenditure budget of the Department upon approval as per prevailing rules and regulations.
9. To prepare and submit Management Information Reports (MIR) on time as per requirement.
10. To maintain financial discipline and control expenses within the approved budgetary limit and as per the existing Finance Rule of the Corporation.
11. To keep close liaison with Government offices, Interline partners, Agents, Tour operators and other travel trade related authorities to enhance the revenue, image and goodwill of the corporation.
12. To monitor and evaluate the performance and activities of the General sales Agents, Passenger sales Agents and Cargo sales Agents appointed by RA and submit report.
13. To monitor and evaluate the performances the different Units, Sections and Divisions of the Department.
14. To delegate authorities to subordinates to ensure that they perform their jobs timely and efficiently.
15. To assist Chief Executive in carrying out his responsibilities in respect of area of Marketing Department and perform any other jobs assigned by him from time to

time.

16. To implement the directives of the Chief Executive and board.

### **Executive Authorities**

Following authorities are delegated to Director Marketing in order to carry out duties and responsibilities smoothly and efficiently:

1. To exercise full administrative control over staffs of Marketing Department including approval of leave and passage of the staffs as per the rules of the Corporation.
2. To take disciplinary action against the staffs up to Grade VIII of the department in line with the provision of the Service rule.
3. To transfer staffs up to grade VIII within the Department.
4. To evaluate performance of the staff of Department and send to concerned department regularly.
5. To send staff on duty up to a maximum period of 30 days within Nepal and India and 7 days to other countries as per requirement within the approved budget.
6. To execute domestic and international postings of staff as per the posting criteria and the provision of Service Rule in consultation with the Chief Executive.
7. To approve overtime of staff within the limit of approval budget.
8. To authorize and approve all the expenses pertaining to the department within the budgetary provision as and when required.
9. To appoint cash minus commission agents. CVD stockiest agents may be appointed after due approval.
10. To represent Airlines on various travel and tourism related committee/seminars/conference, trade meets, marts etc. concerning the activities of Marketing Department after due approval.
11. With Information to Chief Executive
  - To decide normal passenger fares and cargo rates. Excursion fares, promotional fares/rates and special agency/interlines fares to suit the market situation.

- The annual agency fares will continue to be decided by the Marketing/Finance Sub-Committee. However, the same could be revised by Marketing Department to respond to the market situation and informed to Marketing Committee.
  - To decide on special interline prorates for both passenger and cargo.
  - To decide on code sharing with other Airlines.
12. To provide free/rebated and special fares/rates with or without service charge in line with the policy of promotional activities strictly in need basis only:
- Cargo/excess baggage transportation on flights.
  - Tickets to FAM trips organized by Agents and Interline.
  - Interline and agencies.
  - Tickets for promotional purpose to external agents.
13. To upgrade passengers to J Class strictly on need basis only for building RA image and business.
14. To organize Agents/Interline get-togethers at the cost of Corporation at different places whenever required.
15. To re-arrange and implement temporary schedule including delay, rerouting, postponement or cancellation of the flights as and when necessary.
16. To approve and authorize re-routing of passenger/cargo up to an intermediate or destination point in case of disturbances/cancellations and overbooking of flights.
17. To sanction in cash or by free tickets without service charge as compensation to passengers in case of disturbances of flights or mishandling of baggage or any other general service complaints relating to us.
18. To certify all bills and expenses pertaining to area of responsibility of the Department for Payment subject to budget provision.
19. To exercise financial authority as per finance by- rule 2046 and revision thereof.

**Evaluation:**

The performance of Marketing Director will be evaluated against the followings:

- ) Fulfillment of Revenue target.

- ) Maintenance of Financial discipline and cost control.
- ) Proper co-ordination with all Departments and other related agencies.
- ) Maintenance of good relations with agents, Interline and other outside parties.
- ) Effective sales promotion activities.
- ) Implementation of Management directives and Board decisions properly and timely.

#### **4.1 Marketing and station Affairs (International Division)**

Marketing and Station Affairs International division is concerned with formulation product policy and strategy regarding International flight. The product policy and strategy is supposed to be changed according to demand and supply. In the field of Airlines service, airlines seats and space are considered as product. Marketing division always think what marketing strategies are appropriate? What strategy should we follow to compete in the world market? There is familiar saying- Do not watch the product life cycle, watch the market life cycle. Similarly the division is concerned to set tariffs and price of the product. Tariff and price are taken as an important aspect in the market. Pricing strategy includes initiating price cuts, initiating price increase, reactions to price changes, responding to competitors price change etc.

Market promotion is another activity of this division in includes advertisement through different media such as radio, television, newspaper, magazines and journals, Airlines profiles etc. Similarly conducting different seminars and participating in seminars conference and exhibitions.

The division is always in touch with their station, how the station is supporting them and providing information to their staffs regarding flights and passengers' arrivals and their handling. The location of international stations and management of these stations are the major concern of this division.

Number of planes NAC owns for international flights is only two that is Boeing 575. NAC was giving its service till 1992 / 93 with its two Boeings 727 and other two Boeings 757 altogether four Boeings in 9 countries, 13 cities. It sold its both 727 Boeings and took one Boeings on lease for few years. Since 2002 May it have been operating with its own 757 Boeings after lot of conflict aroused about the lease agreement.

NAC's two Boeings 757 are also very old. Its Production Company had already closed its operation since 2004 AD. International Airlines have been adding its fleets with more quality and modern technology. The planes being very old, it takes more time as well as cost in maintenance. If only one Boeing is on maintenance or any emergency happens all the flight schedules are affected which can be a negative message to the passengers about NAC.

After government has liberalized its rules and regulation, NAC's monopoly has been ended and it has to compete with other airlines. In result, it has more chances to loose the existing market and have to compete in the sectors where NAC is in profit. The reason to stop its Europe flights since 2001, due to tough competition and lack of planes.

At present NAC has been operating by its own plane in international sectors like Delhi, Hongkong, Shanghai, Osaka, Kualalumpur and Dubai. Where there is less competition NAC is in profit. In operating international routes like Kuala Lumpur, Dubai, Hongkong and Bangkok are in profit as well as Osaka, Shanghai and Delhi routes are not in satisfactory level. Despite of profit NAC is not able to add its fleets in sector where there is profit. According to "Airline Flight Theory "less than four flights per week are not profitable and manageable.

#### **4.1.1 NAC's International Routes**

Delhi	7 flights per week (daily one flight)
Bangkok	3 flights per week
Hong Kong	3 flights per week
Dubai	3 flights per week
Kuala Lumpur	6 flights per week
Osaka / Shanghai	2 flights per week

Source: NAC Swet Patra 2068

As mentioned above Hong Kong, Dubai and Kuala Lumpur are the main markets as per market share and no of passengers.

The market which NAC has is not sufficient. It only covers 7 cities around the world and it is very few. As India and China, they are our closet neighbor and also the most populated area in the world. They are also one of the emerging nations in the world

and their economic growth is increasing annually. Increasing economic growth means high living standard and saving more money for traveling. If NAC only be successful to tap the market of these emerging nations it would be enough for NAC. So for these large countries only two Boeing is not sufficient. NAC must add its fleet for the incensement of the market. At current it only gives services in Delhi. Likewise in China too it only gives services in Shanghai. Nepal is one of the country where Chinese government has liberalized its citizens to visit. In result Chinese tourist are increasing day by day, but other private airlines taking this opportunities as well as benefits.

Europe and America have its own specialty. For the quality tourist Western Europe is the main market for NAC. NAC must have capability to reach these place .If appropriate Boeings are added NAC can add its fleet for Frankfurt and London.

Beside these there are approximately two million people working and studying around the world especially in Gulf countries and Europe and the U.S.

#### **4.1.2 NAC competitors**

- ) Indian airlines
- ) Bangladesh Biman
- ) Thai Airways
- ) Jet Airways
- ) Gulf Air
- ) Druk Air
- ) Pakistan Intl Airlines
- ) Qatar Airways
- ) Air Sahara
- ) Air China
- ) Austrian Airlines
- ) Air Arabia
- ) GMG ( Bangladesh)
- ) Korean Air
- ) China Southern Airlines
- ) Orient Thai

Source: NAC Swet Patra 2068

Just recently Nepal's private airline Yeti Airlines has also spread its wing in international market, which is the second domestic airlines playing a role of competitor of NAC, before this Cosmic Air had served in international routes. (only in India)

Having such a cut throat competition unfortunately we get to read about the mismanagement of NAC.

According to one newspaper, NAC is going to be zero plane condition. The engine of a Boeing which was on C-check in Brunei is used in the Boeing of another 757. Now the operating Boeing needs C-check so for a week all the flight can be cancelled. The management says engine will be put in another Boeing and resume the flights.

#### **4.1.3 NAC international stations**

S.no.	City	Country
1	Delhi	India
2	Hong Kong	China
3	Shanghai	China
4	Dubai	United Arab Emirates
5	Bangkok	Thailand
6	Kuala Lumpur	Malaysia
7	Osaka	Japan

Source: NAC Swet Patra 2068

#### **4.1.4 Special Offers of NAC**

- ) Insurance
- ) Special package
- ) Student concession

Source: NAC Swet Patra 2068

**Table 4.1**  
**Special Economy It Fares For Sales in Nepal**  
**(With Effect from 01 January 2011)**

Ex KTM to BKK/HKG/ SHA/OSA

One year valid special IT fare

Sector	Fare Basis	Fare	Class	Tour Code	Applicable
KTM-BKK	Y/OW	NPR 13000	Y	A3XZ	Nepali/Indian
		USD240	Y	S26X	Foreigners
KTM-BKK-KTM	Y/RT	NPR 25000	Y	A15X	Nepali/Indian
		USD 420	Y	S8X	Foreigners
BKK-KTM	Y/OW	USD 260	Y	S24X	All nationals
BKK-KTM-BKK	Y/RT	USD 460	Y	S4X	All national

KTM-HKG	Y/OW	NPR 20000	Y	A1ZZ	Nepali/Indian
		USD 350	Y	S15X	Foreigners
KTM-HKG-KTM	Y/RT	NPR 37000	Y	A27X	Nepali/Indian
		USD650	Y	A15X	Foreigners
HKG-KTM	Y/OW	USD 350	Y	S15X	All Nationals
HKG-KTM-HKG	Y/RT	USD 650	Y	A15X	Foreigners

KTM-SHA	Y/OW	NPR 20000	Y	A1ZZ	Nepali/Indians
		USD 350	Y	S15X	Foreigners
KTM-SHA-KTM	Y/RT	NPR 37000	Y	A27X	Nepali/Indians
		USD 650	Y	A15X	Foreigners
SHA-KTM	Y/OW	USD 350	Y	S15X	All nationals
SHA-KTM-SHA	Y/RT	USD 650	Y	A15X	Foreigners

KTM-OSA	Y/OW	NPR 20000	Y	A17XZ	Nepali/Indian
		USD 350	Y	S15X	Foreigners
KTM-OSA- KTM	Y/RT	NPR 52000	Y	A42XZ	Nepali/Indian
		USD 1100	Y	A6Z	Foreigners
OSA-KTM	Y/OW	USD 750	Y	A25X	All nationals
OSA-KTM- OSA	Y/RT	USD 1350	Y	A85X	All nationals

Source: Commercial Department, NAC 2011

### Conditions

1. This fare is valid for all tickets issued on or after 01 January 2011 until further notice. For RT fare ticket 2<sup>nd</sup> leg will be valid for 01 year from commencement of first leg. If Open dated ticket is issued validity of the ticket will be one year from the date of issue.
2. Commission: Normal agency commission 7% will apply. Volume incentive applicable as per agency agreement
3. Taxes, Fees and charges (TFC) not included in the fare, hence should be collected separately.
4. Tickets must be used in sequence.
5. For ticketing purpose applicable lowest published directional minimum fare is to be shown in the ticket, followed by the tour code.
6. Discount:
  - a. Children- 25% of the applicable adult fare. Applicable for children who have received their 2<sup>nd</sup> birthday but have not reached their 12<sup>th</sup> birthday. Tour code will be respective tour code of adult fare and CH to be entered in the ticket designator box. Date of birth (DOB) should be mentioned in the ticket.

- b. Infant - 90% on the above fare: Applicable for babies who have not reached their 2<sup>nd</sup> birthday. Code "IN" and date of birth (DOB) of the infant should be mentioned in the ticket.
- c. Student: Not applicable

7. Tour leader:

- a) 15+1 (100%) group discount is applicable for the 16<sup>th</sup> passenger
- b) 10+1 (50%) group discount is applicable for the 11<sup>th</sup> passenger.
- c) Two children traveling together will be counted as one adult. Passenger for determining the qualifying number of the group.
- d) Group must be formed on non-cumulative basis and must travel together up to the destination. However they can travel separately on return travel.
- e) Group strength should be shown in each ticket.

8. No show charge:

- a. NPR 1000/- or Equivalent apply in case of Non-show. If the passenger fails to cancel /postpone the booking before 24 hours of the flight then No show will be applicable. If passengers offloaded by Immigration, Customs or Security at airport, 25% of the applicable fare will be charged as Non-show charge.
- b. No-show is not applicable in USD fare.

9. Refund:

- a) Refund charge: NPR 500/-n will apply.
- b) If partial sectors are used then refund will be made after deducting applicable one-way fare for as part I for used portion and refund & no show charges etc.
- c) Refund of unutilized/unused tickets issued by RA offices/agents ticket can be made within three years from the date of issuance.
- d) In case of flight disturbances for a week and more for confirmed and

even for open dated ticket in of RT fare, ½ RT fare of unutilized portion will be refunded and no refund charge will be levied.

10. Restriction:

- a) Nationality must be mentioned.
- b) Respective Tour Code and fare basis should be shown on appropriate boxes of the ticket.
- c) Ticket must be stamped "Valid on RA only", "Non-Endorsable "and Non-Refundable".

11. J-class fare:

The above fares can be made to J-class charging 25% additional amount of above fare. If pax wants to upgrade 2<sup>nd</sup> leg only, the 25% additional charge by RA counter by reissuing ticket/receipt.

12. Baggage allowance: 30 Kg. in J-class and 20Kg in Y-class.

13. Above fares can be used for PTA purpose by charging USD 25.00 or equivalent currency as PTA charge.

14. Advertising and sales: - Nepal only.

15. This supersedes all the previous fare circulars in this regard.

NOTE: In case of Interline coupons, an additional of USD 100.00 will be charged to upgrade in J-class for the sector KTM- HKG/KUL/DXB/OSA or v.v and USD 75.00 will be charged for KTM-BKK or v.v except on AD/ID and APS fare mentioned on the tickets issued by interline partners. This is applied to upgrade from DSO (I), TAP and from out station as well.

**Table 4.2**  
**Indo/Nepal fares for sales in Nepal and India**  
**(From 20 October)**

Part I (A) Normal USD fares

Sector	Fare basis	Fare	Class	Application	Validity
KATHMANDU- DELHI OR V.V.	OW/J	USD 180	J	Foreigners	One Year
	RT/J	USD 360	J	"	"
	OW/Y	USD 150	Y	"	"
	RT/Y	USD 300	Y	"	"

Part I (B) Normal Local Fare

Sector	Fare Basis	Fare	Class	Application	Validity
KATHMANDU- DELHI OR V.V.	OW/J	NPR 11105	C	Nepal/India	One Year
		INR 6940	C	"	One Year
	RT/J	NPR 22210	C	"	One Year
		INR 15880	C	"	One Year
	OW/Y	NPR 8600	M	"	One Year
		INR 5575	M	"	One Year
	RT/Y	NPR 16800	M	"	One Year
		INR 10500	M	"	One year

Part II Special T class fare

Sector	Fare Basis	Fare	Tour	Class	Application	Validity
KATHMANDU- DELHI OR V.V.	Y/OW	NPR 8000 INR 5000	S2XZ S5XZ	T	NEP/IND	One Year
KATHMANDU- DELHI- KATHMANDU OR DELHI- KATHMANDU- DELHI	Y/RT	NPR15600 INR 9750	A56Z S25X	T	IND/NEP	One Year

Note: 1. Student: Not applicable

2. PTA: Not applicable

**Source:** Commercial Department, NAC

## Part III through Special Economy fare Ex-Delhi

Sector	Fare Basis	Fare	Class	Application	Validity
DEL-KAT-BKK	Y/OW	INR12750 USD 370	Y Y	IND/NEP FOREIGNER	One Year
	Y/RT	INR 24875 USD 700	Y Y	IND/NEP FOREIGNER	One Year
DEL-KTMHKG	Y/OW	INR 17125 USD 500	Y Y	IND/NEP FOREIGNER	One Year
	Y/RT	INR 32375 USD 950	Y Y	IND/NEP FOREIGNER	One Year
DEL-KTMSHA	Y/OW	INR 17125 USD 500	Y Y	IND/NEP FOREIGNER	One Year
	Y/RT	INR 32375 USD 950	Y Y	IND/NEP FOREIGNER	One Year
DEL-KTMOSA	Y/OW	INR 21500 USD 750	Y Y	IND/NEP FOREIGNER	One Year
	Y/RT	INR41750 USD 1400	Y Y	IND/NEP FOREIGNER	One Year
DEL-KTMDXB	Y/OW	INR 17125 USD 500	Y Y	IND/NEP FOREIGNER	One Year
	Y/RT	INR 32375 USD 900	Y Y	IND/NEP FOREIGNER	One Year
DEL-KTMKUL	Y/OW	INR 15875 USD 500	Y Y	IND/NEP FOREIGNER	One Year
	Y/RT	INR 29250 USD 900	Y Y	IND/NEP FOREIGNER	One Year

Note:

1. Discount:
  - a. Student – Not Applicable
2. Above fare is to be shown in the ticket.
3. Sales & Advertisement limited to India only.

*Source:* Commercial Department, NAC

## General Conditions

1. Fares are valid for all tickets issued on or after 20 October 2010. If issued for RT fare second leg will be valid for one year from commencement of first leg. If open dated ticket is issued validity of the ticket will be one year from the date of issuance.
2. Commission: a) Normal Agency Commission 7% will apply. b) Volume incentive applicable on RA sales only.
3. Taxes, fees and charges (TFC) not included in the fare, hence should be collected separately.
4. Tickets must be used in sequence.
5. For ticketing purpose normal published directional promotional minimum economy fare are to be shown in the ticket followed by tour code wherever Tour Code is given.
6. Discount:
  - a. Children: - 25% of the applicable adult fares applicable for children who have reached their 2<sup>nd</sup> birthday but have not reached their 12<sup>th</sup> birthday. Tour code will be respective tour code of adult fare and code 'CH' and date of birth should be mentioned in the designator box of the ticket.
  - b. Infant: - 90% on above fare. Applicable for babies who have not reached their 2<sup>nd</sup> birthday. Code 'IN' and date of birth (DOB) of the infant should be mentioned in the ticket.
  - c. Student: - 25% of the applicable normal adult fare applicable for students who have not reached their 26<sup>th</sup> birthday. Tour code will be respective tour code of adult fare and 'SD' to be entered into designator box of the ticket. This discount will be applicable for travel between residence and the institution of the student.
7. Tour Leader:
  - a. For a group of 15 adult fares paying passengers one free ticket for the

16<sup>th</sup> Tour Conductor is allowed.

- b. For group of 10 adult fares paying passengers one 50% free ticket for the 11<sup>th</sup> Tour Conductor is allowed.

Note: I) Two children traveling at the children fare will count as one adult passenger for the purpose of determining the qualifying number of the group. ii) Group must be formed on non-cumulative basis and must travel together up to destination/turn around point. iii) Group strength must be mentioned in all tickets issued in a group.

8. No show charge: NPR 1000 or INR 625 will apply in case of No-show except USD fare.
9. Refund charge: NPR 500 or INR 315 equivalent USD will apply.

Refund:

- a. If partial sectors are used then refund will be made after deducting applicable OW fare for used portion and refund, no show charges etc.
- b. In case of flight cancellation, ½ RT of collected amount of the fare will be refunded in case of first leg is utilized irrespective of confirmed or open dated ticket.

10. Normal Baggage Allowance: 40Kg in J-class and 30Kg in Y-class.

11. Restrictions: Ticket must be stamped "Valid on RA only" or "Non Endorsable", "Non Routable".

12. "Not Valid After" box of the ticket must be filled in.

13. Above fares can be used for PTA purpose also charging USD 25.00 as PTA charge and for INDO/Nepal sectors local fares PTA charge will be INR 500.00 or NPR 800.00.

14. Advertising and sales: Limited to Nepal & India.

15. Excess Baggage for Delhi-Kathmandu INR 64.00 per kg and for Kathmandu-Delhi NPR 102.00 per kg.

16. Cargo Rates:

## DEL-KAT sectors only

	Net	Gross
Minimum (M)	INR 112.50	INR 125.00
Normal (N)	INR 24.30	INR 27.00
+100	INR 19.80	INR 22.00

Conditions

- a) Charge collect (CC) shipment is not permitted.
- b) Cargo Insurance surcharge USD 0.07 per kg. Per sector is applicable.
- c) The above cargo rate is for general cargo only.
- d) Since the above rate is net. Normal commission will not be applicable.
- e) The above gross is to be shown in the Air Way bill.
- f) Tax, charges and fees are not included in the above rates. Hence the TFC applicable should be collected separately showing in the Air Way bill.
- g) Air Way bill fee should be collected, showing due Carrier box in the Air Way bill.

This fare supersedes earlier fare circular in this regard.

NAC has done very little in the field of Market promotion of International sectors. While I interviewed one of the member according to him in the coordination with Nepal Tourism Board (NTB) NAC are organizing the fair outside Nepal, which can be effective one. Agent can also be one factor promoting NAC within the customers. The agent is the place where customers directly interact. It depends upon the agent behavior.

Before only 2-3 years ago I used to read about the fair event in other countries and NAC used to take a part .But now I found that the staff of public affair of the NAC had no excitement to take part in it .They show the lack of plane and sector behind this reason. NAC had issued new calendar of 2008 AD having scenery of Nepal. This is also one of the promotional tools but calendars are

printed in a low quantity that it doesn't give message to the mass customers.

When I visited its websites in the internet I hardly found any information about NAC. Internet can be taken as a direct marketing. In direct marketing customers are the kings. So NAC must be able to lure and attract the customer through internet. Most of the airline's ticket can be booked through internet but our National flag carrier NA has not leap its step forward for this system.

We only get to read about the problem in NAC in the newspaper. This can spread negative information about the Company through word-of-mouth promotional tools. Word-of-mouth communication will influence consumer expectations, preferences and purchase behavior.

**Table 4.3**

**Special/Promotional economy IT fares for sales in Nepal with effect from  
01 October 2010 until further notice**

**(One Year Valid Special Promotional Fare)**

Sector	Fare Basis	Fare	Class	Tour Code	Applicable	Validity
KTM-DXB	Y/OW	NPR 20000	Y	A14XZ	Nepali/Indian	One Year
		USD 400	Y	S1Z	Foreigners	
KTM-DXB-KTM	Y/RT	NPR 37000	Y	A29XZ	Nepali/Indian	
		USD 650	Y	A15X	Foreigners	
DXB-KTM	Y/OW	USD 400	Y	S1Z	All nationals	
DXB-KTM-DXB	Y/RT	USD 650	Y	A15X	All nationals	

Source: Commercial Department, NAC 2011

**Conditions:**

1. This fare is valid for all tickets issued on after 01 October 2010 until further notice. Validity of 2<sup>nd</sup> leg will be 01 year from commencement of first leg of journey. Validity of Open dated ticket will be one year from the date of issuance.
2. Commission: Normal agency commission 7% will apply. Volume Incentive applicable as per agency agreement.
3. Taxes, fees and charges (TFC) not included in the fare, hence should be collected separately.
4. Tickets must be used in sequence.
5. For ticketing purpose applicable lowest published directional minimum fare is to be shown in the ticket, followed by the tour code.
6. Discount:
  - a. Children- 25% of the applicable adult fare. Applicable for children who have reached their 2<sup>nd</sup> birthday but have not reached their 12<sup>th</sup> birthday. Tour code will be respective tour code of adult fare and CH to be entered in the ticket designator box. Date of birth (DOB) should be mentioned in the ticket.
  - b. Infant- 90% on above fare. Applicable for babies who have not reached 2<sup>nd</sup> birthday. Code "IN" and date of birth (DOB) of the infant should be mentioned in the ticket.
  - c. Student: Not applicable.
7. Tour Leader: Not applicable.
8. No show charge: - NPR 3000/- or equivalent will apply in case of No-show. If the passenger cancels/postpones the booking within 24 hours of the flight then No show will be applicable. No show charge is not applicable in USD fare.
9. Refund
  - a. Refund charge: NPR 1000.00 will apply.
  - b. If partial sectors are used then refund will be made after deducting

applicable one-way fare for used portion and refund & no show charges etc.

- c. Refund of unutilized tickets issued by RA offices/Agents can be made within three years from the date of issuance.
- d. Cancellation/Date change NPR 1000.00 will be applicable for more than 24 hours before the flight.

10. Normal baggage allowance in Y class: 30 kg for KTM-DXB only.

11. Restriction.

- a. Nationality must be mentioned.
- b. Respective Tour Code and fare Basis should be shown on appropriate boxes of the ticket.
- c. Ticket must be stamped "valid on RA Only", "Non-Endorsable" and "Non-Refundable".

12. Upgrade:

- a. This fare can be upgraded to "J" class charging 25% additional fare on above fare. Tour Code will be respective tour code + J. Up gradation to J class collecting additional 25 percent on above fare will be done from RA sales office only by reissuing ticket/issuing receipt.

13. Advertising and sales: - Nepal only.

14. Above fares can be used for PTA purpose by charging USD 25.00 or equivalent currency as PTA charge.

This supersedes all the previous fare circulars in this regard

## **4.2 Market Development Cell**

Market development division is concerned with different activities such as Market Research and Development, Traffic review, Monitoring and Forecasting, Schedule planning, Management Information report and statistics.

The division accommodates all the activities for market developments. Market research and development conduct different research activities regarding new

destination, customer want and taste and market feasibility for new flight. Similarly Traffic Review, Monitoring and forecasting is another important function of this division. The frequency of flights should be maintained. Reviewing a traffic system and monitoring it so that no hazards situation arise and forecast it for the future to run NAC smoothly and efficiently. Schedule Planning is done according to the number of aircraft available for both International and Domestic Airlines. And schedules are programmed according to the market demand and schedules are subject to be changed due to prior notice, Domestic and International flights schedule and their times are announced through Radio Nepal everyday. Many private newspapers too publish schedules as well as in the internet too.

Management Information Report is another function of this division. MIR is based on computer. It generates information monthly in a printed form regarding Marketing activities to submit monthly report.

Statistics unit is concerned with keeping different statistical data and report for future purpose. The result it gives is accurate and reliable.

According to American Marketing Association. “Marketing research is the function which links the consumer, customer, and public to the marketer through information – information used to identify and define marketing opportunities and problems; generate, refine, and evaluate marketing actions; monitor marketing performance; and improve understanding of marketing as a process. Marketing Research specifies the information required to address these issues; designs the method for collecting information; manages and implements the data collection process; analyses the results; and communicates the findings and their implications”.

According to Paul Green, Donald Tull and Gerald Albaum “Marketing research is the systematic and objective search for and analysis of information relevant to the identification and solution of any problem in the field of marketing”.

For the long run operation each and every organization has to conduct a research of its organization. Research help the company to go forward in the future smoothly and effectively. It gives the ideas about the next step to be taken by the company which causes a minimum risk and high return.

### 4.2.1 Future Prospect

The benefits generated by NAC to Nepalese society can be counted upon in at least four areas, namely its contribution to national revenue, tourist dollar earnings, creation of employment opportunities and the offer of economic air transport services within the country, besides of course non quantifiable social benefits of breaking physical and economic isolation of communities, linking surplus to deficit areas and helping the drive for development on national scale effectively.

NAC now employs over 2400 people and through its annual activity the airlines has generated over millions of rupee in a year towards the national revenue by way of different taxes, excise, duty and fees.

It has come a long way from what it was basically a domestic operator with one DC-3 flying within 700 kilometers in 1958 to what it is now an international operator expanding its wing to Frankfurt and London in the west, Honk Kong in the east and Singapore in the south. In the years to come as a growing organization NAC has a plan to expand its services further more. Its the need of the current market position. To exist in the market profitably and to survive in this cut throat competition. NAC has a plan to extend its services from Honk Kong to Seoul and one point in Japan in Far East and from Singapore to Australia. The airline also has a plan to get wide-body aircrafts replacing B-757 and B-767, possibility of international Charters in other sectors also is there.

In domestic side there is a plan to add a Turbo Prop and to maintain the existing Twin-Otters to give service in rural areas of the country. It has also plan to resume its mountain flights. Mountain flights are one of the main attractions of tourist visiting to Nepal. It could be a good income source of NAC.

In the field of promotions NAC had hardly made any plans. There is no excitement in staffs to give any promotions at the media. They say that due to lack of planes its not worthy to give advertisements through different, means.

In view of making the organization more customers oriented and service oriented by differentiating products in terms of domestic and international services, domestic and international operations have been separated recently. A separate customer service Department has been established in corporate level to ensure development of professionalism in customer handling.

Privatization of the airline is in the offing; a study is currently going on for determining mode extent and timing of privatization of the airlines.

NAC is planning to diversify its services ;adding more service in its cargo complex at Tribhuvan International Airport for providing cargo godown services for NA flights as well as to other incoming airlines.Similarly in couple of years NAC may have its own Flight Kitchen to supply in flight meals not only for NAC flights but also to cater other airlines. May be in future NAC will operate its own hotels too so as to enable to provide a complete package service to its passengers.

#### 4.2.2 Passenger Traffic-International

**Table 4.4**  
**Passenger Tariff- International**

3/4th FREEDOM	2006/07	2007/08	2008/09	2009/10	2010/11
Kathmandu-Bangkok	18575	13745	15203	20880	19032
Bangkok-Kathmandu	16685	11553	13145	13143	20384
Kathmandu-Bangalore	10584	6276	2487	0	0
Bangalore-Kathmandu	10044	5477	2140	0	0
Kathmandu-Bombay	11101	7195	4799	1106	0
Bombay-Kathmandu	10086	6564	4969	885	0
Kathmandu-Delhi	49281	30291	33972	56233	44244
Delhi-Kathmandu	38680	27105	25163	43759	44159
Kathmandu-Dubai	11024	12046	18318	22160	21125
Dubai-Kathmandu	6851	7610	11799	12540	19825
Kathmandu-Hong Kong	21916	20661	20560	22092	21588
HongKathmandu Kong	21090	19692	19594	20278	20272
Kathmandu-Osaka	6933	4387	5017	7074	5069
Osaka-Kathmandu	6125	3887	4517	6099	4978
Kathmandu-Kuala Lumpur	13673	13183	26302	41321	33310

Kuala Kathmandu Lumpur	5330	11671	20468	30489	29707
Kathmandu-Shanghai	3956	4657	5065	5690	4223
Shanghai-Kathmandu	3071	3285	3897	4833	4223
Kathmandu-Singapore	1940	1993	1814	803	0
Singapore-Kathmandu	2065	2174	1643	563	0
Total	268974	213449	240872	309948	292138
Growth (%)	1.1	-20.6	12.8	28.7	-5.7
RPKm('000)	635971	549872	659364	820550	772296
Growth (%)	6.7	-13.5	19.9	24.4	-5.9
SF (%)	66.8	57.2	64.9	72.3	76.0

Source: Operating Plan and Budget (2010/11), NAC

As it was forecasted that only 24.3% i.e. 295093 passengers would travel by NA in the year 2009/10 but due to the improvements in domestic situation and planned operation of weekly two direct flights to Kuala Lumpur throughout the FY 200/10 had made it possible to increase by 28.7% i.e. 309948 passengers which is a positive indication for NAC.

But above table shows the forecast of decrease rate in passenger by -5.7% due to the closed operation in Bombay and Singapore sector. This type of decreasing trend should be stopped immediately. If NAC had an enough Boeings, the current fruitful market is Korea and Riyad. Just recently the government of Nepal and Korea had signed the bilateral documents about labors so that Nepalese can fly to Korea in working visa. Besides these our neighbouring country China and India are very big market for NAC. But it is sad to say that the existing sector of Bangalore is closed and Bombay in the coming future.

The trends of traveling in these countries (China and India) are increased due to the huge economic development. So, why not NAC be prepared to take this opportunity of these increasing markets.

For the qualitative tourist, Europe and America is the best place to increase its market. These profit making sectors are occupied by other international airlines. If NAC can

add its Boeings, Frankfurt and London are the best sector to increase the quality tourist.

#### 4.2.3 Cargo- International

	<b>Cargo- International (Ton)</b>				
	2006/07,	2007/08,	2008/09,	2009/10,	2010/11
Kathmandu- Bangkok	316	333	290	200	154
Bangkok-Kathmandu	149	220	254	350	179
Kathmandu- Bangalore	12	5	1	0	0
Bangalore- Kathmandu	11	6	0	0	0
Kathmandu- Bombay	73	80	57	3	0
Bombay- Kathmandu	82	75	14	1	0
Kathmandu- Delhi	735	608	490	608	474
Delhi- Kathmandu	191	101	80	112	78
Kathmandu-Dubai	148	313	405	350	165
Dubai- Kathmandu	42	51	44	27	43
Kathmandu- Hong Kong	219	141	219	245	190
Hong Kong- Kathmandu	106	149	158	128	108
Kathmandu- Osaka	88	87	64	54	58
Osaka- Kathmandu	6	2	3	5	23
Kathmandu- Kuala Lumpur	39	129	269	349	159
Kuala Lumpur- Kathmandu	4	19	28	49	272
Kathmandu- Shanghai	2	6	19	9	33
Shanghai-Kathmandu	24	30	24	4	32
Kathmandu- Singapore	71	49	20	5	0
Singapore -_ Kathmandu	29	15	19	9	0
Total	2347	2480	2460	2505	1968
Growth (%) -	12.6	5.7	-0.8	1.8	-21.4
CTKm ('000)	4697,	6195,	6450,	6337,	5328
Growth (%)	-19.1,	31.9	4.1	-1.8	-15.9

**Source:** Operating Plan and Budget (2010/11), NAC

In case of International cargo traffic also the cargo transportation is targeted to set at the level of 1971 tons for FY 2009/10 but it exceeds the forecast and was 2505 tons which is 1.8% growth then previous year. The above figure is not that satisfactory in

spite of the growth of the percentage. We can see the sector like Kathmandu to Bombay, Banglore and Singapore is not satisfactory. Due to the closed operation to Banglore and Singapore the cargo transported is zero. And NAC also forecast about the FY 2010/11 of the sector like Kathmandu to Banglore, Bombay and Singapore is nil which shows the lack of management skills of NAC and its gradually declining to the path of failure.

Likewise sector like Kathmandu to Osaka, Shainghai and Dubai v.v are also not satisfactory. NAC needs to reform and try to know the problem about these dejected statistics. The main reason behind this also can be a lack of Boeings to operate. India and China are the big economic giants in the world where lot of business transactions can be done by the Nepalese business men. Government of Nepal should talk diplomatically to increase and open the new possibilities of business market. If so happened NAC should be fully prepared for the cargo service. What I would like to tell is that government also can play the crucial role in the development of NAC.

#### 4.2.4 Passenger Traffic – Domestic

**Table 4.5**

##### **Passenger Traffic – Domestic**

	2006/07	2007/08	2008/09	2009/10	2010/11
Kathmandu-Bhojpur	2339	2478	2496	2729	650
Bhojpur-Kathmandu	2343	2501	2655	2884	3000
Kathmandu-Biratnagar	1575	652	351	246	0
Biratnagar-Kathmandu	1344	349	250	196	0
Kathmandu-Dhangadhi	465	192	0	0	0
Dhangadhi-Kathmandu	306	30	0	0	0
Kathmandu-Nepalgunj	1226	547	268	177	0
Nepalgunj-Kathmandu	1736	929	801	615	0
Kathmandu-Lamidanda	624	1124	1002	2111	2900
Lamidanda-Kathmandu	670	1140	990	2326	2500
Kathmandu-Lukla	1591	1820	735	384	660
Lukla-Kathmandu	1305	1413	558	424	580

Kathmandu-Pokhara	2592	1171	778	324	540
Pokhara-Kathmandu	3488	1606	827	672	1100
Kathmandu-Phaplu	3087	3732	3354	2658	1395
Phaplu-Kathmandu	2381	3127	3400	2507	1000
Kathmandu-Ramechhap	2147	2356	1905	684	1200
Ramechhap-Kathmandu	2289	2462	2033	561	200
Kathmandu-Rumjatar	3974	4032	3636	3406	4400
Rumjatar-Kathmandu	3799	4166	3717	3401	4000
Kathmandu-Tumlingtar	1879	1896	1218	672	800
Tumlingtar-Kathmandu	1965	2226	1640	872	900
Sub-Total	43125	39949	32614	27849	25823
Other Routes	52695	59819	57340	36658	84501
Grand Total	95820	99768	89954	64507	110324
Growth (%)	12.0	4.1	-9.8	-28.3	71.0
RPKm ('000)	14667	14691	12885	9093	16116
Growth (%)	18.3	0.2	-12.3	-29.4	77.2
SF (%)	82.3	84.4	83.7	85.9	83.9

**Source:** Operating Plan and Budget (2010/11), NAC

According to Operating Plan Budget FY 2009/10, it was forecasted in FY 2009/10 was 88339 passengers but above table shows the very bad result which is 64507 passengers i.e. -28.3 % than previous FY. In FY 2010/11 NAC had forecast its passengers increment to 110324 which is 71%. Where we can see 0 passenger in the routes like Kathmandu – Biratnagar v.v and Kathmandu – Nepalgunj and v.v.

NAC must do research to know the reason about this decrease of the passengers. The sectors like Kathmandu – Lamindanda v.v and Kathmandu – Tumlingtar v.v route's passengers are decreased.

Due to peace process in Nepal also didn't help NAC to increase its passengers so there may other reasons behind it. Another sector like Lukla – Kathmandu v.v is also decreased. This route is famous for the tourist. So what can be reason behind this decreasing numbers. May be the tough competition in domestic market is one of the

main reason. Many private airlines are operated in the airline market, where they have been promoting its market through various promotional tools.

#### 4.2.5 Cargo - Domestic (Ton)

**Table 4.5**  
**Cargo - Domestic (Ton)**

	2006/07		2007/08		2008/09		2009/10		2010/11**		
Kathmandu-Bhojpur	4.7	1.8	5.6	1.9	6.5	2.7	4.6	1.2	0.2	2.5	0.0
Bhojpur-Kathmandu	3.7	0.9	1.2	0.7	0.3	0.2	0.1	0.0	0.0	0.0	0.0
Kathmandu-Biratnagar	0.5	0.1	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.1
Biratnagar-Kathmandu	4.8	2.9	2.4	4.6	0.6	0.2	0.2	0.1	1.6	2.5	0.5
Kathmandu-Dhangadhi	1.1	0.1	0.6	0.0	1.1	0.0	3.6	0.0	0.4	1.5	1.3
Dhangadhi-Kathmandu	62.0	0.3	21.8	0.1	6.7	0.3	6.0	0.1	1.0	1.0	0.4
Kathmandu-Nepalgunj	5.2	14.4	1.9	7.7	1.8	0.1	0.4	0.0	2.1	2.1	5.0
Nepalgunj-Kathmandu	8.0	0.4	12.6	1.1	9.5	0.6	6.6	2.0	1.4		
Kathmandu-Lamidanda	2.1	1.8	2.2	5.2	2.0	4.7	0.3	0.1			
Lamidanda-Kathmandu	8.5	1.8	13.4	1.0	8.7	1.4	6.1	2.3			
Kathmandu-Lukla Lukla- Kathmandu Kathmandu- Pokhara Pokhara- Kathmandu Kathmandu- Phaplu Phaplu-Kathmandu	7.4	3.3	11.0	2.4	8.8	2.5	3.4	2.6			
Kathmandu-Ramechhap Ramechhap-Kathmandu											
Kathmandu-Rumjatar Rumjatar-Kathmandu											
Kathmandu-Tumlingtar Tumlingtar-Kathmandu											
Sub-Total	135.7		97.7		58.9		39.8		25.5		
Other Routes	87.4		83.0		97.8		65.2		74.1		
Grand Total	223.1		180.8		156.8		105.1		99.6		
Growth (%)	42.9		-19.0		-13.3		-33.0		-5.2		
CTKm ('000)	34		28		21		14		16		
Growth (%)	41.7		-17.6		-25.0		-33.3		12.3		

**Source:** Operating Plan and Budget (2010/11), NAC

Cargo upliftment in FY 2009/10 is set at the level of 182 tons with an increase of 7.1% over the last FY 2008/09. But opposite to forecast; FY 2009/10 was only 105.1

tons with a decrease of – 33.0%.

NAC forecast for FY 2010/11 is 99.6 tons with a decrease of only – 5.2% over the last FY 2009/10.

### **4.3 Sales International Division**

The function of this division is to formulate the reservation and sales policy and provide information regarding changes in policy. Similarly the division is concerned with agency policy distribution and control .Agency policy is specially made for the Travel Agent and the international tickets agent who reserve and sales the ticket for international passenger. Yield management is the concern of this division.

NAC had been selling its tickets through its own ticket counter beside this it also sells through various channels as below.

General Sales Agent (GSA)

Sole Agent

Passenger Sales Agent / Cargo Sales Agent (PSA / CSA)

Billing and Settlement Plan (BSP) Agent

#### **4.3.1 Types of Agents are as below.**

##### **Country Type of Agent Cargo Agent GSA PSA BSP**

India -23 -7 Thailand 1 ---Bangladesh 1 ---Pakistan 1 ---UAE 1 -6 -Taiwan 1 -  
--Japan -6 6 1 Hong Kong --6 1 Korea -3 --Kuwait -1 --Israel -1 --Malaysia -1  
--Srilanka -1 --Singapore -1 -1 Spain -1 --Switzerland -1 --Italy -1 --Brunei -2 -  
-Nepal -52 -16

**Source:** NAC, Swet Patra 2068

The conflict arises time to time about the ticket selling agency. At first it was thought that it would be effective opening General Sales Agent so NAC opened its GSA at many places. But without the practical opening GSA there was a lot conflict about the GSA.NAC was unable to collect its cash from GSA and has to bear loss or had to fight in the court. It gave a negative impact of NAC .So NAC hasn't opened its GSA instead for sales promotion it opened BSP Agent (Billing and Settlement Plan – IATA- Agent) .In a result tickets are sold in country like Hong Kong, Japan, UAE, etc and in India too, NAC is work in progress for BSP Agent. In a country like Malaysia, Singapore tickets are sold by the PSA (Passenger Sales Agent).By the time period this

management is also changed by the BSP Agent.

While selling its tickets through agent, NAC usually gives 7% commission. Besides these for the motivation it gives less or more to 7% commission in the basis of tickets selling.

Though it is heard public dissatisfaction about the tickets selling. The tradition of holding the seats till the last minute causes the problems like not getting the ticket but at the time of flights empty seats are flown. NAC must take this problem very seriously. For this, the time period of holding the seats must be controlled effectively as other international airlines. Likewise NAC don't have the specific rules and regulation for the establishment of the agencies. The process of selection and recruitment of agent is always in chaos. For the better agency, different rules and regulation is needed.

#### **4.3.2 Travel Agent**

Travel agents are considered as back bone of NAC to sell the tickets in International and domestic markets. Generally marketing department of NAC appoints travel agents according to their 117 domestic and international authorized travel agents respectively scattered all over the country including both stockiest and non stockiest.

Where stockiest travel agents are those agents who generally makes sales volume more than Rs 50, 00,000 /- per year and receives prescribed incentive schemes as per the rule of NAC.

On the other hand non-stockiest agents are the agents that they sales the airlines ticket on cash minus commission basis.

General procedures to be an authorized Travel Agent of NAC In order to be an authorized travel agent the following procedures should be following.

- 1 The agent should be at least 1 year experiences in travel and trade activities.
- 2 The agent should fulfill the following requirement to be a legal travel agent.

Should be registered in Association of Industry and Commerce.

Should be registered in Nepal Tourism Board.

Should be member of NATA.

Needs authority from Nepal Rastra Bank.

Should be registered from HMG of Nepal.

- 1 The agents need to submit request application to NAC Marketing department in order to work as an authorized agent.
- 2 The agents should fill up application form of NAC with details.
- 3 Agreement documents between NAC and travel agents.
- 4 The agent should deposit Rs 75000/- in NAC Bank account according to the rule of NAC.
- 5 Start working as an authorized travel agent of NAC.

In domestic sector travel agents and Marketing department communicates through telephone and fax for ticket booking and reservation which is considered as a manual information system. This system needs ticket confirmation and issue by personnel visit to the NAC Marketing department for stamp, which is one of the tardiness and ambiguous job for the travel agents in the one hand where in otherhand travel agents and traveler should listen the announce done by radio Nepal for flight confirmation which is taken as traditional system with comparison to otherairlines.

Recently, International Air Transport Association (IATA) had announced that from June 1<sup>st</sup> all the Airlines Company has to issue electronic ticket. NAC has also decided to use the electronic tickets from June 1<sup>st</sup>. Sources says that NAC has already managed the software and account and its on the final step.

To issue the e- ticket Travel Agents must be the member of IATA and for this Travel Agents has to deposit ten thousand dollar bank guarantee. According to BSP Travel Agent have to bank guarantee the transaction of 35 days and had to pay within 15 days. Needing this big amount, Travel agents have been chanting the slogan against this system but at the same time many travel agents are being member of IATA.

According to IATA Airlines Company will be saving dollar 9 per ticket. NAC cost is 1- 2 dollar per ticket. Till the last week 43 agents have been already the member of IATA, 19 are on the queue.

What is e – ticket?

Passengers gets the paper slip instead of air ticket where flight No and flight schedule is written. After booking the ticket it also appears in email. After showing that slip at

the airport passenger will get the boarding pass and with the help of it we can travel to our destination. As before we should not be afraid losing or forgetting the ticket, in this case we can print from our email from cyber near by.

### **4.3.3 Role of ABACUS**

Marketing department, NAC has started using computer technology from the beginning of 1985 A.D. But those computers are used to input and store the data to print out data and information in a certain format. Due to the changes in information technology, the computers and computers based information technology has been changed somewhat accordingly.

Now the NAC is using Computerized based information Technology in central reservation control unit of Marketing department to book and reserve the ticket online only in international sector world wide through the help of SITA (Society of International Telecommunication Associates) and ABACUS International (P) Ltd. The head office of SITA is in France. The main function of this company is to provide lines through out the world coordination with Nepal Telecommunication of Nepal. ABACUS International is the Asia Pacific's largest Global Distribution System (GDS) and computerized reservation system (CRS). The head office of ABACUS International Pvt Ltd is in Singapore. The US based SABRE group and ABACUS signed a multimillion dollar strategic global alliances, which is widely recognized for its travel technology leadership.

ABACUS international holds 65% and the SABRE group holds 35% stake in ABACUS International Pvt Ltd. Where ABACUS International is a company owned by top 11 Asian Airlines viz; A Nippon, Garuda Indonesia, Hong Kong Dragon Airlines, Malaysia Airlines, Royal Brunei Airlines, Silk Air and Singapore Airlines.

The ABACUS system allows travel agent to book and gain access to information on hundred of airlines, hotels and car rental companies worldwide. The services provided by ABACUS International Pvt Ltd are listed below:-

World Flight Information

Fares and Pricing

Farex

ABACUS Hotel system

### ABACUS Car system

Together, ABACUS International and SABRE group formed the largest GDS information Network Worldwide. It has over 38000 locations over 141000 CRTs in 108 countries.

ABACUS activity markets and support its service through its National Marketing Companies. There are now ABACUS NMC in Australia, Bangladesh, Brunei, Cambodia, Hong Kong, India, Indonesia, Korea, Malaysia, Nepal, New Zealand, Pakistan, Philippines, Singapore, Sri Lanka, Taiwan, Thailand and Vietnam. ABACUS also has an office in Beijing China. The NMC provide training, onsite support and help desk to answer queries on to resolve problems.

### **NAC relation with ABACUS as an Airline:**

As an airline NAC signed a participation agreement with ABACUS in 5 April 1991. Since then NAC seats are being sold by ABACUS subscriber in Asia Pacific. ABACUS has helped to sell NA seats through its wide spread subscribers in Asia Pacific.

### **NAC's relation with ABACUS as a Distributor**

After signing sub-distribution agreement on 26 October 1997, NAC has become National Marketing Company (NMC) of ABACUS in Nepal and has been able to operate the business to market and distribute the ABACUS System and ABACUS service in Nepal under a sub license from ABACUS. Part of the revenue generated from Nepal for ABACUS is paid to NAC as a Marketing fee.

NAC has setup a separate business unit under general service department named ABACUS Nepal NMC to look after the distribution business of ABACUS. The section looks after marketing helpdesk, training, onsite support, technical and database functions of ABACUS in Nepal.

Similarly NAC Marketing Department is using Gabriel, DSO, AMAEDUS system in CRC unit and sales counter of NAC. The server (Master computer) handles the information and distributes the information through networking from ticket reservation and sales to their terminal.

### **4.4 Domestic Division**

Domestic division of Marketing department is concerned with different activities such

as product policy and strategy, Sales Reservation policy, Market promotion, Station management and generates Management information report as per the requirement of the department.

#### **4.4.1 Present condition of planes of NAC**

Twin-Otter (On use) DHC-6 4 Twin-Otter (not on use) DHC-6 3 Avro plane (damage condition) HS-748 1

**Source:** NAC Swetpatra 2063

NAC owns 7 DHC-6 Twin-Otter planes and one HS-748 Avro which is grounded from 2000 AD. Among 7 Twin-Otters only 4 is on use and 1 can be used after maintenance and rest 2 is decided to sold by the organizing committee.

NAC is using 20 to 34 years old planes which are unable to take flight in time and cost more in maintenance. Production Company has already closed its production.

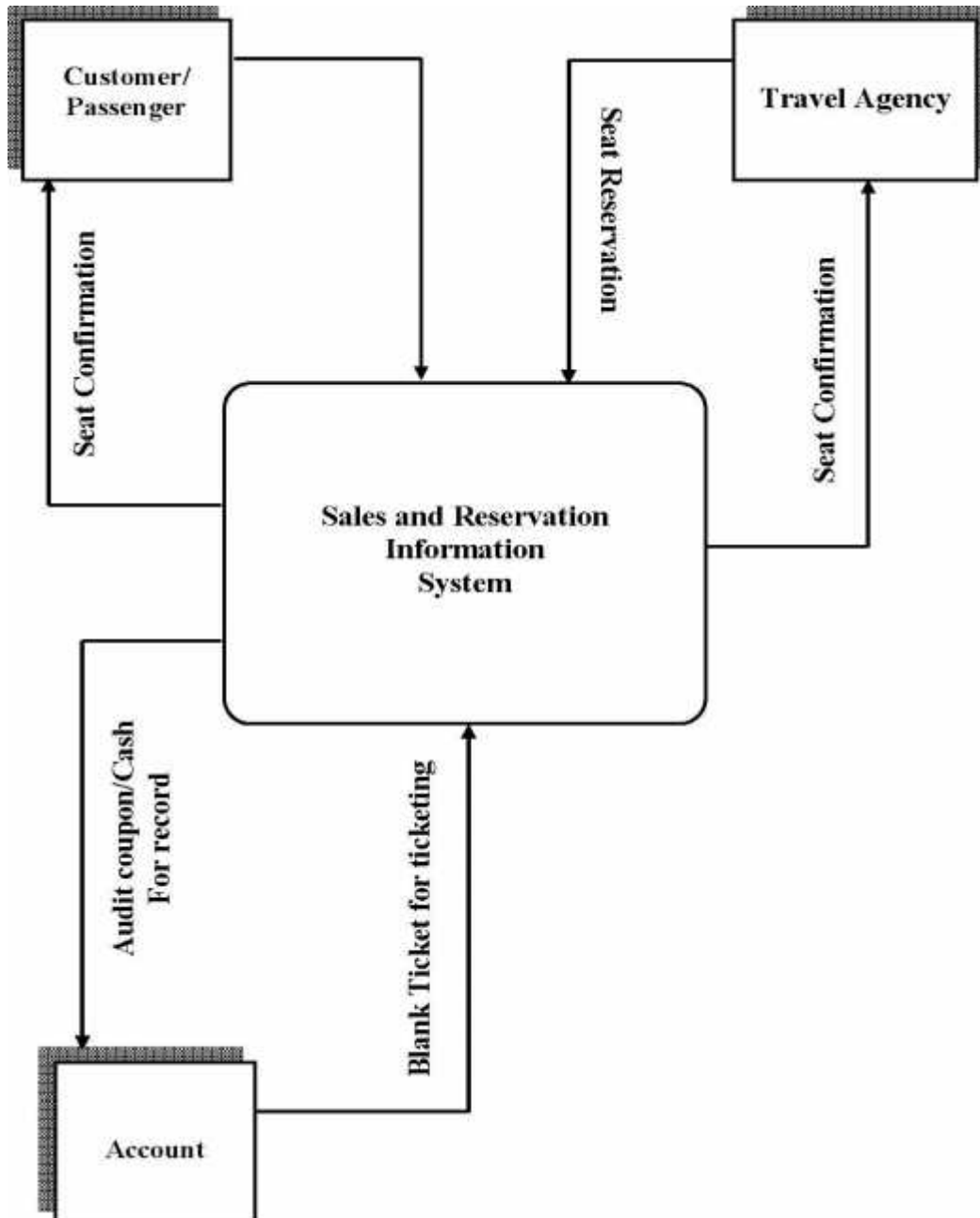
To solve these kinds of problems and to run profitably and to support country's tourism, NAC must add 50-60 seats capacity immediately. Likewise NAC's only one Avro plane is grounded in hanger. NAC had opened its tender for sale but its not getting its price .It has to pay millions of rupees to the NAGARIK UDDYAN PRADHIKARAN for grounding the Avro plane.

**4.4.2 Domestic sales and reservation of marketing department:** Sales and reservation of marketing is one of the sub departments of marketing department. This department mainly deals with selling of tickets, seats reservation and ticket retrieval. Sales and reservation is done mainly through three methods i.e, through travel agency, through officially and direct visit domestic flight of NAC. Domestic flight of NAC takes citizen and foreigner regularly to the most of the part of the country.

Figure 4.1

## Context level DFD of Sales and Reservation information system

## Sales and Reservation Information System

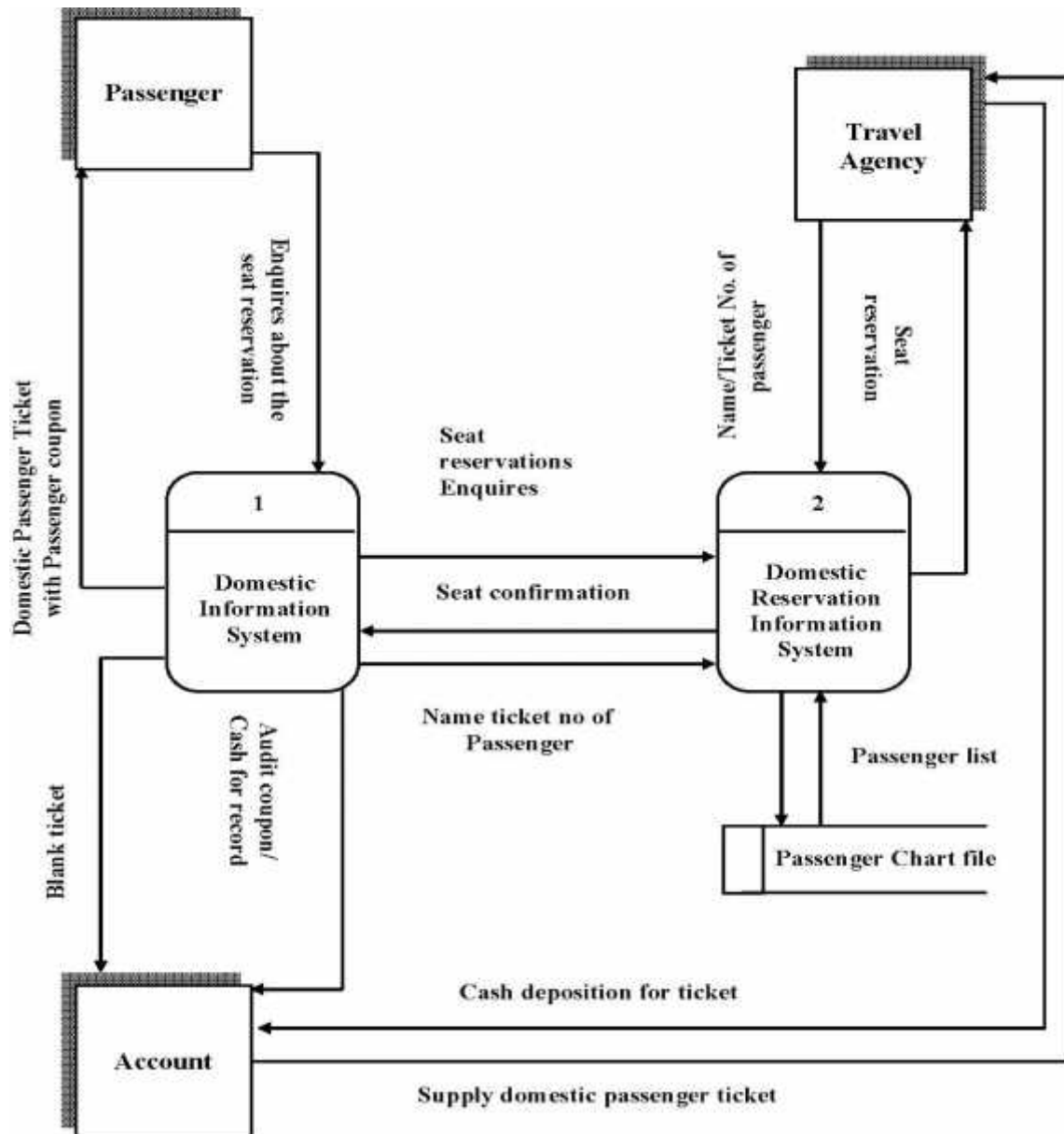


In the context level DFD of Domestic and Sales and Reservation information system of the marketing department, there are two entities as inputs and output entities. Though the sale and reservation department includes many entities, basically three inputs are mostly in use i.e. is passenger, travel agency, and account department. The domestic sales and reservation information system is based on these three input entities. Input entities input the inquiry for seat reservation

71 and blank ticket. These inputs are processed by a single processor i.e. Domestic sales and Reservation information system. After processing, it gives the output as seat confirmation for passenger and travel agency and audit coupon for the account department.

**Figure 4.2**

**System level DFD of sales and reservation of marketing department**



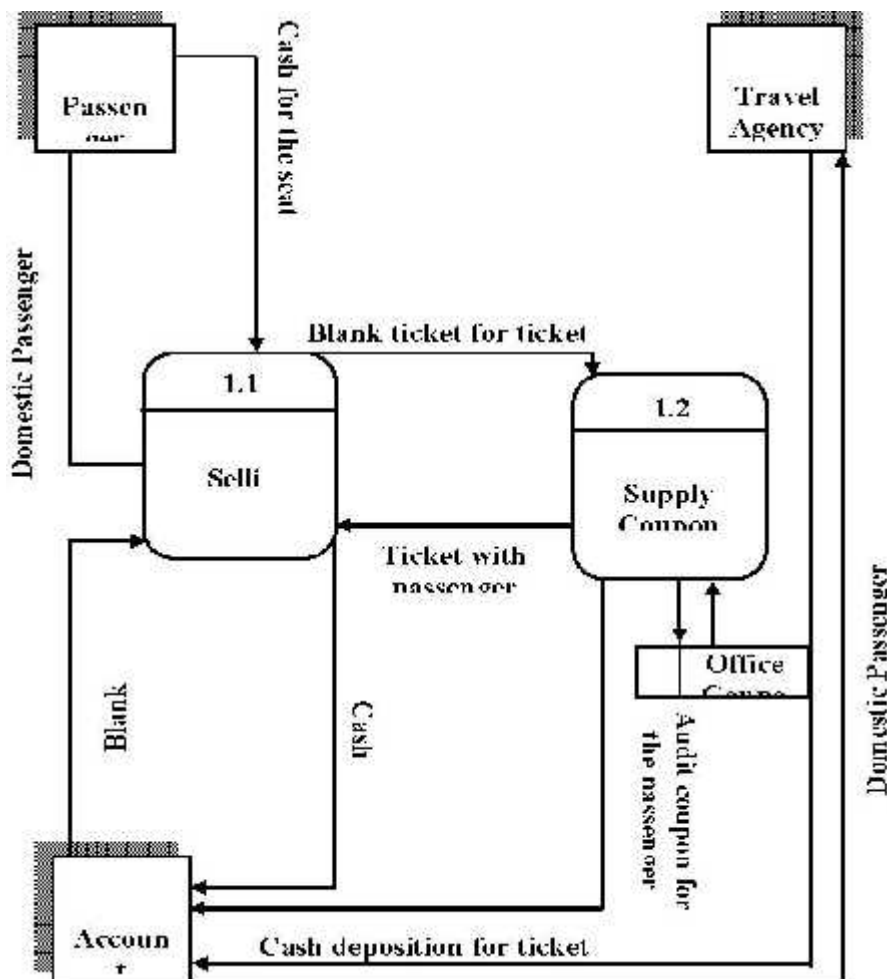
System level DFD is the detail description of the process of Domestic sales and reservation system. There are three entities for this reservation they are passenger, travel agency and account department. There are all together two processor in system level of DFD of Domestic sale and reservation information systemize. Sales and

reservation. Sales department get enquiry on reservation department for seat confirmation. If there is a seat available, the name and ticket no of passenger are processed to the reservation department. The passenger statement and office coupon is stored on the data files of the reservation section. At last the Domestic passenger ticket is processed to the passenger.

Where as Travel agency enquiry on reservation department for the seat confirmation, the travel agency deposits certain cash for the withdrawal of ticket of flight and ticketing process is done directly by travel agency. Account department supply the blank ticket for ticketing on sale department and cash and sales statement are processed to the account department. The following figure shows DFD of domestic sales and reservation of marketing department.

**Figure 4.3**

**Sub system level DFD of sales and reservation of marketing department**



Sub system Level DFD is the more description of the process selling or ticketing

information system of domestic sales and reservation section of marketing department. Same as context level and system level it contains three entities they are, passenger, account department and travel agency. It consists two processor ticketing and coupon distribution. During the ticketing process, the blank ticket for ticketing and cash and sales statement is processed to the account department.

The travel agency made a cash deposition for ticket withdraw from NAC and the Domestic passenger ticket to the travel agency. During the booking process the blank ticket with flight coupon is filled up. And the audit coupon, flight coupon, passenger coupon are formed. The audit coupon is transfer to the account department, the passenger coupons are transfer to the passenger and the office coupon are filled on the reservation section of the domestic department. Audit coupon and sales statement are storage on the file of the occupant department and the collected cash are storage on bank and bank provides the voucher to the account department.

#### **4.4.3 Domestic Stations**

##### **1. Eastern development area**

- a. Biratnagar-Morang b. Lukla- Solukhumbu c. Bhojpur- Bhojpur d. Tumlingtar-Shankhuwasabha e. lamidanda- Khotang f. Rumjatar- Okhaldhunga g. Taplejung-Taplejung h. Phaplu-Solukhumbu i. Thamkharka-Khotang j. Kagildanda Solukhumbu

##### **2. Mid-development area**

- a. Kathmandu- Kathmandu b. Ramechap- Ramechap c. Bharatpur- Chitwan

##### **3. Western development area**

- a. Pokhara-Kaski b. Jomsom-Mustang c. Manang-Manang d. Bhairahawa-Rupandehi

##### **4. Mid-Western development area**

- a. Nepalgunj-Banke b. Simikot-Humla c. Surkhet-Surkhet d. Dolpa-Dolp
- e. Jumla Jumla f. Rukumsalle- Rukum

##### **5. Far-Western development area**

- a. Dhangadi-Kailali b. Bajura- Bajura c. Bajhang-Bajhang

6. Dang- Dang
7. Chourjhari- Rukum
8. Talcha- Mugu

*Source: Commercial Department, NAC*

#### 4.4.4 Domestic NPR fare

**Table 4.6**  
**Domestic NPR fare**

S. No.	Station	OW ADULT NPR FARE	OW CHILD NPR FARE	OW INFANT NPR FARE	OW STUDENT NPR FARE	EQIV.T FARE FOR IND/NEP	'YR' Fuel Surcharge
1	BIRATNAGAR-BHOJPUR OR V.V	1075.00	620.00	230.00	810.00		145.00
2	BIRATNAGAR-LAMIDANDA OR V.V.	1325.00	730.00	245.00	994.00		178.00
3	BIRATNAGAR-PHAPLU OR V.V.	1715.00	730.00	175.00	1286.00		231.00
4	BIRATNAGAR-RAJBIRAJ OR V.V.	855.00	555.00	210.00	730.00		165.00
5	BIRATNAGAR-RUMJATAR OR V.V.	1470.00	800.00	255.00	1103.00		198.00
6	BIRATNAGAR-TAPLEJUNG OR V.V.	1895.00	950.00	285.00	1421.00		191.00
7	BIRATNAGAR-THAMKHARAKA OR V.V.	1175.00	588.00	118.00	882.00		158.00
8	BIRATNAGAR-TUMLINGTAR OR V.V.	1225.00	685.00	240.00	919.00		165.00
9	BHAIRAWA-BHARATPUR OR V.V.	1800.00	900.00	180.00	1350.00		303.00
10	DANG-RUKUM OR V.V.	930.00	660.00	230.00	724.00		198.00
11	DANG-CHAURJHARI OR V.V.	880.00	635.00	230.00	724.00		165.00
12	DHANGADHI-BAJHANG OR V.V.	1420.00	775.00	255.00	1065.00		191.00

13	DHANGADHI-BAJURA OR V.V.	1765.00	925.00	275.00	1324.00		237.00
14	KATHMANDU-BHAIRAWA OR V.V.	2200.00	1100.00	220.00	1650.00		310.00
15	KATHMANDU-BHARATPUR OR V.V.	1350.00	700.00	240.00	1013.00		197.00
16	KATHMANDU-BJOJPUR OR V.V.	2550.00	1275.00	330.00	1913.00		257.00
17	KATHMANDU-BIRATNAGAR OR V.V.	3000.00	1500.00	350.00	2250.00		348.00
18	KATHMANDU-CHAURJHARI OR V.V.	3775.00	1890.00	380.00	2831.00		527.00
19	KATHMANDU-DANG OR V.V.	3530.00	1765.00	380.00	2648.00		527.00
20	KATHMANDU-DHANGADHI OR V.V.	5580.00	2790.00	560.00	4185.00		582.00
21	KATHMANDU-JOMSOM OR V.V.	3000.00	1500.00	300.00	2250.00		343.00
22	KATHMANDU-KANGELDANDA OR V.V.	1720.00	860.00	175.00	1290.00		231.00
23	KATHMANDU-LAMIDANDA OR V.V.	1960.00	980.00	290.00	1470.00		198.00
24	KATHMANDU-LUKLA OR V.V.	2200.00	1135.00	220.00	1650.00		237.00
25	KATHMANDU-LUKLA OR V.V.					USD 40.00	237.00
26	KATHMANDU-NEPALGUNJ OR V.V.	3725.00	1865.00	400.00	2794.00		441.00
27	KATHMANDU-PHAPLU OR V.V.	2090.00	1045.00	300.00	1568.00		211.00
28	KATHMANDU-POKHARA OR V.V.	1910.00	1010.00	290.00	1433.00		254.00
29	KATHMANDU-RAJBIRAJ OR V.V.	2250.00	1125.00	300.00	1688.00		297.00
30	KATHMANDU-RAMECHHAP OR V.V.	1435.00	750.00	255.00	1076.00		145.00
31	KATHMANDU-RUKUM OR V.V.	3775.00	1890.00	380.00	2831.00		527.00
32	KATHMANDU-RUMJATAR OR	1765.00	885.00	275.00	1324.00		178.00

	V.V.						
33	KATHMANDU-SURKHET OR V.V.	4120.00	2060.00	415.00	3090.00		553.00
34	KATHMANDU-THAMKHARKA OR V.V.	2155.00	1078.00	216.00	1417.00		218.00
35	KATHMANDU-TUMLINGTAR OR V.V.	2600.00	1300.00	320.00	1950.00		283.00
36	LUKLA-PHAPLU OR V.V.	720.00	490.00	210.00	618.00		132.00
37	LUKLA-RUMJATAR OR V.V.	1110.00	630.00	230.00	833.00		132.00
38	NEPALGUNG-BAJHANG OR V.V.	2065.00	1060.00	300.00	1549.00		277.00
39	NEPALGUNG-BAJURA OR V.V.	1910.00	985.00	285.00	1433.00		257.00
40	NEPALGUNG-CHAURJHARI OR V.V.	1075.00	620.00	230.00	930.00		165.00
41	NEPALGUNG-DANG OR V.V.	1240.00	650.00	230.00	930.00		165.00
42	NEPALGUNG-DOLPA OR V.V.	1865.00	970.00	285.00	1399.00		251.00
43	NEPALGUNG-JUMLA OR V.V.	1910.00	985.00	285.00	1433.00		257.00
44	NEPALGUNG-RUKUM OR V.V.	1275.00	710.00	240.00	956.00		172.00
45	NEPALGUNG-SANFEBAGAR OR V.V.	2220.00	1110.00	300.00	1665.00		224.00
46	NEPALGUNG-S'DOTI OR V.V.	2290.00	1145.00	315.00	1718.00		231.00
47	NEPALGUNG-SIMIKOT OR V.V.	2550.00	1275.00	330.00	1913.00		343.00
48	NEPALGUNG-SURKHET OR V.V.	1110.00	615.00	230.00	930.00		165.00
49	NEPALGUNG-TALCHA OR V.V.	2060.00	1030.00	206.00	1545.00		277.00
50	POKHARA-BHARATPUR OR V.V.	1300.00	660.00	235.00	975.00		132.00
51	POKHARA-BHAIRAWA OR V.V.	1500.00	750.00	150.00	1125.00		172.00
52	POKHARA-JOMSOM OR	1370.00	725.00	250.00	1028.00		139.00

	V.V.						
53	POKHARA- JOMSOM OR V.V.					USD 25.00	
54	POKHARA- MANANG OR V.V.	1075.00	540.00	230.00	810.00		145.00
55	POKHARA- MANANG OR V.V.					USD 25.00	
56	RAJBIRAJ- LAMIDANDA OR V.V.	1125.00	665.00	230.00	845.00		132.00
57	S'DOTI- SAFE BAGAR OR V.V.	855.00	555.00	210.00	705.00		165.00
58	SANFEBAGAR- BAJHANG OR V.V.	618.00	310.00	62.00	465.00		86.00
59	S'DOTI- DHANGADHI OR V.V.	1240.00	670.00	240.00	930.00		126.00
60	SIMIKOT- TALCHA OR V.V.	870.00	435.00	90.00	655.00		119.00
61	SURKHET- CHAURJHARI OR V.V.	930.00	560.00	220.00	698.00		132.00

**Source:** Commercial Department, NAC **Note:** Above 'YR' Fuel  
Surcharge to be collected on the tickets issued on or after 05 January  
2011 (21 Poush 2067)

**Conditions:**

- 1 Above fares are valid for sales on/after 05 January 2011.
- 2 Commission: 7% agency commission applicable.
- 3 Foreigners who have been staying in Nepal having visa for a period of at least six months can get RESIDENTIAL fare, the fare will be double of the local fare in all RA domestic sectors. However, they have to present photocopy of the passport having evidence of stay and a letter from the institute where they are serving in Nepal.
4. Discount:
  - a. 25 % Youth fare discount will be applicable for domestic USD fare for foreigners other than Indian/Nepali those who have not crossed the age of 30 years. He/She must produce documents reflecting date of birth and is to be

attached while issuing tickets. YZ-D is to be mentioned in the fare basis column of the ticket.

- b. 50% Child discount is applicable adult fares for children who have reached their 2<sup>nd</sup> birthday but have not reached 12<sup>th</sup> birthday. Code 'CH' to be mentioned in the ticket along with date of birth.
  - c. 90% Infant discount on the applicable adult fares applicable for infant who have not reached their 2nd birthday. Code 'IN' must be mentioned along with DOB (Date of birth). Infant ticket is to be issued at the airport only before departure.
  - d. 20% less for FIT only for adult. Full fare to be shown in ticket with tour code 'S2X'.
  - e. In residential fare 20% less will not be applicable.
5. Cancellation charge:
    - a. 25 % of the applicable fare will be charged for canceling ticket before 24 hours of the flight.
    - b. 50 % of the applicable fare will be charged for canceling ticket before 01 hour of the flight.
- 4 Applicable taxes mentioned above to be collected while issuing tickets.
  - 5 Tourist flight fare for Nepalese and Indian for the sector Kathmandu-Lukla V.V. NPR equivalent USD 40.00, Pokhara-Jomsom V.V. and Pokhara-Manang V.V. NPR equivalent USD 25.00 will be applicable.
  - 6 Passengers traveling to KTM-BWA via or BHR or PKR have to bear the applicable airport charges and Layover if required will be at passenger's cost. Two coupon tickets will be issued for those passengers who have to stay either at PKR or BHR e.g. KTM-PKR-BWA or
  9. Cargo rate will be 1.5 % of the local normal fare plus other charges will be applicable as follows:
    - Service charge NPR 25.00 per consignment note.
    - Terminal charge NPR 1.13 per/kg. Including VAT.

- 1 Cargo rate will be 1 % of the local normal fare for the period) December to 31 January for the sector Kathmandu-Lukla and Pokhara-Jomsom only.
- 2 Cargo rate for Kathmandu-Lukla for the period May, June & July will be 1 % of normal adult fare per kg.
- 3 Excess Baggage rate 2.5 % per kg of adult local fare will be applicable.
- 4 Excess Baggage rate for Kathmandu-Lukla for the period May, June & July will be 2 % of normal adult fare per kg.
- 5 Reconfirmation is not required. If fake ticket numbers are found, the agent is to be charged 25% of the value of the sectors booked and confirmed.
- 6 This fare supersedes to the previous circular is this regards.

#### **4.4.5 Competitors**

Air Ananya Asian Airline Helicopter Avia Club Nepal Balloon Sunrise Nepal Buddha Air Cosmic Air Dynasty Aviation Fishtail Air Flight Care Aviation Garud Air Gorkha Airlines Karnali Air Service Manang Air Mountain Air Necon Air Shangri-La Air Skyline Airways Yeti Airlines

#### **4.5 Flight Support Service**

Flight support service is the new division of the marketing department. It is also one of the important divisions inside the marketing department. The name itself tells the working criteria under this heading. Generally it works for the catering stores and supply and also the in-flight meal supply and contract.

While the passengers are in the flight, all the satisfaction of the passenger depends on the service the employee given during the flight time. So in this sense this division can be taken as one of the important division and it roles too.

Generally this division stores the catering to supply in the flight time.

The mechanism of the store should be sound and efficient. There should be no complaining about the quality of the catering and the entire passenger gets the satisfaction.

After storing in the efficient way is not all the solution. How it maintains the quality till it is served in the flight. These matters are handled by NAC on the contract basis.

Contract should be fair and transparent.

#### **4.5.1 NAC service**

NAC two Boeings B-757 which have 174 economic classes which are also denoted 'Y' and 16 Business class which is denoted by 'Z', altogether 190 seats.

As I surfed in the internet about the NAC service in the flights it is as follows.

##### **Economy Class**

Comfort Economy travel is equally comfortable on Nepal Airlines. Special fares are available in some sectors. Passengers should contact their nearest local agent for these fares. Depending upon availability, in some section upgrade to Shangri-La class is also available on payment of certain charge.

**Meals on Board** On our Economy class we serve exclusive meals specially prepared by chefs of renowned five star hotels in Kathmandu for the gastronomic delight of our passenger. You can also choose from an array of drinks. There is something for everybody – cocktail, wine and a range of soft drinks. Our meals served on board are chicken, fish or mutton based. Vegetables meals are available on special request at the time of reservation.

**Baggage-** Our economy class passengers are given a personalized service which ensured that your baggage is handled swiftly and carefully. All economic passengers enjoy baggage allowances of 20 kilograms on all destinations.

##### **Business Class**

As a Shangri-La class or business class passengers of Nepal Airlines, you are entitled to an array of benefits and privileges and personalized service on board the flight. Our business class passengers are offered special check-in priority. Baggage handling, a wide range of reading materials, comfortable wide seats, and a choice of fine cuisine along with a top class selection of wines.

**More space, more comfort** Our Business class has a 16 seats configuration; you don't have to worry about sitting in middle because, there is no middle seat. The two-seats-in-a-row arrangement assures more leg room and comfort.

**Wine, Champagne and Gourmet meal** We serve exclusive meals specially prepared by chefs of renowned five-star hotels in Kathmandu for the gastronomic delight of our

Business class passenger. You can also choose from an array of drinks. There is something for Everybody – cocktails,whisky,gin vodka,brandy,champagne,wine and range of soft drinks includes diet 7-up and diet coke. The three course gourmet meals served on board is either chicken, fish or mutton based.Vegatable meals are served in a special request. All foods and drinks are served in exquisite China and crystal ware.

Privileges come in Big Baggages. Our Business Class passengers are given a personalized baggage handling. You will enjoy the privilege of an extra 10 kilograms baggage allowances. Now who says good things only come in small packages?

Easy come Easy go Business class passengers are directed to the appropriate boarding gate by the ground staff. Since the business class is located right behind the cockpit, time is saved during entry and exit.

In touch with the world Magazines of international reputed and local newspaper are available on board.

Other special services our cabin attendants are there on stand-by to take care of your needs. There is a closet to hang your coats and hat. A comfortable pillow and a blanket are also provided to our business class passengers.

The competition in the market is in such a high level that just recently Singapore Airlines has introduced the biggest aircraft A380 in the world. Though our NAC can't reach in such a level for at least ten years but take a big lesson from it.

Singapore Airlines has promoted its aircraft in a Time Magazine likewise.

On 25 October 2010, the world's first A380 operated by Singapore Airlines made its historic first flight from Singapore to Sydney.

The Singapore Airlines A 380 is designed to carry 471 passengers in the grandest style. The cabin is configured in three classes: with 12 Singapore Airlines Suites, 60 Business Class seats and 399 Economy Class seats.

The A380 is the world's largest passenger aircraft. It is also the quietest and most fuel efficient – a true environment champion designed to meet the demands of air travel today and in the future.

With a host of innovative features masterfully crafted to meet your every need, experiences your own bedroom, office, cinema and dining area – all the comfort of your personal suite.

Or for the first time ever, experiences the pleasure of sleeping on a standalone bed; not one converted from a seat. Along with our signature turn-down service, fine linen and full-sized pillows, you are assured to restful slumber.

With only 12 extraordinary suites, available to the most discerning guests on each of our A380 aircraft, the Singapore Airlines Suites is truly in a class beyond first-a class that is yours alone.

### **Unprecedented Levels of Privacy**

Each cabin features sliding doors and windows blinds, offering you the freedom to decide on the level of privacy you prefer.

Even the leather and wood finishes have been designed in soothing natural hues to enhance the sense of serenity.

Whether discussing business, or sharing a relaxing moment, your Singapore Airlines Suite is exceptionally accommodating, with a soft leather chaise lounge across from the armchair and a large dining table.

The premium cabin has also been laid out to offer more stowage space for your cabin baggage and personal items, and a full-length wardrobe-all within easy reach.

### **Exclusive Dining When You Want It**

A selection of the finest cuisine awaits, served whenever you desire. Sheer culinary bliss, available at any hour.

Our exquisite menus are created by the Singapore Airlines International Culinary Panel, comprising the world's most awarded chefs; and presented on elegant tableware, specially designed by Givenchy for the Singapore Airlines Suites.

To complement your meal, we also offer a selection of the finest wines to ever grace a cellar. Each one thoughtfully hand-picked by our panel of wine experts.

### **Indulge Your Senses**

Comfortably cocooned in your private cabin, revel in Kris world, our state-of-the-art-in-flight entertainment system. Offering 1000 entertainment options including the latest movies, TV shows, music, 3D games, language courses and office applications, on a 23-inch wide LCD screen-the largest in the sky. The suite also features an easy access multi-port with video-in, headphone and USB drive connections.

With the Singapore Airlines Suites, and the in-flight service even other airlines talk about, you will discover an experience beyond any other.

This type of promotion tools that also in the Time magazine, anyone can imagine how much effort does it have given to marketing tools. Better the products better the promotion and can be served as it is said confidently. This type of promotion inspires to think for every passenger to take its service once in a life time period at least in a dream.

## 4.6 Airport Services

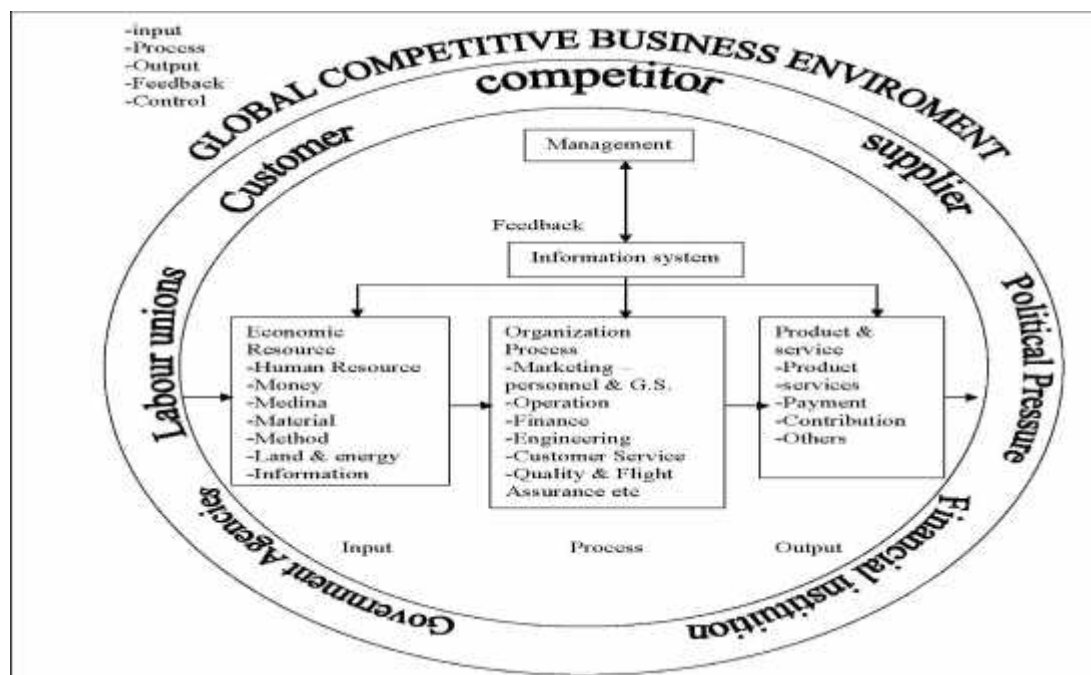
Airport service is also one of the important divisions of marketing department. It handles about the airline handling of foreign as well as Nepal Airlines. Foreign Airlines has to pay to the Nepal Airline Corporation for using the ground services.

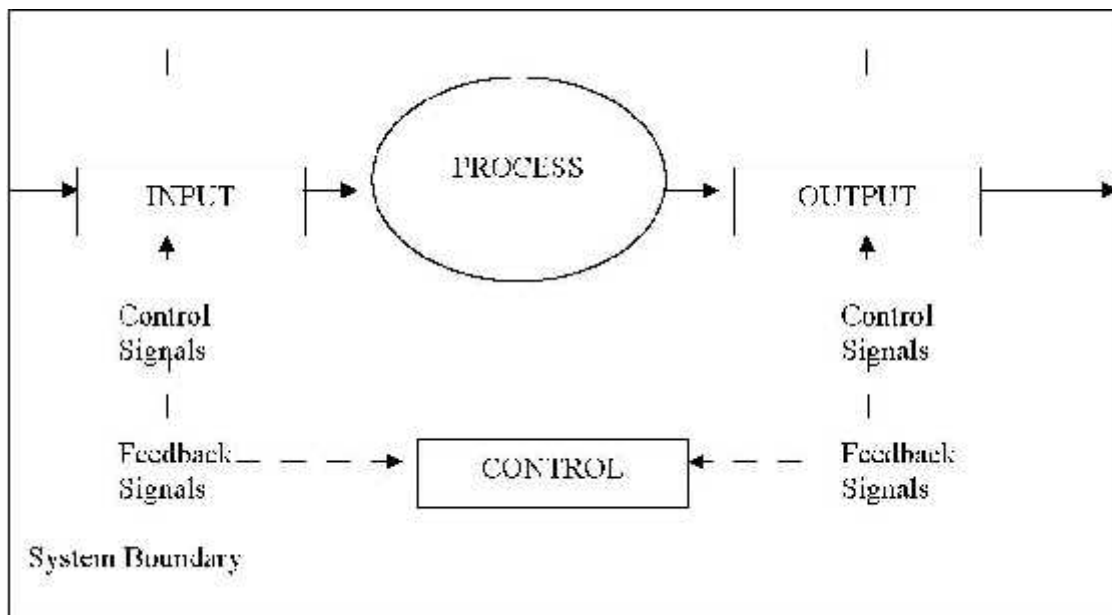
This division also handles the complain about the passengers in-flight or in ground. It not only handles complain but also compensate if necessary. While compensating passengers satisfaction must be given importance. Besides these flights review and cargo services are also given by this division.

## 4.7 System view of NAC

### 4.7.1 Marketing Department of NAC as a System

**Figure 4.4**  
**Marketing Department of NAC as a System**





The major inputs of marketing department's are –

**Input** – Human resources-Technology -Travel Agencies -Divisions -Plan, Policy and Strategy-Market Promotion, Research and Development Activities -Budgets etc.

Where as the process involves transformation of these inputs into output. Therefore the process includes the no of functioning activities. They are:-

### Process

- ) Utilization of skills and capacity
- ) Computerized reservation system (ABACUS) , GABRIEL ,AMADUS are computerized reservation system soft wares which are under operation 24 hours, which process updates each and every information regarding Ticket booking and reservation.
- ) Collection of information regarding air passenger, identifying customer to book reserve and sale the airlines tickets. -Divisional functions which supports the overall functions of marketing department. -Implementing formulated plans and policies and strategies.
- ) Conducting meeting, seminars, conference, participation in different activities and exhibitions and mobilizing market research and development committees etc.

- ) Investment of budget according to the requirement.
- ) After the completion of transformation process the system generates output. The output may be different and the output is based on input and the quality of output depends on the quality of the inputs and transformation process .Thus the objectives and outputs of the marketing department of NAC are as follows:-

### **Output**

Customer Service and Satisfaction -Airlines goodwill -Generation of Revenue - Contribution to the country -Worldwide recognition -Experience etc.

Generally feedback and control are taken as a part of the system concept where feedback is data about the performance of a system and control is a major system function that monitors and evaluates feedback to determine whether the system is moving towards the achievement of its goals and objectives.

If a system performs properly generates positive feedback, which signals the control functions to maintain the system's current course towards its goal. A system whose performance is deteriorating – deviating from the attainment of its goal generates negative feedback where the negative feedback allows the system manager to take corrective actions whereas the positive feedback signals the proper management of the system.

As shown in the inner rectangular line represents the system boundary that means the system of marketing department takes place. The system boundary plays separating roles from its environment and other system. Note that the system does not exist in a vacuum; rather, it exists and functions in an environment containing other system. The other system would be the system of engineering department, corporate department, Finance department etc.

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performance is deteriorating – deviating from the attainment of its goal generates negative feedback where the negative feedback allows the system manager to take corrective actions whereas the positive feedback signals the proper management of the system.

#### **4.7.2 Data Flow Diagram of Market Department**

Generally, Data Flow Diagram is a graphical network which magnifies the relationship between different procedures within system. It represents the flow of data, how does it flow where does it flow for what purpose does it flow. Thus it is a means of representing system and its acts as a component between users and system developers.

With reference to analysis of existing information system in marketing department as a first step context diagram of marketing department which gives an entire system overview. From the above diagram marketing department is a processor and its divisions and office of the chief executive are considered as the external entities of data flow diagram.

The external entities flow the information/data to the processor, the processor processed those data/ information and gives positive or negative response or it provides suggestion and advice to the external entities if necessary.

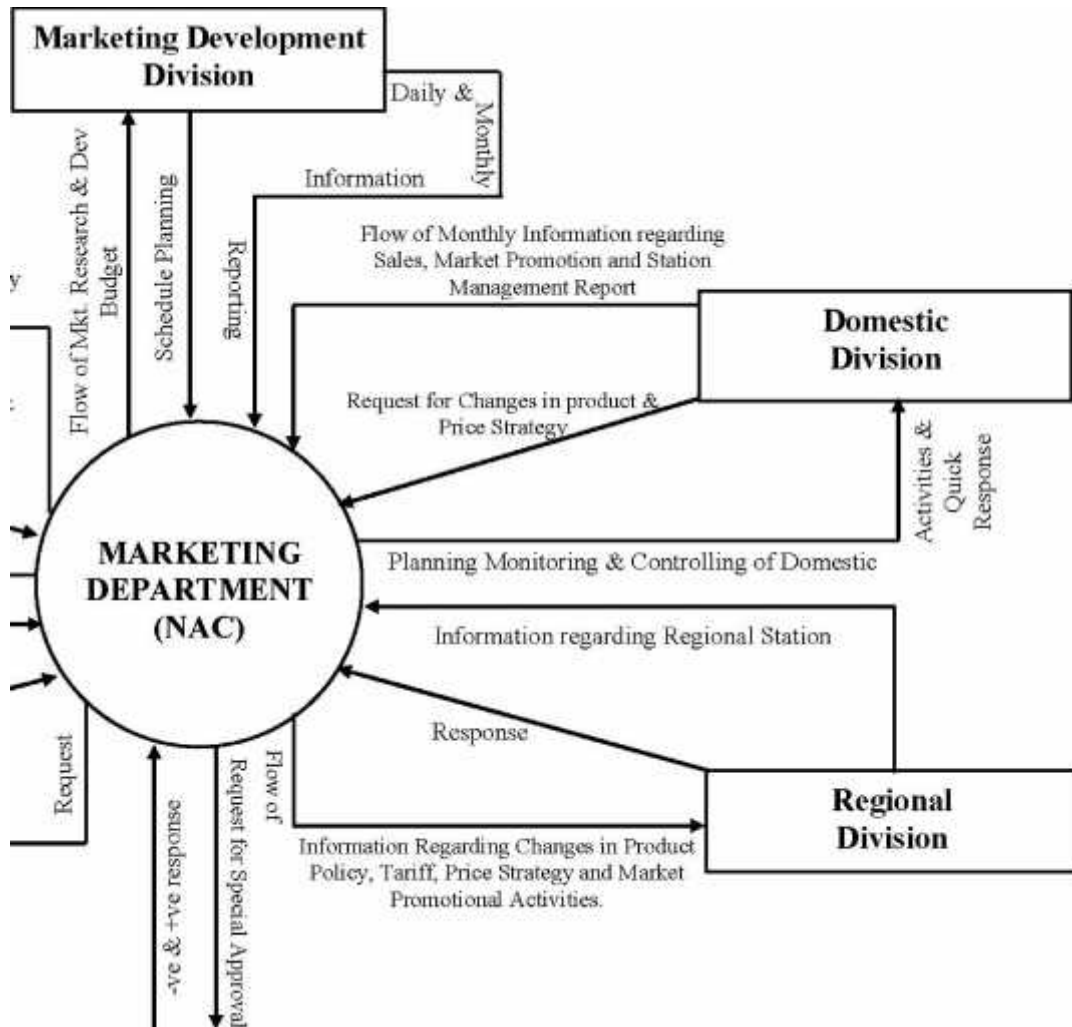
Now, examine each an every entities how they are flowing data for what purpose they are flowing data similarly how and where the processor (i.e. marketing department) is responding. According to the diagram, the external entities marketing and station affairs International division provides the information regarding product policy, Tariff and price strategy then the processor i.e. marketing department respond negatively or positively if the response is positive then they are in execution, if the response is negative the strategy should be changed. Similarly the entities flow the information regarding need of market promotion and extension of station the Marketing department responds by evaluating those information.

Marketing department cell division is another entity which flow the information related to market development activities such as market. Research and development, traffic, review, monitoring and forecasting, schedule planning, management and information report, statistics, etc. According to the diagram (market development cell). Entities flow the information regarding of light schedules and planning in order

to fulfill the need of marketing department. Similarly Marketing department flow the information regarding market research and development budget to the entities for adjustment on the other hand the entities flow daily and monthly information report to the Marketing department.

**Figure 4.5**

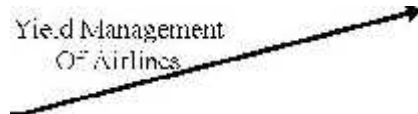
**Data Flow Diagram of Marketing Department**



Regarding Sales & Reservation



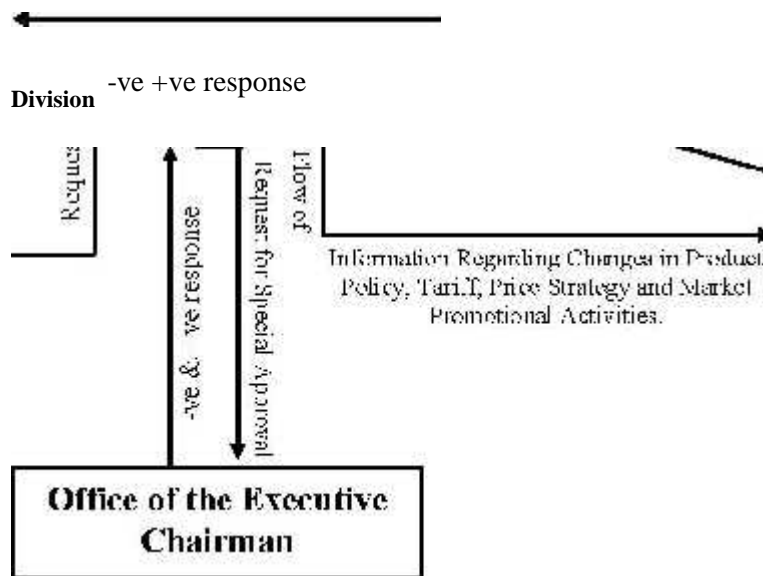
Information



Sales

Approval of Special

## International



Similarly, Sales international division is another entity of the context level (Data flow diagram) which provides processor processed the information and response positively and negatively where, yield management of airlines is another concern domestic division which flow the information regarding sales reservation market promotion and station management report to the processor. Whereas the processor process the information for planning monitoring and controlling the domestic activities and response accordingly in some cases the entities needs authority to change the product and price strategy in domestic field and it flow request for quick response.

Similarly the regional division is considered as the entities which flow the information regarding regional stations of India, viz; Delhi, Bombay, Calcutta and Banglore. Whereas the processor process the information and flow the information regarding changes in product policy, traffic and price strategy as well as market promotion activities to the regional divisions and the division response and performs accordingly. Here office of the chief executive is considered as last an entity which is more sensitive than other entities, it needs the overall information of marketing department to measure the performance and it is fully authorized to take corrective actions whenever needed. The different plans, policies procedures and strategies are formulated if the special request is done by the Marketing department. The office of the chief executive responds positively and negatively according to the organization's strength and weakness.

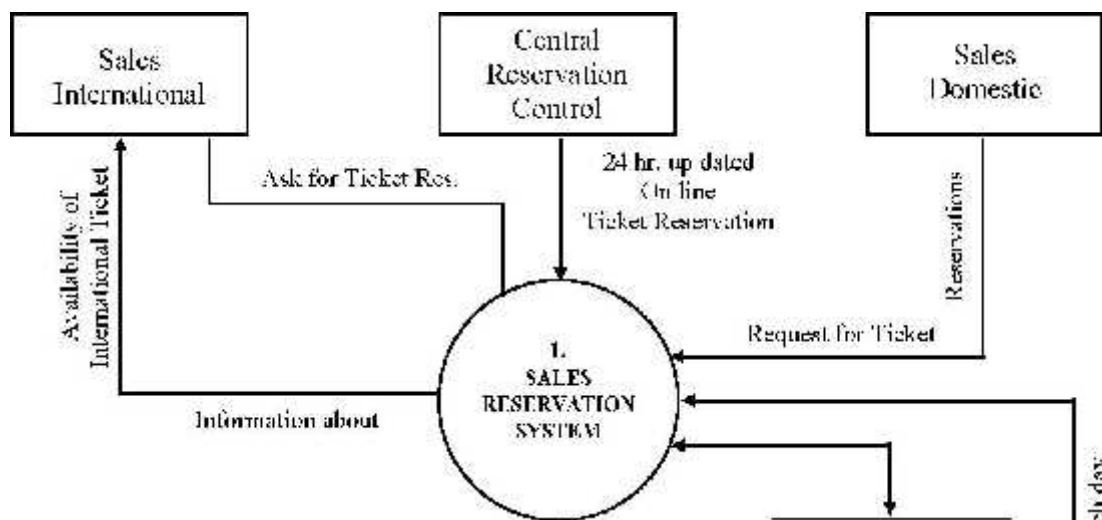
### 4.7.3 System Level Data Flow Diagram

Generally most of the activities of Marketing department is concerned with selling of goods and services in order to fulfill needs wants and demand of the customer i.e. customer service. The system level diagram of marketing department has been emphasized in sales and reservation of ticket and confirmation and issue of ticket for customer service. The system level diagram consists 5 entities viz.; Sales international, central reservation control, sales domestic, sales manager and airlines customer.

The entities sales international has to deal with number of external activities such as airlines ticket sales and reservation, sales promotion and its achievement co-ordinate with international travel agents, preparation of sales budget, and monitor tariff v/s yields in different routes formulate and implement sales reservation policy etc.

Central reservation control is other entities concerned with reservation of airlines ticket world wide through on line computer reservation system, it updates the information and support the sales and reservation system of NAC.

**Figure 4.6**  
**System Level Data Flow Diagram**

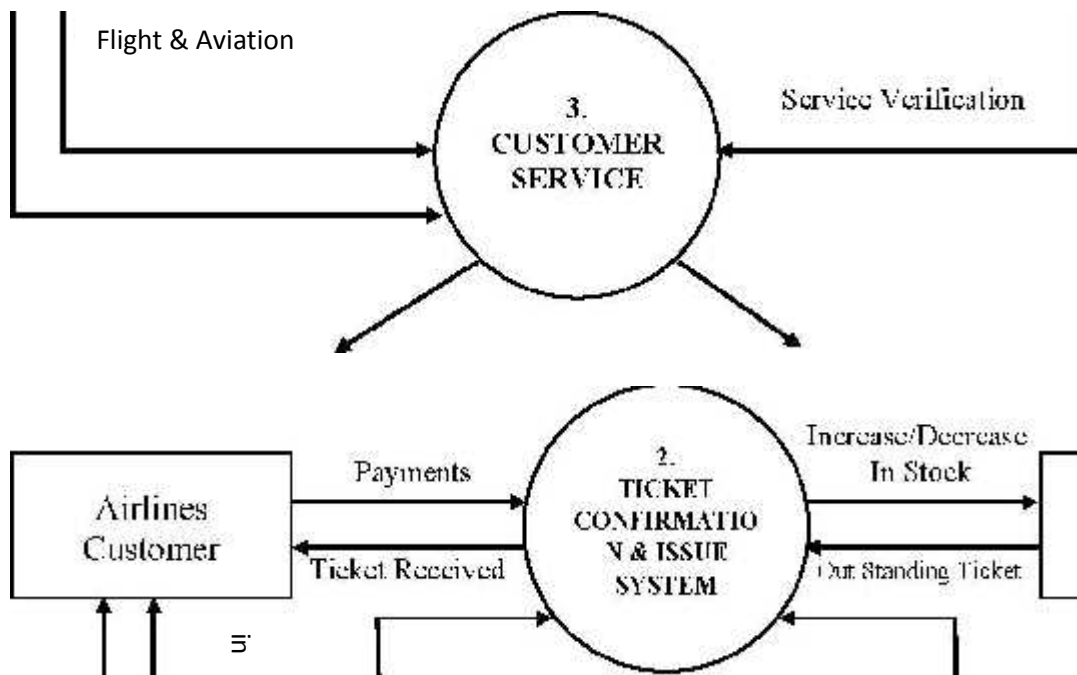


Information about

No. of Ticket Reserved Airlines Ticket Booking & Reservation

Increase/Decrease

Information about flight & flight cancellation



Need Information about new flight Ticket

Payments In Stock

### Sales

Ticket Received

Out Standing Ticket

### Manager

Payment  
Ticket Issue

### Deposits

Service Verification

Ticket Issued each day

Flight Scheduling & Planning Customer Service files

Sales Domestic the entities concerned with sales and reservation of ticket within the country

i.e. domestic flight ticket. This entities deal with domestic airlines customer, ticket reservation and sales activities is done manually.

Sales manager is the another entities who has to coordinate with sales and reservation system and ticket confirmation and issue system to provide better service to airlines

customer and generally record the up to date information to provide needed information for sales international and sales domestic.

Airlines customer is takes as the last entities in this system level diagram who receives information from the sales international and domestic regarding ticket conformation when the ticket is confirmed he/she provides payment the ticket confirmation and issue system provides the ticket to the customer.

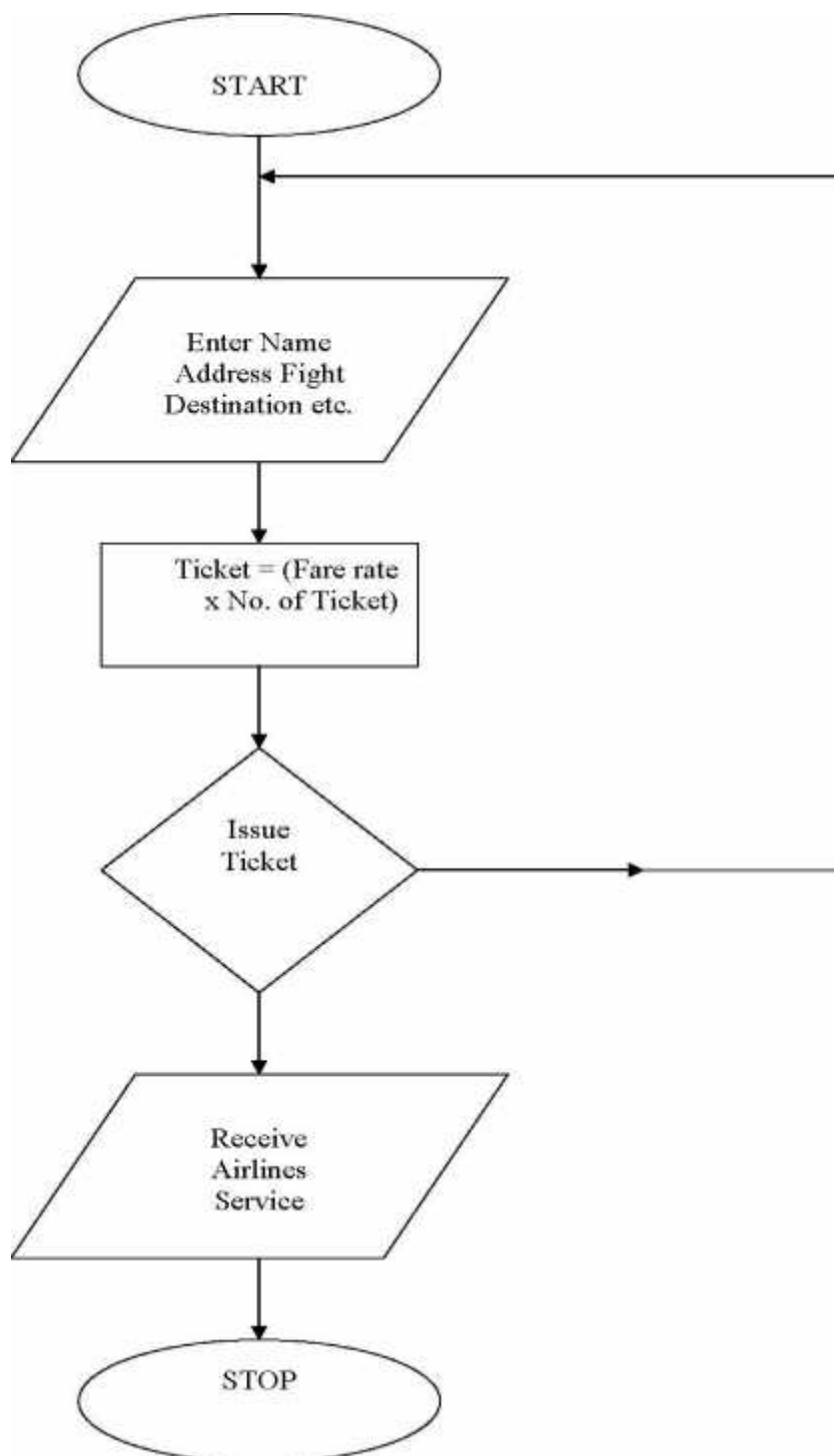
According to the system level diagram sales international who is concerned with sales and reservation of international ticket. Ask the ticket for reservation to sales and reservation system then sales reservation system provides information about availability of international ticket similarly sales domestic request sales and reservation system for ticket reservation the system manually reserves the domestic ticket where the system is operated under the direct supervision of central reservation control unit. When the ticket is reserved according to the request of sales international and domestic. The system has its database file to record the reserved ticket.

Similarly the entities airlines customer and sales manager who has their direct relationship with ticket confirmation and issue system and the airlines customer confirmed and provides payment the system issue the ticket and the system deposit the payment and keeps record in payment received file. On the other hand it updates the ticket issued file to inform sales manager decrease in stock.

Here the airlines customer needs lots of information regarding flight rules and regulations flight schedule, airport, reporting time, baggage weight and banned items etc. Thus the customer service is responsible to inform and handle the customer in the airport before departure of airlines. It keeps service record file to know the number of customer departure and incase the time of flight cancellation due to environment and technical problem of aircraft it informs customer about flight cancelled and next flight scheduled for their service. It updates information form flight scheduling and planning database file where the sales manger requires service verification for future prospects.

#### 4.7.4 Flow Chart (Ticketing System of Marketing Dept.)

Figure 4.7  
Flow Chart (Ticketing System of Marketing Dept.)



The fig; emphasizes the business organization is an open system because it is operating within a business environment. The organization whether it is business organization or service organization it consists of the following interrelated system

components. **Input** – Economic resources such as people money material, method, land and energy, information are required by a business organization from its environment and used in its system activities. **Process** – Organizational process such as Marketing operation, finance, engineering, customer service, quality assurance and flight safety transform input into output. **Output** – Product and services payment to employees and suppliers contributions. Taxes and information are all output produced by organization and exchange with or transferred to its environment. **Feedback** – The primary role of information system is serving as the feedback components of an organizational system .They provide information to management concerning the performance of the organization.

**Control: Management** is the control component of an organizational system. Management controls the operation of a business organization so that its performance meets organizational goals.

#### 4.8 Analysis of Primary Data

The researcher in the study has designed the questionnaire to collect the primary data and information and has distributed 12set of each questionnaire from to the officer level employees of marketing department, NAC randomly. The total no of respondents were 12 examples i.e. is more than 10% sample of total population stated earlier in the study. Since from the distributed questionnaire the following data and information has been received and they were tabulated to present and analyzed the data.

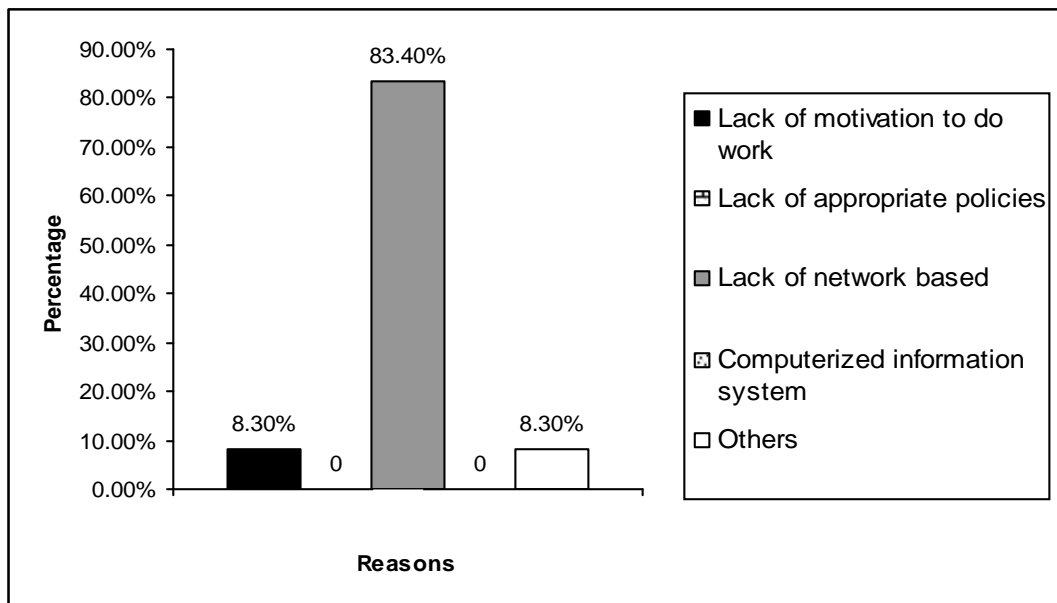
##### 4.8.1 Reasons for Unsystematic Flow of Information

**Table 4.7**  
**Reasons for Unsystematic Flow of Information**

Reason	Response	Percentage
Lack of motivation to do work	1	8.3%
Lack of appropriate policies	-	-
Lack of network based	8	83.4%
Computerized information system		-
Others	1	8.3%
<b>Total</b>	<b>10</b>	<b>100%</b>

Figure 4.8

## Reasons for Unsystematic Flow of Information



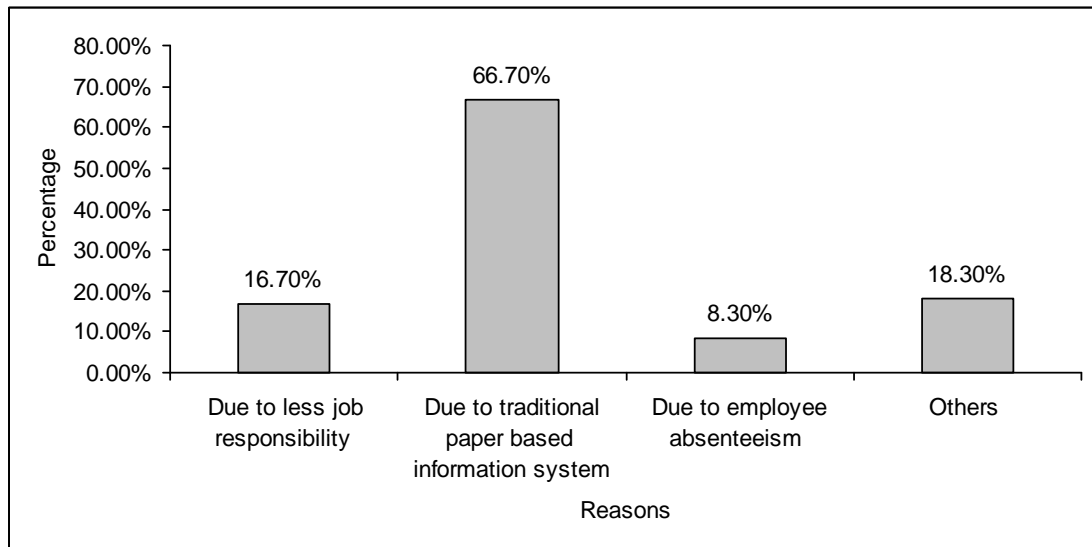
Above table and figures indicates that the total No of Respondents were 12 and 10 of them has emphasized the reason for unsystematic flow of information is due to lack of network-based computerized information system and has the highest percentage.

## 4.8.2 Reason behind problem in decision making in department

Table 4.8

## Reason behind problem in decision making in your department

Reason	Response	Percentage
Due to less job responsibility	2	16.7%
Due to traditional paper based information system	8	66.7%
Due to employee absenteeism	1	8.3%
Others	1	1 8.3%
<b>Total</b>	<b>12</b>	<b>100%</b>

**Figure 4.9****Reason behind problem in decision making in your department**

Above table and figure indicates the total No of respondent was 12 and emphasized reason behind problems in decision making is due to traditional paper-based information system and has the highest percentage.

**4.8.3 Reason behind flight delay and cancellation****Table 4.9****Reason behind flight delay and cancellation**

Reason	Response	Percentage
Lack of proper information system	9	75%
Inadequate aircraft	1	8.3%
Technical problems	2	16.7%

**Figure 4.10**  
**Reason behind flight delay and cancellation**

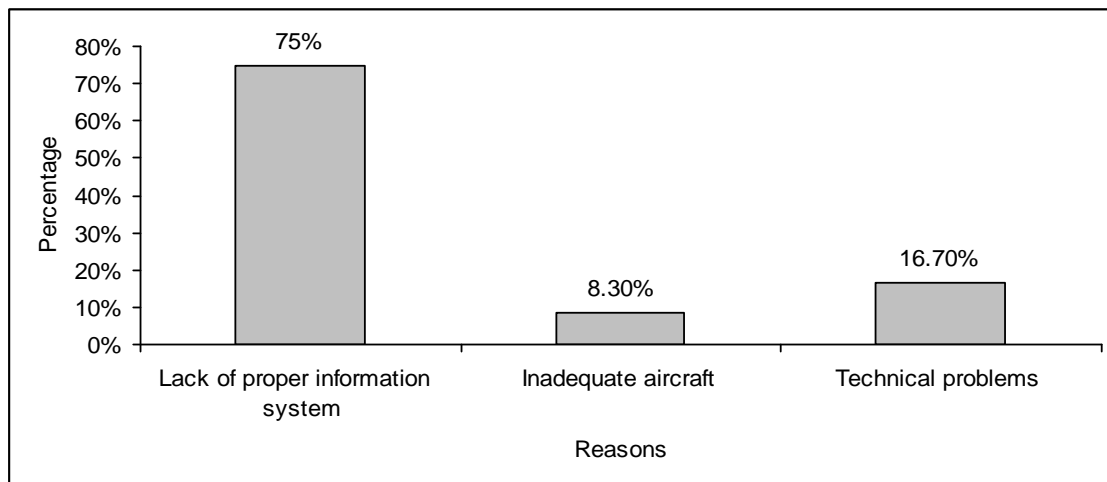


Table and figure indicates reasons behind flight delay and cancellation is due to the lack of proper information which consist higher percentage.

#### **4.8.4 Is it necessary to minimized traditional paper based information system?**

**Table 4.10**

**Is it necessary to minimized traditional paper based information system?**

Opinion	Responses	Percentage
Yes	9	75%
No	1	8.3%
Others	2	16.7%
Total	12	100%

Above table shows the indication for the minimization of traditional paper based information system.

#### **4.8.5 Is network based computerized information system necessary**

**Table 4.11**

**Is network based computerized information system necessary**

Opinion	Responses	Percentage
Yes	10	83.3%
No	--	
Others	2	16.7%
Total	12	100%

Above table shows the indication in favor of the computerized information system to coordinate and communicate different divisions and units of the department. Some of the primary data and information based on questionnaire that has been designed by the researcher which has not been tabulated here, but they were used to present and analyze the marketing department of NAC.

Questionnaires were served at TIA Domestic Terminal lounge to know the frequency of travel by the respondents during the last five years. Out of 60 respondents 22 responded that they travel once a year. This means that 36.67 percent travel in year. About 14 respondents responded that they travel once in a six months. The table also reveals that 30% or 18 respondents travel once in three months. The number of respondents traveling once in months is 3 or 5 percent. Only 12.67 percent or 1 respondent travels once a week. Out of 60 respondents none traveled daily .This table reveals that the respondent traveling once a month and daily are least and second least while the number of respondents traveling once a year is the highest.

#### 4.8.6 Frequency of Travel by Air Plane by Respondents

**Table 4.12**  
**Frequency of Travel by Air Plane by Respondents**

S.N.	Frequency of Travel	No. of Passenger	Percentage
1	Once a Year	22	36.67
2	Once in six month	14	23.33
3	Once in three month	18	30.00
4	Once in a month	3	5.00
5	Once in fortnight	2	3.33
6	Once a week	1	1.67
7	Daily	0	0
<b>Total</b>		<b>60</b>	<b>100</b>

**Source:** Field Survey, 2012

#### 4.8.7 Analysis of Respondents purpose of travel

**Table 4.13**  
**Analysis of Respondents purpose of travel**

S.N.	Purpose of Travel	No. of Respondent	Percent
1	Business	25	41.67
2	Official	20	33.33
3	Private	15	25.00
	<b>Total</b>	<b>60</b>	<b>100.00</b>

**Source:** Field Survey, 2012

The analysis presented, reveals that out of 60 respondents 15 or 25 percentage travels for private purpose .the number of respondents traveling for official purpose was 33.33 percent or 20.The numbers of respondents who travel for business purpose was 25 or 41.67 percent.

#### 4.8.8 Analysis on the basis of selecting the Airlines while traveling

**Table 4.14**  
**Analysis on the basis of selecting the Airlines while traveling**

S.N.	Bases of Selecting Airlines	No. of Respondents	Percentage
1	Price	42	20.80
2	Accessibility	25	12.38
3	Amount of Information Available	10	4.95
4	Punctuality of Service	22	10.89
5	Reliability of Vehicles	17	8.42
6	Organization's Reputation	35	17.33
7	Safety of Life	51	25.25

**Source:** Field Survey, 2012

Above Table shows how the respondents respond to the basis of selecting airlines. About one fourth of responses were being provided for safety of life as the basis of choosing the airlines. Second preferences were given by the respondents to the low

fare. The number of responses counts 42 or 20.80 percent of the total responses for the price. About 17 percent (35 respondents) took the opportunity to rank third position for the organization's reputation as the bases of selecting the airlines .Accessibility and punctuality of service ranges the fourth and fifth position with the number of responses 25 or 12.38 percent and 22 or 10.89 percent respectively .Reliability and amount of information available counts the second least and the least in the respondents' preferences for the selection of airlines. The responses for the amount of information available were 4.95 percent or 10. The responses for reliability of vehicles range to 17 or 8.42 percent.

It is sad to say that among 60 respondents almost all the respondents have not seen any promotional activities of NAC.This responses points out the importance of the NAC for promotion.

#### **4.8.9 Respondents' attention towards promotional tools**

**Table 4.15**

##### **Respondents' attention towards promotional tools**

S.N.	Promotional tools	No. of Respondents	Percentage
1	Advertisement in Newspaper	70	35.0
2	Advertisement in Magazines	40	20.0
3	Advertisement in Television	55	27.0
4	Personal Communication	24	12.0
5	None of the above	13	6.0

**Source: Field Survey, 2012**

Above table, it is found that a majority of respondents responded for advertisement in newspaper for the promotional tools used for airlines i.e. is 70 or 35 percent. The second highest is for advertisement in television which is 55 respondents or 27 percentage. Similarly, advertisement in magazines in third position with the number of responses 40 or 20 percentage. Personal communication and none of the above counts the second least and the least in the respondents' preferences for the

promotional tools. The personal communication was 24 or 12 percent and none of the above is 13 or 6 percent.

In the last question which was very important for the present condition of the NAC respondents among 60 respondents 33 respondents response was for the bad management and 27 responses was for political pressure.

#### **4.9 Major Findings**

Since from above presentation and analysis of existing information system using primary and secondary data the following findings has been drawn out in the research study.

- 1 Nepal Airlines is one of the complex organization due to its nature of service and wide area of marketing activities.
- 2 NAC owns very less Boeings and Twin-Otter for the international and domestic sector. Due to the growing market it is very less and NAC is losing its opportunity to grab and hold the existing market.
- 3 There are lots of conflicts inside NAC whether to purchase or lease the Boeings.
- 4 NAC competitors have been offering its flight service in less price than NAC, so it should reform its price policy so that it can attract the economy class people.
- 5 Due to lack of planes there is no excitement in the staffs to promote its product. In the field of promotion it has done very less or say nothing in the market.
- 6 It has done hardly anything in the field of market research and and its implementation. Researches made are also not for the long run because the staffs of the NAC even don't know what happens in the future.
- 7 As I found about not making the research is that again the lack of planes.

In some sectors like Kathmandu – Delhi v.v, Kathmandu – Dubai and Kathmandu

– Kuala Lumpur are satisfactory in Passenger Traffic International. Besides these sectors other is also not that satisfactory. NAC must research it and find

the problems and cause.

- 8 Information announced in Nepali medium through Radio Nepal regarding flight schedules by Marketing Department is quite traditional. But nowadays some newspapers too publish about the schedule of domestic as well as international sector.
- 9 The information system in marketing department is based on traditional paper based information and manually filling system. Manual flow of documents except computerized Reservation System of International flights ticket through Abacus and other CRS software.
- 10 Centralization of authority, Manual flow of documents and unnecessary political pressure generally creates obstacles to perform marketing activities smoothly.
- 11 Government handles all the recruiting process for the permanent job and in this process many political pressure plays a role which can never be fair and effective.
- 12 Government fixes the price of domestic sectors. This had also made a loss in the domestic sector. Government should give subsidies or authority to the NAC to fix the tickets price.
- 13 The fresh and young staff doesn't have a job guarantee which creates a fear of job security.
- 14 There is a huge gap between old and new generations. We found that no employees are less than 40 years.
- 15 Information does not flow systematically due to absence of Network based computerized information system to coordinate and communicate different divisions and units of marketing department. The employees of the same department don't know what is going in there on department due to lack of communication and coordination.
- 16 Travel Agents have to struggle a lot for the reservation of tickets.
- 17 Most of the travel agents are motivated by regular service and high rate of profit as well as promotional activities .So agents' promotional activities plays a supporting role to capture the market position.

- 18 It is found that most of agents deal with more than two airlines.
- 19 Frequent flier program and off-season discount seem more effective.
- 20 Foreign buy ticket on the basis of the recommendations of the travel agents and hotel
- 21 Nepalese customers seem first price sensitivity then gradually prompt service, availability, consider promotion activities etc.
- 22 Nepal Airlines staff accused of involving in trafficking .This was revealed after UAE warned NAC to stop bringing Nepalese without visa. This should be controlled.

## **CHAPTER- V**

### **SUMMARY, CONCLUSION AND RECOMMENDATION**

#### **5.1 Summary**

NAC was established 1<sup>st</sup> July 1958 A.D. Infinite numbers of possibilities are available to a firm for developing its promotional strategy. However, the promotional resources available to the airlines, nature of services strategy of airlines and promotional mix of competing airlines are some of the important factors that have direct impact on the promotional blend of any airlines.

In Nepal the perception lies in the fact that; advertisement is a luxury at the cost of buyers without any benefits to them. This is not the truth at all that there is no benefit from advertisement of buyers of goods or services advertised. They believe that the advertisement is carried out for those goods that are of poor quality which is an indication of Nepalese peoples lacking awareness on promotion.

Both the airlines operate under barter system of business advertising. The exchange of advertisements in magazines, televisions and newspaper with cargo is most familiar. The businesses run under the give and take understanding.

Those activities other than personal selling, advertising and publicity that stimulates consumers purchasing and dealer effectiveness, such as display, show and exhibition, demonstrations and various non- recurrent selling effort not in ordinary routine of business may be termed as sales promotion.

NAC has been playing the effective role in the development of the tourism industry.

NAC is the first airline company to make travel in different places of Nepal where at that time there were no means of road transportations.

It plays a very important role in the landlocked country like Nepal.

It plays a significant contribution in terms of foreign exchange and plays vital role in meeting the needs of trade currents by allowing quicker channels for the movement of cargo and commercial goods.

In comparison to other airlines it offers a very less price for the citizens in domestic route as well as in international flights.

It offers seasonal fare and promotional offers.

It is the only airlines which gives prompt and regular services in the rural part of Nepal where no other private airlines goes.

At time of natural calamities in the rural part, NAC plays a very important role.

As a whole it is one of the important government corporations which should be given excess care and support.

## 5.2 Conclusion

- 1 The main tools of Airlines Company are Boeings and Planes. Two old planes can never be punctual and reliable in the international and domestic flights. To capture the share market and also to be established truly as an international level Company immediately it should add Boeings. For this, its first step for international flight it should purchase one wide body and other narrow body Boeings. For domestic flights two turbo prop planes. For the rural areas it should maintenance its Twin-Otters.
- 2 While purchasing the Boeings or taking on lease there should be transparency. Due to lack of transparency Corporation and members of management are dejected about the purchase or lease of Boeings.
- 3 The government owned Corporation must be changed into public-private partnership firm, which gives the sense of belongingness.
- 4 After this type of organization structure NAC can join hands with other International Airlines for the Strategic Partnership step.
- 5 For the betterment of financial position, it should increase its capital, deduct the unproductive expenses, increase its tax by managing its agents and decrease its internal and external flights expenses.
- 6 Nepal Airline Corporation is not like other government offices. Its development and progress is adjoins with Nepal's pride. Other government offices should think positively and help NAC.

At last, however NAC is in difficult or critical condition its option is only progress, development and reform. For this Nepal government, staffs of NAC, INGO, Private sector, Bank and Financial Company as well as all the consumers and people of Nepal should help NAC. If it happens it's not hard to make NAC fit and fine.

### 5.3 Recommendation

- 1 Firstly I would like to recommend about the lack of Boeings and planes.Immediatey it should buy at least two Boeings and twin-otters to capture the market share.
- 2 If not NAC can immediately purchase the Boeings, it should try to give reliability and punctuality service by its remaining two Boeings and Twin-Otters.
- 3 Increasing rate of tourist, incoming and outgoing in international country and increasing rate of Nepalese going other countries for employment has made NAC more important for the growing market. In 2011 AD tourist has reached half a million which is strong base for NAC. Likewise peace in country and incensement in tourist has gave opportunity for NAC.
- 4 Comparing to other airlines service in the air NAC's service is not satisfactory. NAC should try to give more facility and variety of foods in its international flights.
- 5 NAC must be able to create positive emotions rather than negative emotion. Possitive emotion appeals such as love, joy, fun, pride, sentiment whereas negative emotion appeals fear, guilt or shame.
- 6 As other airlines are cutting off its price of tickets NAC should also try to minimize its tickets price.
- 7 The channel of distribution like travel agents, General Sales Agent ,Passenger Sales Agents should be controlled effectively as well as motivate them by more commissions and perks.
- 8 NAC had been doing very less effort in promotion, in this 21<sup>st</sup> century it's the communication age so NAC must promote its service and product as much as it can.
- 9 The staff of marketing department should be motivated.
- 10 While recruiting the staffs it's all controlled by Nepal government which is totally wrong. Government only recruit there political people where they don't have enough knowledge about NAC. It should be political free area.

- 11 Old staffs should be honored and make the appropriate environment to resign. After there resignation that place should be filled with energetic and fresh young staffs.
- 12 The sales office of NAC should be effective.
- 13 The newly recruited staffs are temporarily recruited which creates fear among them of insure of there jobs and demotivated for the work.
- 14 There is also a huge gap between old generation and new generation inside the marketing department. So they should have interaction with each other.
- 15 All the computer of marketing department should be interconnected with each other. With this, makes easy and effective while doing any work and also the staffs will be updated about their own department.

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## QUESTIONNAIRE FOR PASSENGER

Hello I am Yak Narayan Sharma from Mahendra Multiple Campus, Nepalgunj. Sir / Madam I am carrying out a research work entitled **MARKETING ANALYSIS OF AIRLINES** as partial fulfillment of my degree in **MASTER OF BUSINESS STUDIES (MBS)** .Will you please take a few minutes to answer some of the questions? I assure you that your answers will be kept completely confidential and shall be strictly limited for the purpose of the present study only.

Name: Mr. / Mrs. / Miss .....

Address: .....

(Please respond as per requirement of each question)

1. How often do you travel by Airlines? Please tick in a appropriate box

Once a year  Once in a six month

Once a three month  Once in a month

Once in fortnight  Once in a week

Daily

2 For what purpose do you travel?

Official

Business

Private

3 Do you have habit of traveling by Nepal Airline Corporation? If yes, why or if no,

Why? Yes  No  Why.....

Why.....

4 How do you select Airlines while traveling? (Please indicate multiple boxes if you have more than one response) Fare  Accessibility  Reputation  Punctuality of service  Safety of life  Amount of Information  available Reliability of vehicles  In use

5 Have you ever seen or heard any promotional activities of Nepal Airline Corporation?

Yes [ ] No [ ]

6 By what medium had you seen / heard NAC? (If you have any multiple response tick in multiple boxes)

Newspapers [ ]

Magazines [ ]

Television [ ]

Radio Nepal [ ]

FM Radios [ ]

Hoarding / Billboards [ ]

7 Which of the promotional tools of Airlines draws your attention most?

[Priority base]

Advertisement in Newspaper [ ]

Advertisement in Magazines [ ]

Advertisement in Television [ ]

Personal Communication [ ]

None of the above [ ]

8 What is the main cause of failing Nepal Airline Corporation?

Bad management [ ]

Political pressure [ ]

Thank you for your cooperation

Yak Narayan Sharma

(The Researcher)

## QUESTIONNAIRE FOR MARKETING DEPARTMENT (NAC)

Name of respondents (Optional).....

Designation.....

Place.....

Date.....

1. What is the reason behind unsystematic flow of information?

Lack of motivation  Lack of policies  Lack of network based computerized Information system  others (please specify).....

2. What do you think about problems indecision making in your department?

Due to less job responsibility  Due to traditional paper based Information system   
Due to employees absenteeism  Others (please specify).....

3. What is the reason behind irregular flight, flight delay and cancellation?

Lack of proper information system  Inadequate Aircraft  Technical problems   
others (please specify).....

4. Is it necessary to minimized traditional paper based information system?

Yes  No  others (Please specify) .....

1 Is network based computerized information system necessary?

Yes  No  others (please specify).....

*Please hand this questionnaire form to your researcher after your prompt response.*

*Thank you.*