

**PRESENT POSITION, PROBLEMS AND PROSPECTS OF
ADVERTISING AGENCIES IN NEPAL**

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RECOMMENDATION LETTER

This is to certify that the thesis

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PRESENT POSITION, PROBLEMS AND PROSPECTS OF ADVERTISING AGENCIES IN NEPAL

has been prepared as approved by this Department in the prescribed format of Faculty of Management. This thesis is forwarded for examination.

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VIVA-VOCE SHEET

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And found the thesis to be 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’s Degree in Business Studies (M.B.S.)**

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DECLARATION

I hereby declare that the work reported in this thesis entitled "**PRESENT POSITION, PROBLEMS AND PROSPECTS OF ADVERTISING AGENCIES IN NEPAL**" submitted to Shanker Dev Campus, faculty of management, Tribhuvan University, is my original work. It is done in the form of partial fulfillment of the requirement for the Master's Degree in Business Studies under the supervision of Associate Professor Laxman Dhoj Joshi, of Shanker Dev Campus.

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CHAPTER – I

INTRODUCTION

1.1 Background

The marketing structures in developing nations are less sophisticated than in the developed nations. In the developed nations markets are well integrated in one piece block and there exist a total marketing system properly functioning and serving both the consumers and producers satisfactorily. In most of the developing nations, on the contrary the markets are fragmented with no or little link among them. Markets are isolated and operate as "pocket economics" Marketing has already passed a long way since the barter system to present place cut throat competition in the market place. The development of science and technology has been playing a pivotal role to upgrade the marketing activities in present flourished stage.

Marketing is a primary but complex function of every manufacturing as well as business houses because they are producing and supplying plenty of goods and services over demand. Therefore, there, is cut throat competition among marketers and they are also developing various promotional tools assist the marketing functions. Out of them advertising is only one. In order to survive in the complex uncontrolled external marketing environment, every marketer has to adopt at least one promotional tool. Advertising has been existing as an effective promotional tool since the beginning of marketing.

Being a production oriented economy, the importance of marketing is not fully realized in Nepal more so the advertising programs. So far enterprises do not take advertising programs with any seriousness and merely regards it as the since the development of science and technology, manufacturers are able to produce goods and services in mass production system but they can't sell their products without informing scattered

customers about their products. Although there are various methods to inform the customers about products, advertising is only one alternative to carry their message because it reaches a large group of persons through the vehicle of mass communication media.

The amount spent in advertising differs according to the type of product. In the advanced countries a large expenditure is made on it and a market without advertising is unimaginable. However, in the countries like Nepal where the development of the market is still at preliminary phase, the role and extent of advertising is still limited.

Now a days advertising is a big business, it is bigger in the developed rich countries of the west. In India the advertising industry has seen phenomenal growth increasing its billings to almost Rs. 3000 crores in 2003. It has grown to Rs. 5000 crores in 2004-05. The total advertisement expenditure in India is \$ 850 million which is expected to rise to around \$ 5 billion by the year 2007 The gross advertising revenues in the world come to \$ 285 billion in 2005. Advertising ranks fifth amongst the big industry of the world. The first, four are oil, automobiles, computers, electronics and agriculture business. Formerly armaments come 5th but has now been pushed aside by advertising.

Today advertising is not only an informative device for other industries but also a big industry. In the context of Nepal advertising is recently accepted as a service industry and it is open for foreign investment. A few multinational advertising agencies have already commenced their business here, such as, Thompson Nepal Pvt. Ltd., Me Cann Erickson & others. The entrance of multinational advertising agencies in Nepal can, take a new dimension in advertisement business.

1.2 Advertising As Marketing Tool

Advertising is the communication link between the seller and the buyer on the consumer. It does not simply provide information about

products and services but is an active attempt at influencing people to action by an appeal to reason or emotion. In other words advertising does not end with the flow of information from the seller to the buyer, it goes further to influence and persuade people to action or believe.⁵

Advertising is able to make large scale manufacturing possible. Mass production depends up on mass consumption for its success. Mass consumption can be accomplished only by building up a large consumer acquaints hip with and acceptance of the product being manufactured. There are various admirable advertising media for accomplishing this end.

Advertising as a part of the total marketing mix, influences the sale of the product, as do the other variables of the mix. Together with the product or brand, price channel of distribution and personal selling, advertising attempts to reach the marketing objectives. However, advertising has its own role and should be suitably designed to support personal selling efforts. In short, advertising, being one of the marketing tools affects the sale of the firm. Right advertising is as essential as the right product, the right price, the right distribution channel and personal selling.

Advertising has become an inevitable condition for all kinds of business in the present day situation. The success of any business without advertising is just like impossible. So all the manufacturers and sellers can't refuse the involvement in massive expenditure on advertising.

1.3 Advertising and Consumers

The role of advertising can not be underestimated in intelligent or selective buying. The complex world of industry has been able to provide with the largest possible varieties of products to such an extent that consumers are at sea of decide. Further each producer claims that his product is far superior to others.

Advertising through its various forms disseminates useful information about relative merits and special features of the products and services in terms of price, quality, utility, durability, convenience and the like thus guiding the consumers to go in for a particular product or a service of a sponsor. ' It is claimed that advertising increase the utilities of given commodities for many people. By pointing out and emphasizing the qualities possessed by certain goods. Consumers are led to appreciate more strongly the utility of such goods.⁸

Today advertising is not taken as an informative device only. The purpose of advertising is not only to inform but also to persuade. Advertising undoubtedly has the power to increase the satisfaction derived from commodities already in use. It also has the power to develop a desire among many consumers for commodities which they do not possess and can not possess because of insufficient purchasing power. So advertising influences the consumption pattern of the consumers. In fact the effect and the success of advertising is justified from the favourable reaction that it can create on the customer. In the context of Nepal advertising is not taken as an assistant device by consumers because they have still misconception that only low quality goods are advertised and quality goods need not be advertised. That means consumers are not conscious about advertising. It might be because of high rate of illiteracy and insufficient purchasing power.

1.4 Advertising Industry in Nepalese Context

Advertisements no longer provide commodity information, they have become a part of life. For the sake of making consumers well informed, it is becoming more important in advertising to provide suggestions on various aspects of daily life Advertisements helps collect information and knowledge needed to make one's daily life richer and pleasant.

The advertising agencies came very late in Nepal but the massive growth of advertising business within this short period is itself an example of colourful business. The development of advertising industry is related to the industrial development in the country. The very slow speed of industrial development is an obstacle in the development of advertising industry. Recently government has realized the importance of advertisement and allowed the advertisement expenses to be deducted from the taxable income.

However, advertising business has been developed as a profession and a number of advertising agencies are providing advertising services independently. Trade liberalization policy of government, growing competitive market, availability of adequate media etc. are becoming back force in the development of advertising industry. But the development of advertising business is limited in spite of quality job and professionalism with quantitative increase of advertising agencies. It seems that they are operating only for survival without considering ethical, social and behavioural aspects of advertising.

Now, it is estimated that more than 205 advertising agencies are in operation in Nepal. Out of them some are developing professionally, such as Professional Advertising Pvt. Ltd., Trikon Advertising, Echo. Advertising Agency Adlink Pvt. Ltd., Syncro Media Pvt. Ltd., Classic Advertising Service, Muna Advertising Print Pvt. Ltd. and so on. Recently a few multinational advertising agencies have also entered with latest technology, trained manpower and global experience which is an assistance in the development of advertising industry.

Advertising Agency Association of Nepal (AAN) has already been formed to protect the professional right of the advertising agencies, in this context advertising industry in Nepal is becoming an emerging field and people from different sectors are interested to know the mystery of advertising.

1.5 Statement of the Problem

The role of advertising agency to develop the advertising industry is inseparable because advertising agency has come to represent the core of the advertising profession. Today advertising agency on the one hand plays pivotal role in industrial development of the country, on the other hand it is developing itself an independent industry. The rapid growth of advertising industry in Nepal has paved the way for its refinement and much desired professionalization. It has not yet the full-fledged status of a profession but is moving faster towards that direction.

Recently advertising business in Nepal is accepted as a service industry and a few multinational advertising agencies are coming here with a huge a milestone in the development of advertising profession. However, till now advertising agencies are in the process of development and the future of advertising agencies is colourful because the climax of competition among marketers in 21 century will enhance the importance of advertising and the role of advertising agencies.

The existence of competitors with similar products creates the need of promotional efforts to the marketer. Out of various promotional tools, advertising is an effective one which is a profession of advertising agency. An advertising agency is an active unit out of 3 parties involved in advertising business, i.e. advertiser, agency & media. The advertising agency plays the role of a mediator between an advertiser and a media which sets up the advertisements for advertiser by charging a specific amount of money and places it to the media to air.

Literature in advertising shows that the development of advertising agencies in Nepal is still in primary stage. Recently there has been 3 mushrooming growth of advertising agencies but their service and operating styles still not satisfactory. Although advertising -agency is being recognized as an independent profession,

but it is not excluded from problems Advertising agencies are facing various problems from advertisers, media, legal Drovicici and other sectors. In this context, following research questions will be analyzed in this study.

1. What kinds of services are provided by advertising agencies in Nepal?
2. What are the views of advertisers and advertising agencies about the scope and prospects of advertising agencies in Nepal?
3. Which media vehicle the advertisers prefer to employ and why?
4. What are the problems encountered by advertising professionals at advertising agencies?

1.6 Objectives of the Study

The basic objective of advertising is to catch the customer's attention for the sake of brand recognition and acceptance, trial purchase, recall the message and sales promotion. To fulfill these basic purpose the message and dramatization of advertisement copy should be effective. For that purpose, the advertising agency is primarily responsible to produce the advertising programs.

The function of the agency is effected from various factors such as structure and organization of the agency, skill and experience of the staff, investment, use of new technology and so on. The role and relationship between clients and media also determines the effectiveness of the agency. This study basically concentrates on the analysis of various aspects of advertising agency and attempts to fulfill following objectives.

1. To identify the present status of advertising agencies in Nepal.
2. To identify the problems faced by the advertising agencies in Nepal,
3. To identify the level of satisfaction of the clients! advertisers) towards agency's service.

4. To examine the relationship between advertiser and advertising agencies,
5. To identify the scope and prospects of advertising agencies in Nepal,
6. To examine the role of Advertising Agencies Association of Nepal (AAN).

1.7 Significance of the Study

It is obvious that there is lack of literature about advertising in Nepal, Most of the academicians are interested in political, economical, and socio-cultural subjects and discussions are also organized frequently about these subjects. Comparatively fewer people are interested to talk about advertising. In other words, advertising has been an academically neglected field in Nepal. It might be because of underestimation of scope and potentiality of advertising & profession on the one hand inability of the advertising professionals to expose their role, significance, ethics and justification of advertising to the general public, on the other hand.

In advanced countries "a wide assortment of philosophers, theologians, social scientists, historians and other social commentators have shown interest in the social role of advertising; their opinions have received wide circulation."⁹ In the absence of distinct philosophy of advertising profession, advertising in Nepal is dependant upon the generalizations based on foreign contexts. 4 decades history of advertising agency can assume very long in the backward marketing condition of Nepal but there is a need of research about the development and potentialities of the advertising business. In this context this study basically concentrates on the growth and development of advertising agencies, role of advertising agencies, future prospects and emerging issues in advertising agencies.

The government decision about ban of liquor and tobacco advertisements from electronic communication media is the greatest obstacles for advertisers today. So the study attempts to pull out the opinion of agencies experts and consumer's view to find out the effective alternative way to air the advertisements of liquor and tobacco. This study will also try to enclose the role and significance of Advertising Agency Association of Nepal (AAN) in the development of advertising profession. In this context this study may serve a meaningful reference to the advertising professionals and others also.

1.8 Limitations of the Study

Data and information on advertising in Nepal is so scanty that it may be said to be non existence to some extent. Literature on advertising is also severely limited because of the lack of research and no attraction of academicians in this field. Due to the scarcity of data on mass communication in general and advertising agency in particular this study is seriously handicapped and the observations made are based on this single study. As a result the findings of this study can not be generalized.

The subject matter of the present study is so extensive that it relates to the advertisers, media, consumers and others besides advertising agencies, it is impossible for the study like this to be all inclusive. As a result only a sample of advertising agencies and advertisers are covered during the study. In short, the present study has following limitations:

1. The field survey is confined to Kathmandu valley only.
2. Only advertising agencies and advertisers have been taken into a sample survey. No sampling has been made of the consumers.
3. Availability of data and information determine its scope because there is a paucity of secondary data on advertising in Nepal.

1.9 Organization of The Study

This study will be divided into five chapters: Introduction, Review

of the Literature, Research Methodology, Analysis and Interpretation of Data and Summary, Findings and Recommendations,

The first chapter introduction is divided into 9 sections dealing with (1) Background (2) Advertising as marketing tool (3) Advertising and consumers (4) Advertising industry in Nepalese context (5) Statement of the problem (6) Objectives of the study (7) Significance of the study (8) Limitation of the study (9) Organization of the study.

The second chapter review of literature is divided into 12 sections: (1) Meaning and need of advertising (2) Advertising and advertising agencies (3) Evolution of advertising (4) History of advertising agencies (5) Organization of advertising agencies (6) Methods of paying the agency (7) Types of agencies (8) Functions of advertising agencies (9) Agency relations (10) Government and legal provision of advertising in Nepal (11) Present state of advertising agency in Nepal (12) Review of related dissertations in Nepal.

The first 9 sections deals with the theory of advertising and provide theoretical background of the study and provides a basis for a deeper understanding of the history, position and problem of advertising in Nepal. The last section deals with an overview of the previous studies in related field.

The third chapter is research methodology has divided into 5 sections and include research design, source of data, population and sampling, data gathering instruments data processing and analysis techniques.

The fourth chapter analysis and interpretation of the data related to the analysis of collected data and present in a readable form.

The fifth chapter provides summary of the whole study, findings of the study and some recommendations for the development of advertising industry in Nepal.

CHAPTER - II

THE REVIEW OF LITERATURE

2.1 Meaning and Need of Advertising

The term 'advertising' is derived from the original Latin word 'advertere' which means 'to turn' the attention. Every piece of advertising turns the attention of the readers or the listeners or the viewers or the onlookers toward a product or a service or an idea. Therefore it can be said that any thing that turns the attention to an article or service or an idea might be well called as advertising.

Advertising can be understood as a form communication which aims at bringing about some changes in the behaviour of the target audience, particularly the potential buyers or non buyers towards the product or service advertised.

'Basically an advertisement is an announcement to the public of a product, service or idea through a medium to which the public has access. Advertising has evolved since the industrial revolution as a tool of marketing communication. It is an art as well as science. Competition, growing marketing expenses, product failures, liberalization, globalization, emergence of new electronic media has given an inputs to advertising activity.

Today, the word 'advertising' is a very common term known to us. We see it on television, in the sky in the magazines on the vehicles, on billboards, we hear it on radio, in the stores we visit and so on. It is a part of our daily life and everyone is conscious of it.

"Advertising consist of all activities involved in presenting to a group a non personal, sponsor- identified message about a product or

organization. This message called an advertisement, can be verbal and/or visual and is disseminated through one or more media. Two factors differentiate advertising from publicity. The public knows who is doing the advertising because the sponsor is openly identified and payment is made by the sponsor to the medium that carries the message.

Advertising can be taken as a means of informing the message of manufacturers about their products and services to the final customers with a view to turn their attention towards the product advertised that they will accept it than that of competitor. It is a method of communication. Communication is one of the important aspect of the human behaviour and the flow of communication plays a pivotal role in the business field also.

Without the information being passed over to the consumer, the sale can not result as they will be ignorant of the very availability of the product to satisfy their needs and desires. In this context, advertising is both mass communication and promotion in that a single message is directed to a large group of receivers who are scattered over a region.

There are various definitions of advertising. The winning definition in a context sponsored by 'Advertising Age' in 1932 pictured advertising as "the dissemination concerning an idea, service or product to compel action in accordance with the intent of the advertiser.

In the words of C.H. Sandge & Vernon Fryburger advertising is "Multidimensional; a powerful marketing tool; a component of economic system; a means of financing the mass media; a social institution; an art form; an instrument of business management; a field of employment and a paying profession.

This definition describes the whole frame of advertising. In other words this definition includes various "aspects of advertising. Advertising is a deliberate attempt to spread commercial information to the prospects to influence their mind favorably towards the product or a service or an idea to get desired action.

"Advertising is any paid form of non personal presentation and promotion of ideas, goods or services by an identified sponsor." Advertising is a form of communication intended to promote the sale of a product or service to influence a particular cause, to gain political support, to advance a particular cause or to elicit some other response' desired by the advertiser.

Advertising basically encompasses communication paid, space or time, presentation and¹ promotion of the consumer in a communication process. There is a source of message, 'the medium through which the message travels to the receiver. Advertising, by its definition, is persuasive communication and its objective is to turn the potential buyers into the actual

Advertising consist of all the activities involved in presenting to a group, a non personal oral or visual, openly sponsored message regarding a product, service or idea. This message is controlled on advertisement is disseminated throng one or more media and is paid for by the identified sponsor.

Thus advertising can be defined as a form of mass communication. Advertising message is distributed by marketers and sought and acquired by the consumers. The advertising message is prepared in such of manner that it can change the behavior of prospects favorably.

According to S.A Chunawala, Advertising is the most visible marketing tool, which seeks to transmit an effective message from the marketer to a group of individuals. The marketer pays for sponsoring the advertising activity. Advertising, unlike salesmanship which interacts with a buyer face to face is non-personal, it is directed at a mass audience; and not at an individual, as in personal selling.

In a nutshell, advertising is a mass communication process of persuading the prospects by convincing them to buy products or services with increased satisfaction of the consumers and profits to the sponsors. It is that instrument of marketing, which acts as effective multiply sales-person, reaching good many people *at* one time quickly, affectively at relatively lower cost.

Advertising has been existing as an important part of business since the origin of buying and selling activities. The present business scene is characterized by mass production. Cutthroat competition is the main characteristics of the modern marketing world and it is equally true in case of Nepalese market also. Today dozens or probably more brands even a specific product category is .being sold in the Nepalese market. Consequently Nepalese consumers have wider choices while buying most of the products. They are no more compelled to buy any particular brand, rather they are free to choose whatever they like among different brands. This in turn, has increased the promotional activities in the country. Every seller is trying to prove his product as the best." This can be witnessed from the promotional efforts sellers are informing the consumers, with T.V. commercials, radio advertisements, newspapers, poster signboards and many tools appealing to buy their products. Consumers buy a specific brand to satisfy their psychological stimuli aware by different promotional campaign including advertising

"....Some promotion is essential in order to create customer awareness of product's existence and characteristics; furthermore, promotion can create positive psychological associations that can enhance the buyer's satisfaction. In this last sense promotion may be considered to add to the real valuing the company's offering.

Now a day, advertising has become a major form of selling. It not only supports other forms of selling but also frequently serves as the only selling tool used to move merchandise. So, advertising is essential for manufacturer, wholesaler and retailer in order to influence their customer's behaviour favorably to obtain desired sale. In this context a market without advertising is unimaginable in any corner of the world.

2.2 Advertising and Advertising Agency

Though advertising was accepted as an important promotional tool since the beginning stage of business activities, there was no existence of advertising agency. That is why advertising could not develop remarkably before 18 century. Gradually the role of advertising became inevitable and advertisers realized that there is need of separate unit to develop advertising activities. To fulfill this need advertising agencies were started since 1841. The development of advertising business is impossible in the absence of advertising agency. So advertising agencies are important to serve advertisers and media on the one hand and on the other, they develop advertising campaign, which enhance the overall

An advertising agency is an independent company that renders specialized sen/Fees in advertising in particular and in marketing in general. Advertising agencies plan and execute entire advertising campaigns. They employ more advertising specialists than their clients do because they spread the cost over many accounts. A Company can benefit

from an agency's experience with other products and clients. Advertising agencies are the professional service organizations, which came into existence to help the advertisers.

An advertising agency is:

- (I) an independent business organization,
- (II) composed of creative and business people,
- (III) who develop, prepare and place advertising on advertising media,
- (IV) for sellers seeking to find customers for their goods and services.

According to Gamble.R.Gamble "An advertising agency is an independent organization of creative and business people who specialize in the advertisements and other promotional tools. The agency also arranges or contracts for the purpose of advertising space and time in communication media. It does all this on behalf "of different sellers who are referred to as its clients, in an effort to find customers for their goods & services.

Advertising agencies are a recent component of the advertising industry as compared to the longest and the most colourful history of advertising itself. Advertising agencies were born essentially during, the second half of the 19th century in America and in the early decade of this century in the western European economics and later in Japan and India. As their name indicates, advertising agencies act on behalf of the senders of the messages especially the business firms. An agency is service organization engaged in planning and executing the advertising programs for the advertisers.

Agencies came into existence because of two parallel factors: (1) the rapid escalation in number of products after the industrial revolution, and (2) the vast increase in newspapers and journals as literacy became universal, if less sophisticated. The advertising agent was really an agent for the media, not for the manufacturer, and he was paid a commission by the newspaper-owners for selling their space. He still is"

Advertising has now become a profession fulfilling the important requirement of having a high degree of generalized and systematic knowledge derived from experience, experiment and empirical analysis and research. Advertising agencies render useful services like marketing research, T.V. film production, postering, launching of products, packaging, branding etc. They deal with the media and collect their commission from the media.

The modern advertising agency of today has advanced a long way from the space salesman of a century ago, to the extent that some feel it would be more appropriate to call it a marketing-agency. Despite the apparent extent of the agency's expertise implied, it would be incorrect to assume that the agency could substitute for the firm's own marketing department.

So advertising agency is an independent organization, which develops and executes advertising campaigns according to the requirement of the clients and places them to the media. The services provide by advertising agencies is so expanded that-they are not-advertising agencies but marketing agencies

2.3 Evolution of Advertising

Perhaps some form of advertising had existed as long as we have had buying and selling. The nature of such advertising was dependent upon the media available for carrying the message of the sellers to the prospective buyer. Before the days of the newspaper and the magazine, the media available were signboards and town criers.

The Chinese invented paper and Europe built its first paper mill by the year 1257, when Johnes Gotenberg invented movable "type. It made possible new advertising media and first forms of mass advertising including printed posters, hand bills and newspaper advertisements. In London in about 1472 the first printed advertisement in English, tacked on church doors, announced a prayer book for sale.

Sampson, in his history of advertising, published in 1874, points out that "signs over shops and stalls seem naturally to have been the first efforts in the direction of advertisements, and they go back to the remotest portions of the world's history.

Though the first major form of advertising were signs but this means of advertising has been reduced by the increase in literacy, the development of the printing press, and other marks of progress. The famous coffee advertisement printed as a handbill in 1652 is illustrative of the early beverage advertisements.

In the period of 1840 1900 there were various remarkable changes in advertising due to the development in transportation, education, photography, advertising agencies & so on. The invention of photography in the late 1880's was an important aid on advertising. The origin of radio broadcasting on Nov 2, 1920 had added another significant milestone in

the field of advertising. Likewise, after the invention of Television in 1941, the use of television advertising grew rapidly. Today Television is the second largest advertising medium in terms of total money spent by advertisers. Recently, the invention of computer has brought new prospects in the horizon of advertising.

This brief history of advertising is intended to give a birds eye view of the evolution of this selling tool from its simple beginning to its present position as a profession. There is 137 years history of advertising in Nepal. Although there is no record about the origin of advertising in Nepal, it is believed that it was started after the establishment of printing press in B. S. 1908. The, first recorded advertisement was published in B. S. 1919 on the cover of a book written by Krishna Giri. After the publication of Gorakhapatra in B. S. 1958, advertising entered in the growth stage.

After a long time the establishment of radio broadcasting in B. S. 2007 added new dimension in the development of advertising in Nepal. In the process of development of advertising, the establishment of Nepal Television in 2041 was a new step, although it was too late. The broadcasting of -audio-video advertising is an effective media, which has been providing by NTV since 15 years. Recently, there are various F. M. radio stations, which broadcast the local advertisements. Now, advertising in Nepal is developing competitive business professionally.

2.4 History of Advertising Agency

The agency has come to represent the core of the advertising profession. The origin of advertising agency in the world was very late since the development of advertising. "The advertising agency has evolved to provide a specialized knowledge, skill and experience needed

to produce effective advertising campaigns. It provides a quality and range of service greater than any single advertiser could afford or would need to employ for himself.

The first advertising agency was started as a space broker in a newspaper by Volney B. Palmer in 1841 in the United States. He acted as a simple agent, selling space for his client newspaper on a commission. In essence, he served as a salesman of space for publishers; and they in return, gave him a commission of 25 percent of such sales. Palmer seems to have been only one agent for advertising space until 1848, when one of his employees left him and started a similar business for himself. Then, competition increased and the usual price-cutting occurred. The new competitive tool was supplied by George P. Rowell, who opened an agency in 1865. Rowell contracted with one hundred newspapers to sell him a column of space each week for a year.

By 1917 the idea of service had grown until not only was copy writing done for the advertiser but many other things as well. So this period is also known as the service period. In this period many agencies have grown to the position of advertising and marketing consultants for advertisers. Market research, media research, merchandising service, layout construction, art work, the supervision of engraving etc, now constitute regular agency service. 'Madison Avenue is a familiar name to most Americans. It is a street in New York City where several major advertising Agency headquarters are located. But most of the nation's 10,000 agencies are found outside New York, and almost every city has almost one agency even if it is a one-person shop. Some, advertising agencies are huge-the largest U.S. agency Omnicom group New York has annual world wide billings of 16 billions. WWP group out of London is the world's largest agency, with world wide billings of 20 billions."

The worlds best known advertising Agencies are: Dentsu, Young and Rubican, J.Walter Thompson Co, Me Cann Erickson worldwide, Ted Bates, Leo Burnett co. and so on.

The history of advertising agencies in Nepal is a recent one. Though, the history of advertising in Nepal had started, from BS 1919, the history of advertising agency started after about one century in BS 2017 only. Before that nobody had realized' the need of advertising agency due to lack of industrialization in the country, majority of illiteracy, underdeveloped market mechanism and very few existence of communication media. The first advertising agency of Nepal," Nepal Advertisers" was established in BS 2017. The second advertising agency "Printing and Advertising Agency" was established after about 3 years, which started to perform the advertising programs of public enterprises like J.C.F., RNAC, N.B. Ltd. etc.

Industrialization and mass production has already brought the competitive situation in Nepalese market. This situation compelled to organize advertising campaigns systematically, which is possible after the establishment of professional agency only. There was a mushroom growth of advertising agencies but they were unable to provide full-fledged advertising services to the advertisers, which is clear from the literature available about the history of advertising agency in Nepal.

" None of the agencies has full-fledged office processing their own artists, studio, visualizes, which are very essential for preparing advertising materials." Such poorly equipped agencies can not provide services to the advertisers. So when a field becomes more" competitive, the advertisers turn to the foreign advertising agencies. To fulfill this need, there has been a rapid growth of advertising agency in Nepal. There

is no exact record about how many agencies are in Nepal at present but the number is estimated to be around 500. If one looks for an industry that registered the fastest growth rate in its business till the recent past, the advertising agencies are the ones that immediately come to mind. Recently, multinational advertising agencies have also entered into the Nepalese market through the collaboration with local agencies. In this context we can say that advertising agencies in Nepal have entered in competitive stage with full-fledged services,

2.5 Organization of Advertising Agency

An organizational structure is an important aspect of every organization. The functions role and effectiveness of an organization significantly depends up on its organizational structure. The structure clarifies the positions, relationships, authority and responsibility and so on. How an advertising agency organizes its functions, operations, and personnel may vary greatly according to its size (gross billings or number of large accounts), the types of accounts it serves and whether it is local, regional, national or international.

In small agencies, the owner or president, who may be in charge of new business development as well, usually supervises daily business operations. Client contact is generally handled by account executives. The account executive may also produce creative concepts for the clients and even write their copy. Most small agencies have a production and traffic department or an employee who fulfills these functions.

In medium and large agencies, organization is generally more formal. Large agencies are structured according to one of two systems: the departmental system or the group system. In departmental system each of the agency's varied functions-account management, creative

services, media, traffic, and production etc. proceed after by a separate department. Each department is called on as needed to perform its specialty. The account executive handles the client contact, the creative department writes the advertising and lays it out and so forth.

When agencies get larger they tend to use the group system, in which the agency is divided into a number of little agencies or group. A group is composed of an account executive, a copy writer, an. artist, a media buyer, and any other specialists that are needed. The group may be assigned to serve only one account, if the account is very large or as in most cases three or four accounts. A very large agency may have up to dozen or more groups.

2.6 Methods of Paying the Agency

The method of paying the agency has been a subject of many discussions nowadays at almost all the meetings of advertising agency associations and advertisement clubs. There is no unanimity as to making payment for the services of the agencies. These methods namely, commission system, fee system and service charge system.

2.6.1 Commission system

The most-common method by, which an advertising agency receives compensation for its services in the form of commission. The agency-is paid a fixed commission by the media on the advertising bill for the advertisement space bought by the agency. Though the rate varies from country to country, the rate of 15 percent is almost universal. Under the commission method, the agency is eligible for 15 percent commission of the published rate. Further, the agency receives a cash discount of, say, 2 percent for the prompt payment. If advertisers wish to save this 15

percent by doing their own advertising work and by buying space direct, it would find it impossible to do so, since the media give no such discounts to advertisers.

Commission from advertising media provide some three fourths of agency income, on an average. The larger the agency the higher is the portion of income accounted for by commissions. But even among the largest agencies between 10 percent and 25 percent of their income comes from other methods of payment. This commission covers the expenses of services rendered by it. Nearly 50 percent to 60 percent of the commission earned goes towards expenses and the balance represents the agency's net margin.

2.6.2 Fee system

The system comes into effect following a controversy between an advertiser and an agency. The former argued that 15 percent commission was too high a rate where as agency took the stand that it was unremunerative for the many services rendered to the client. The facility of getting 15 percent commission is extended only to the recognized agencies. There are certain media, which do not allow the commission to the agencies. In all these cases the only alternative is to charge the clients on the basis of fees, the fee system is used in TV advertising, when once, the commercial is created, it may be used over a long time. A flat fee is paid to the agency for the specialized services performed by it.

2.6.3 Service charge system

In addition to the commission received from media, agencies also receive direct payment from advertisers for materials and services such as engravings, finished art, comprehensive layouts, TV story, boards,

producer's services for TV commercials, research, and publicity. This method of payment is known as service charge system. These are added to the cost of materials and services bought by the agency for the client, in artwork, photography, topography, plates, etc. For others the charge is cost plus 15 percent to compensate the agency for service in connection with specifying, controlling and consummating the purchase.

The study of agency services and compensation was commissioned by the ANA and was conducted by professors Albert Frey and Kenneth Davis both of Dartmouth college. A preliminary report of this study, which was presented to the ANA on October 30, 1957 indicated that a majority of all advertising managers, agencies, and media found the commission system satisfactory, but about one third of the advertising managers believed that a system involving net rates, no commissions and fees fixed by negotiation between agency and client would be better system.

2.7 Types of Advertising Agencies

Advertising agencies are normally classified by one of the two criteria:

1. The type of business that handle, such as consumer goods, industrial products, financial services, retail and real state, and
2. The range of services they offer, such as full service, media buying services or creative services.

We can classify advertising agencies in the following major categories.

2.7.1 General consumer agencies

A general agency is one that is willing to represent the widest variety of accounts. In practice, however, it concentrates on consumer accounts that is, companies that make goods purchased chiefly by consumers. Most of the advertising produced by a general agency is placed in consumer media-television, radio, billboards, newspapers and magazines that are commissionable to the agency. As a result, the general agency obtains most of its income from media commissions. A general agency may be either domestic or international.

2.7.2 Industrial agencies

An industrial agency represents client companies that make goods to be sold to another companies. Computer hardware, smelting furnaces, locomotives and radium counters are" examples of sum goods. Although business and industrial advertising may not seem as glamorous as consumer advertising. It is extremely important and requires highly developed technical knowledge as well as the ability to translate his knowledge into precise and persuasive advertising.

Most industrial advertising is places in trade magazines and other business publications. These are generally commissional, but their rates are far lower than those of consumer media. The result is that commissions are not large enough to cover the cost of the agency's services, so industrial agencies normally charge the client an additional service fee.

2.7.3 Full-service agencies

The modern full-service agency is equipped to serve its clients in all area of communication and promotion. Its services are essentially grouped into two categories: advertising and non-advertising. Advertising services include planning creating and producing advertisements as well as performing research and media selection services. Non-advertising functions include producing sales promotion materials publicity articles annual reports trade shows exhibits and sales training materials.

2.7.4 Media Buying Services

In recent years, as the tendency towards specialization has increased the number of offshoots from the agency business has also increased. Among these are media buying services which are organizations of media buying specialists experienced in purchasing an packaging radio and television time.

As a part of their service, media buying firms provide the prospective customer with a detailed analysis of media buying. Once the media package is sold the buying service orders the spots on each of the stations involved verifies performance, sees to it that stations "make good" for any spots missed and even pays the media bills. The method of compensation used by media buying services varies. Some receive a set fee. Others operate on an incentive basis, receiving a prescribed percentage of the money they serve the client.

2.7.5 Creative boutiques

Just as some media specialists have set up media buying services, some creative specialists have setup creative services with directors,

artists and writers called creative boutiques. Working in team they work for advertisers and occasionally advertising agencies. Their mission is normally to develop central advertising themes and produce fresh distinctive advertising messages.

2.8 Functions of Advertising Agency

The advertising agency has come a long way in its functions from the limited range such as copy writing and preparation and placing of advertisements to the present situation of full-fledged services. Now, the range of services offered by a modern advertising agency is also different. A full service agency attempts to provide the whole package of marketing services not only the advertising services. Many agencies have also sought growth by diversifying in the related marketing services. These new super agencies offer a complete menu of marketing and promotion services under one roof, including advertising, sales promotion, public relations, direct marketing and marketing research.

The modern advertising agency ranges in size from one man agency to a large organization employing hundreds of people to carry on its work. The functions performed by these agencies vary to a considerable degree. Some concentrate major attention on the preparation and placing of advertisements. Many, however, have organized themselves to perform the broad functions of marketing and advertising councilors. To perform such function well requires a keen understanding of the complete marketing and merchandising problems of the advertiser, as well as knowledge of markets media and consumer psychology. The older service functions of writing copy and designing the form of finished advertisement are thus only a part of the total work of most modern agencies.

The functions performed by an agency can be described in many ways. If we try to count all functions and services a long list would prepare. Out of those functions a few are:

- a) Research
- b) Planning
- c) Creative Service
- d) Print and Broadcast Production
- e) Traffic
- f) Media
- g) Account Management
- h) New Business
- i) Accounting
- j) Additional Services

On the other hand the functions of an agency can be looked from the view point of advertiser and media. These functions of agencies are presented under two heads namely client functions and media functions.

2.8.1 Functions for the clients

- 1. It replaces the advertising department.
- 2. It provides expert viewpoint.
- 3. It brings in economy and excellence.
- 4. It shares its rich experience.

2.8.2 Functions for the media owners

- 1. It assures risk free business.
- 2. It takes way the sales job.
- 3. It undertakes the advertising scheduling.
- 4. It slashes down the production cost.

2.9 Agency Relations

The agency relations mean the working relations "between agency and the client and the media. There exists special relationship among the advertisers the media and the advertising agencies. The advertising agency promotes the name of the advertiser but it is paid commission by the media. The specialist services are paid by advertisers themselves. All these three parties are interested in the development of advertising. The agency relations between two parties can be expressed separately as follows:

2.9.1 Agency -Client Relationship

As competition increases, companies are demanding more from their advertising agencies. Hence, client agency relationships are more prone to stress and strain than ever before. Some client spread their budget on more than one agency and they have a rating method for their agencies. Many times accounts shift to a new agency and again come back to the old agency. The client agency relationship may breakout due to any of the following factors:

- I) International alignment may cause a change.
- II) Management changes.
- III) Product conflict with mergers, takeovers or new product introduction.
- IV) Disenchantment with each other.
- V) Brand failure.

If mistrust arises in the relationship between client and agency, there is high chance of client turnover. So to strengthen the relationship there should be mutual understanding in both parties. There is no any

hard and fast rule for arriving at working agreement between the two because each of them are unique working under their own set of circumstances and conditions.

Basics principles of client agency relationship are as follows:

- 1) The agency avoids advertising a close substitute competing. The client too avoids engaging the services of another competing agency;
- 2) The agency receives the green signal from the client for all the expenses incurred on his advertising;
- 3) The agency keeps the media commission for itself and the client undertakes to foot the bill promptly;
- 4) If the media grants any cash discount it is passed on to the clients;
- 5) The agency is not taken to task for media lapses in terms of scheduling, positioning etc.

2.9.2 Agency-Media Relationship

The relations between the agency and the media are as important as those of relations between the agency and the clients. The relations between the agency and the media help both the parties to have long standing business relations to reap the benefits of continuous relations.

The basic principles of agency-media relationship are as follows:

1. The agency alone is responsible for payment to the media:

2. The agency does not allow any cut form the commission received from the media to go to the client;
3. The media does not discriminate amongst the agencies dealt with and follow a uniform policy for all the agencies;
4. The media does not alter the advertising material without the prior consent of the agency.

2.10. Government and Legal Provision on Advertising in Nepal

There is no specific law relating to the abuse of advertising. But a few provisions under various acts relate incidentally to such advertising. False and misleading advertising is an unfair method of competition. It gives undue advantages to the advertiser. In the long run it destroys faith in advertising and in the media which carries it. False and descriptive advertising is made a punishable act under the rules relating to this false advertisers are punishable under the act of 2032 B.S. It forbids selling by descriptive and fraudulent methods and forbids to misrepresent an inferior product as a superior one to misrepresent a product to be another and selling a product without the full disclosure of the ways of mixing ingredients which may reduce the quality of the product.

2.10.1. The press policy

1. According to the government's, standard regularity and its scope even if there are differences in ideologies and objectives, advertisement will be provided from the concerned authorities to the private media.
2. The monopoly of the government owned media over the public information will be eliminated.

3. Principally, it will encouraged to publish readable news and materials on literate, environment, population, tourism and health and concerned agencies will be encouraged to provide help in this regard.
4. At the local level the government will provide advertisements to the local newspapers and media.

2.10.2. Legal provision in advertising expenses in Nepal

Finance is the key factor that controls the amount that the firm is capable of spending for a creative activity of advertising. In Nepal the advertising budget depends on the government rule (act). For the tax purpose prior to 2049 B.S. any company, industry, profession, vocation and business incurring expenses for advertisement and entertainment should not exceed 2% and 1% of the gross profit. After 2049 when the government introduced the industrial ACT 2049, when the government changed the rules of spending on advertisement expenditure under the Industrial enterprises Act 2049 any industry incurring advertising expenditure can deduct up to 5 percent of the gross income. Any other similar expenses shall be allowed to be deducted while assessing the taxable income.

2.11 Present State of Advertising Agency in Nepal

Since the development of industrialization and mass communication advertising business has already entered in flourished stage. Though whatever development has made in advertising business is not adequate to be satisfied but there are colorful signals towards its prospective. A few years ago, advertising expenditure was taken as a charity but now. there are many companies that have understood and

realized the importance of advertising, have been allocating big budgets for advertising.

There is a very good advertising business growth about 40% annually and that is much more than in any other business. Multinational companies are interested to establish themselves here. So the business is undergoing prolific extension. In fact, after India we are evolving very fast. No one has come up with a fixed and certain record of the industry volume, but it is believed that there is an annual transaction of one billion rupees, which includes all media print, electronic, outdoors and so on. The budget on the electronic media has definitely gone down now with the ban on advertisements of liquor and tobacco but it will definitely pick up.

One important development over the last two years in Nepal's advertising agencies sector has been the entry of multinational advertising agencies, sending ripples across the sector. Mc Cann Erickson was licensed in April 1998 -to open a 100% subsidiary in Nepal. Similarly Thompson Nepal started business from August 17, 1998 as a joint venture between Thompson Associates and a Nepalese advertising agency.

Unhealthy competition in this business is growing because there has been crowding up of advertising agencies in the market, In the absence of minimum requirement of qualifications, investment and infrastructure for setting up of an advertising agency, the market is getting crowded with all sorts of advertising agencies It has resulted into unhealthy practices among the players. Likewise, as this business is not entitled to any policy incentives professionalism is not growing.

Advertising Agencies Association of Nepal (AAN) in 1999, has suggested 1", point proposal for a national policy on advertisement

business. The points suggested are as follows:

1. Clear specification of the right and responsibilities of all parties of an advertisement (e.g. advertiser, advertising agency, media and the consumer)
2. Drawing up of a national advertisement code of conduct that is in line with the constitutional provisions and national values and ethics.
3. Recognition to AAN as the representative institute of the entire advertising business.
4. Recognition to advertising business as a service industry entitled to all the facilities accordingly and control in the entry of multinational advertising agencies.
5. Setting up of an independent body to monitor the standard of the media.
6. Introduction of advertisement in the "academic curriculum from the secondary level.
7. Adoption of an uniform set of criteria for registering advertising agencies.
8. Adoption of a nationalistic approach in advertisement production.
9. Standardization of the language to be used in advertisements.
10. Putting an end to policy ad-hocism in government controlled media.

11. Setting up of an independent censure board with wide representation for censoring advertisements in government controlled electronic media.

AAN has specified the need of national advertisement policy and focused on the benefits to the advertising agencies. The interest of advertisers, media, and consumers should also be included in the advertisement policy.

2.12 Review of Related Dissertations in Nepal

This study is not the first study about the advertising in Nepal but first about advertising agency. Some dissertations have been submitted about advertising in Nepal. They are briefly described here.

A study had been done by Pandey, (1980) on "Advertising in Nepal", which had following objectives.

1. To identify the present position of advertising in Nepal.
2. To find out the existing patterns and brands.
3. To identify the constraints hindering the use of advertising as an effective method of promotion
4. To suggest measures to enable advertising to play its role effectively.

This study was based mainly on primary data. The major findings of this study were:

1. Advertising is the main' method of promotion practiced in the country.

2. In regard to the services rendered by the advertising agencies none are full service agencies.
3. Effects of advertising are generally not evaluated but advertisers think that advertising has favorable impact on their customers sales and profits.

Another study was conducted, by Upadhya, (1991) on "Radio advertising and its impact-on purchasing act in consumer goods, which has following objectives:

1. To study the" impact of the ratio advertising on the consumer purchase-behaviour.
2. To study the change in sale of firms due to the radio advertising.

This study was based on secondary as well as primary data. The major finding of this study were:

1. Both consumers and advertising recognize the need of advertising.
2. All advertising business is conducted by the senior personnel, but there is no separate section for conducting advertising.
3. The effective forms of media to reach the hearts of consumers are radio, cinema and periodicals, which ranked first, second and third.

The next study in this field was conducted by Giri (1985),on "Communication effect of advertising and brand preference of instant noodles". The major objectives of this study were, to analyze the popular

media of advertisement, strengths and weaknesses of advertisement, advertising appeal and relation between brand preference and advertisement qualities of instant noodles.

This study was based on primary data. The major finding of this study were:

1. Of all the advertising Media available in Nepal the radio has proved itself a leading one to create an awareness in customers about the advertised product, specially edible goods like instant noodles.
2. The newspaper advertisement of the Rara has created more of it again than in case of the advertisement of the Maggi.
3. Advertisement qualities of instant noodles have made no change in brand preference.

Another study was conducted by K.C (1990) in the topic" the language of advertisement". Probably this is the last conducted now until study performed by the researcher from other discipline besides management. The objective of this study was linguistic aspect of English language advertisements only.

He concluded that the language of advertising is something quite special. It is a language calculated to charm to separate the customer from his or her money. He also found that, language has a specific purpose, messages have a clear purpose have to earn the right to be seen: read and heard. He also found that language of advertisement is different from other languages because it is so optimistic. The study was done only on language and grammar aspect not on commercial view.

In 1996, Regmi had conducted a related study named as "Aren't equally good advertisers" a study of the relative communication effect of male and female featured advertisements.

This study was based on primary data. In a sampled of 32 subjects, half were male and half were female. From the study it is found that advertisers do not making beautiful advertisements. He also found that in any case people like creative advertisements. This is different type of study than other related studies in advertising field.

The "communication effects of advertising and brand preference." is the next related study done by Baral in 1996. The main objectives of this study were as follows.

1. To examine the effectiveness of advertising of the RaRa and the YumYum noodles.
2. To bring into focus the relation between the brand preference and advertising.
3. To examine the popular media of advertising in case of instant noodles.

Data used in this study are mainly primary. School students are main sources of getting primary data. From the study it was found that there is a high degree of association between brand preference and advertisement qualities. And also it has been found there is no difference between the Yum Yum advertisement and the RaRa advertisement in terms of attractiveness. Radio, T.V. and newspapers are major media for instant noodles.

"The role of advertising in brand choice and product positioning" is

the next study done by Shrestha (1997). The study had following objectives:

1. To analyze the effectiveness of advertising on brand choice of consumer product.
2. To evaluate the role of advertising in product positioning from the consumer perspective.
3. Do consumer give more importance to advertising rather than any others promotional tools while making selection decision.

The data were collected from primary source through structured questionnaire. From the study it is found that the advertising is the main source of information and key tool to motivate and persuade to the customers. The dissemination of newly innovate products go very rapidly in the consumers level through advertising. Believability is found satisfactory and the major reasons of brand switching is the test the product.

From the above mentioned studies it can conclude that, advertising has become an inevitable part of Nepalese market and manufactures and business houses are evolving extensively in advertising. Though, advertising is becoming a profession but it's practitioners are still unable to convince the consumers about the end benefit of advertisement to the desired extent.

CHAPTER - III

RESEARCH METHODOLOGY

Research methodology refers to the various sequential steps to be adopted by a researcher in studying a problem with certain object/ objects in view. It would be appropriate to mention that research projects are not susceptible to any one complete and inflexible sequence of steps and the types of problems to be studied will determine the particular steps to be taken and their order too. To explore the problems and prospects of advertising agencies the under mentioned research methodology has been followed.

3.1 Research Design

The research design refers to the conceptual structure within which the research is conducted, A well set of research which fulfills the objective of the study. A research design is the specification of methods and procedures for acquiring the information needed to structure or to solve the problems. It is the overall framework of the research project.

This study is directed towards finding out of facts about advertising agencies and their extension is changing marketing scenario of Nepal. Advertising industry is so far an area in which no study has been done and there are several hindrance and misunderstanding about advertising. This study is an attempt in disclosing the current picture of advertising business and seeing the future prospects to the extent such a study can.

Accordingly, survey cum exploratory research design has been followed to assemble all possible facts and views about the problem of present study. For the purpose of analysis of facts descriptive and

analytical research design has been followed.

3.2 Source of Data

The data used in this study is basically primary in nature, In the absence of adequate previous studies and writings in the subject matter, it is compulsory to collect information from the primary source. Mainly the primary sources of information are as follows:

- a. Advertising agencies.
- b. Advertisers

Some valuable secondary data and information such as number of advertising agencies amount ' invested in advertising industry, turnover of advertisement in various media and information about advertising agency association of Nepal (AAN) are also collected and used in this study. These information's are obtained from published papers as well as unpublished official records. The sources of secondary data are as follows:

- (a) Mass media i.e. Newspapers, Radio Nepal & Nepal television.
- (b) Advertising agencies.
- (c) Company registrar's office.
- (d) Office of cottage & small industry.
- (e) Department of industry.
- (f) Office of advertising agency Association of Nepal (AAN)
- (g) Business magazine.

3.3 Population & Sampling

Mainly there are two sources of primary data in this study i.e. advertising agencies and advertisers. The exact number of advertising agencies in Nepal is not known. It is estimated that there are about 1000 advertising agencies registered under various offices, out of which more than 90 % advertising agencies are centered in Kathmandu valley only. The another fact that all the registered agencies are not in operation. According to the office of AAN about 205 agencies are in operation. Accordingly, about 10% of running agencies i.e. 22 agencies including multinational agencies and nations agencies from Kathmandu, Lalitpur and Bhaktapur were selected as sample for collecting primary data.

To pullout the opinion of advertises towards the service level of advertising agency 10 advertisers including manufacturing company. Distillery Company, Tobacco Company and service organizations are selected as a source of primary data. The focus of this study goes to the advertising agency On the other hand it is not possible to cover a large area & sample size by such a study. The sample size is as follows:

Table No. 3.1

Population and sample of respondents

Population	Sample size	Questionnaire distributed	Response received
Advertising agencies 205	22	22	20 (91%)
Advertisers	10	10	9 (90%)

Source: Field Survey

91% of questionnaire distributed to advertising agencies and 90% of those distributed to the advertisers were returned back. Information about the media was collected from the official records.

3.4 Data Gathering Instruments

All the primary data used in this study were collected by using interview and questionnaire technique. Two separate sets of questionnaires were prepared and distributed to advertising agencies and advertisers to collect the facts about the current advertising practices in Nepal. The questionnaires intended to explore the objective extent, patterns, methods and effects of advertising in Nepal. The questionnaire also intends-to explore the problems of advertising business client turnover, client-agency-media relationship and future prospects of advertising of Nepal. The specimen questionnaires are included in the appendix No.1. For further clarification and to obtain more information about various aspects of advertising, advertising agencies and advertisers were personally interviewed using the open question method.

3.5 Data Processing and Analysis Techniques

Information and data are classified under the following major needs: advertising agencies advertisers, media, budget, source of income and problems. All information are listed accordingly & organized. For processing data questionnaire tables were prepared for each questionnaire. For each questions frequency is counted. Various tables were then constructed and responses presented on percentage basis as well. In certain cases simple listing method was followed for tabulation.

Basically descriptive and analytical approaches were used in analysing the facts and figures. Data available from various sources were

processed manually. Tables and their interpretation was made descriptively statistical tools were not used because of non mathematical nature of data.

The basic procedure, existing picture and problems etc. are described. In the required cases deductions are made on the basis of inferential analysis. The responses of advertising agencies and advertisers are compared and analyzed. The analysis has been used to organize the study into different heads and subheads according to available information and requirement of the study.

CHAPTER - IV

ANALYSIS AND INTERPRETATION OF DATA

Though marketers use advertising, it is a communication process. Here advertiser is the source who transmits the message, which passes through an appropriate medium like press, radio, .T. V. or magazine. The message is decoded meaningfully and ultimately received by the target audience for whom the product/service is meant. The ultimate aim of advertising is to make the target audience favorably inclined towards the product/se-vice. In that sense advertising is not ordinary communication but marketing communication.

Communication is an integral part of modern marketing and marketing without communication is unimaginable. Out of various communicates medium advertising is an effective way of mass communication in which, a single message is directed to a large group of receivers who are scattered over a region. At present Nepalese market is more of buyers market than sellers market as in the past and the advertisers are involved in advertising campaigns. It shows that the advertising is not a subject of choice but compulsion of manufacture and business houses in Nepalese context as well.

The advertising business in Nepal is flourishing day by cay with a significant increase in its annual billings. Such as the annual billing of Kantipur publican for 2062/063 was 11 corers where as it has reached 13 corers in 2063/064. When, all advertising whether commercial or otherwise taken into account its volume seems to be considerable. The total amount of advertisement above the line for 2063/64 comes near to Rs. 500 million. Since the establishment of different media such as radio Nepal. Nepal Television and F.M. Radio stations the annual advertising turnover in media is increasing significantly. This is because of media selection facility to the advertisers in accordance with their target market.

In the development of advertising industry the role of advertising agencies is inevitable. So this study has attempted to explore the present realities of advertising business.

4.1 Growth of the Agency Business

Though there is 4 decades history of advertising agency business in Nepal, it has been developing extensively since the last one decade. The first advertising agency was established in the year 2017 B. S. where as the second agency was established after 3 years in 2020 B. S. It shows that there was a long gap in establishment of advertising agency. The number in the two decades of their development had reached to 50.

There has been a mushroom growth of advertising agencies after 2040 B. S. and becoming a renowned profession day by day. Advertising agencies use to register either in department of industry or company registrar's office or office of cottage and small industry. The record of registration in different office mention above shows that the number of registered agencies comes approximately one thousand. The fact is that a large number of registered agencies are not in operation in present. Now, it is' estimated that about 205 agencies are in operation. This can be said a phenomenal increase in numbers in this short period of time.

4.2 Manpower of the Agencies

Manpower is the most important resource of every organization. The manpower indicates the quantity and quality of employees working in an organization. This study is concerned about the situation of manpower of advertising agency in Nepal. It is found that agencies employed 3 to 32 persons and on the average 11 persons per agency. But there is unequal distribution of employees. 60 % agencies employee less than 8 persons where as 40 % agencies employ more than 10 persons. This is shown in table No 4.1.

Table No. 4.1:
No. of employees of advertising agencies

No. of employees	No. of responses	Cumulative frequency
32	1	32
28	2	88
25	1	113
16	1	129
123	2	153
10	1	163
8	1	171
6	4	195
4	4	211
3	3	220

(Source: Field Survey)

The another fact is that only 8 (40%) agencies possess 74% of total employees. In aggregate the number of personnel in agencies is sufficient according to their range of services. The advertising agency should employ a combination of creative and business people who are Specialists in applying the complex art and science of advertising to business problems, they include writers, anises, market analysts, research people sales people and advertising specialists of all shorts, who apply their skills and talents to help their clients successfully. In our context, this sort of combination of specialists within a single agency is just impossible.

All of the agencies besides multinational agency, accept that there is scarcity of trained manpower. 15 % agencies have reported that they have qualified manpower by their long experience not by formal training in related subject. 55 % agencies have replied that they have average kinds of personnel.

Table No. 4.2
Manpower of advertising agency

Manpower	No. of responses	Percentage
Highly qualified	3	15%
Qualified	6	30%
Average	11	55%
Total	20	100%

(Source: Field Survey)

The above table shows that there is a majority of untrained and unqualified personnel in Nepalese advertising agencies. This is due to fact that the educational institutions do not offer any course in the field related to advertising such as advertisement management marketing communications, commercial art and so on. Until now, there is no institute to provide formal education as well as non-formal education in advertising. In 2002 T.U. has offered introductory course about advertising in BBS level. But the theoretical knowledge from this course would not be enough to produce skillful manpower unless and until there is an institute to offer practical training on copy writing art recording fabrication of advertisement materials and management of advertising activities.

4.3 Services of Advertising Agencies

Advertising services in broad sense include planning, creating and producing advertisements as well as performing research and media selection service. Basically, planning and research services are complex and require highly qualified and trained manpower. So small agencies can't offer these sorts of services. Generally, most of the agencies use to provide the services like artwork, fabrication of advertisement materials, placement of advertisements in various media, graphics and to sum extent new concept generation. This is shown in table No. 4.3.

Table No. 4.3
Services available in agencies

Services	No. of responses	Percentage
Artwork	17	22%
Fabrication of Advertisement	12	16%
Placement of advertisements	17	22%
Graphics	15	20%
New concept generation	15	20%

(Source: Field Survey)

Table shows that 22% agencies have reported that they have only at work service. Similarly 16% have fabrication service, 22% agencies use to place the advertisements in different media and 20% agencies claimed that they have new concept generation service. Though most of the agencies have a combination of different kinds of services and they intend to say full-fledged service agency by themselves but they are unable to provide 'full-fledged services. This is because of lack of qualified manpower, shortage of financial resource and inhabitability of technology. Most of the agencies are performing the fabrication of materials and releasing job for 15% media commission context, they are more of releasing agencies than advertising agency.

On the other hand, they do not have adequate qualified people and necessary equipment within their own roof. That means they should go outside d even abroad for assistance. Most of the agencies should go outside for designing, photography, tape recording, colour printing, film slide and other technical assistance. Principally, one useful function that the advertising agencies render to the advertisers is that they act on guidance of the advertisers.

in the production of the advertisements working as middleman between

the photographer commercial artists, block maker and printers. Nepalese agencies are also playing the same role.

The agencies have also been inquired whether they have plan to add additional services in recent future or not. Their response is shown in table 4.4.

Table No. 4.4
Plan to add additional services

Plan	No. of responses	Percentage
Yes	11	55%
No	9	45%
Total	20	100%

(Source: Field Survey)

55% agencies have reported that they have plan and 45% have no any plan to add new services. Out of 55% agencies who have plan to add new services are mostly intended to involve in promotional activities and production of gift items. Out of them one has plan to add marketing research service, one has plan for out door advertising material production and another one has plan for video editing and 3-D animation. Others are interested towards production of gift items & promotional materials, establishment of own production unit, event management and internet system.

4.4 Assistance of Agency to The Advertisers

Advertisers need the help from their advertising agencies in preparation implementation and evaluation of advertising programs. In fact they get little assistance in this regard. Besides that advertisers need the guidance of agencies in media selection and market research also. The primary role of advertising agencies is to assist the elements involved in the advertising management are defining the goals Of advertising allocating budget, selecting media, creating advertising message and

evaluation of the result of the advertising campaign.

In course of the study agencies were/asked whether they are providing any assistance in media selection, preparation & placement of advertisements, evaluation of advertising programs and market research. The answer given by the respondents is shown in table No.4.5.

Table No.4.5

Assistance of agency to the clients

Area of service	No. of responses	Percentage
Media selection	15	30%
Preparation & placement of	16	32%
Evaluation of advertisement programs	10	20%
Market research	9	18%

(Source: Field Survey)

Table shows that 30% agencies are providing assistance in media selection, 32% in preparation and placement of advertisements. It seems that most of the agencies are helping advertisers in media selection and preparation and placement of advertisements. Though a few agencies have reported that they have been providing assistance in evaluation of advertisement programs and market research but it is not justified by the response of advertisers.

The same question was asked to the advertisers also to find out the reality, whether they are getting assistance in this regard or not. 77.78% advertisers have reported that they are taking agency assistance only in the preparation and placement of advertisements and 22.22% have replied that they are getting assistance in media selection only. No advertiser has reported about getting assistance in evaluation of advertisement programs and market research. This response is shown in table No. 4.6.

Table No.4.6

Assistance of agency from the viewpoint of advertisers

Area of assistance	No of responses	Percentage
Media selection	2	22.22%
Preparation & placement of advertisement	7	77.78%
Evaluation of advertisement program	-	-
Market research	-	-
Total	9	100%

(Source: Field Survey)

Reality is that, first of all advertisers do not formally evaluate their advertising program and don't conduct market research and secondly these functions are not possible with the untrained manpower, inadequate financial resource as well as poor technical resources agencies possess. Some agencies including multinational agency can do those sorts of task but advertisers do not want agencies to be involved in their planning & decision-making. On the other hand they also hesitate to disclose their internal things to the advertising agencies. In this context advertising agencies are performing advertising activities to the advertisers without knowing their advertising objectives also.

4.5 Sources of Income of Agencies

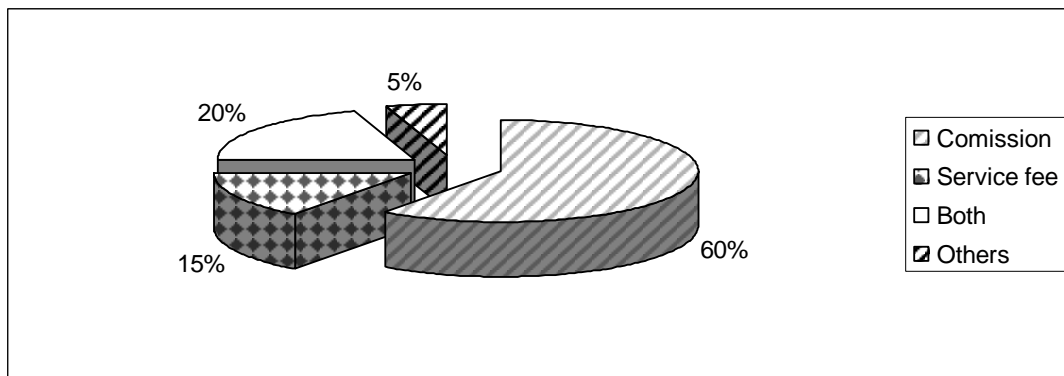
Like any other business, an advertising agency must make a fair profit on the services it renders. In as much as the amount of service typically varies from client, agencies use a variety of compensation methods to arrive at an equitable financial management. Basically agencies make money from 3 sources.

1. Media commission
2. Mark- up
3. Service-fee

The agency is paid a fixed commission by the media on the advertising bill or the advertisement space bought by the agency. On the

other hand service charge is that amount which the agency receives from the clients for the many services rendered to them. The pie chart shows that commission is the main source of income. The major source of income of 60 % agencies is commission where as only 15 % agency make money from service fees. Likewise 20 % agencies have reported that they make money from both source (commission and service fee) and only one agency has another source of income i.e. revenue from event management. This fact is shown in the following pie chart

Figure No. 4.1
Source of Income of Agency



It seems that media commission and service fee are the main source of income of Nepalese advertising agencies. Those agencies, which have no designing service and creative, are still dependent on up 15% media commission. But they are unable to retain the whole amount of 15% commission because they are compelled to grant discount on commission to the advertisers to get the business. New and small advertising agencies are compelled to refund high discount (UP TO 12%) of 15% commission to the advertisers to get the business for their existence.

A few agencies are able to make money from service fee by providing creative and designing works to the advertisers; a popular source of income of advertisement agencies, mark up system is not in use in Nepal. In abroad agencies use to add 15% mark-up to the cost of

materials and service bought by them for the client in artwork, photography, typography, plates and so on.

4.6 Shortage of Manpower in Advertising Field

A modern advertising agency offers specialized knowledge skills and experience which are required to produce an effective advertising campaign, it has writers, artists, media experts, researchers, television producers, account executives etc. So, an advertising agency is a team of experts in various fields appointed by clients to plan, produce and place advertising campaigns in the media. The quality of advertisements is largely depends up on the people employed by the agency, such as actor?, copy writer, artist, singer manager & so on. In the response of the question whether there is shortage of any finds of people mention below 40% agencies reported that there is shortage of copy writer where as 50% agencies have reported that there is shortage of manager. Only 10 % agencies have felt the shortage of commercial artists, this is shown in table No. 4.7.

Table No. 4.7

Shortage of manpower in advertising field

Manpower	No. of responses	Percentage
Actors		-
Copywriter	8	40%
Artists	2	10%
Manager	10	50%
Total	20	100%

(Source: Field Survey)

4.7 Client Turnover

Client turnover is the phenomenon, which can't be eradicated in the world of advertising business. It refers to the clients changing their agencies. It is the process whereby the clients close their accounts with the existing agency and move over to another for one reason or the other.

Though it is not advisable, it becomes inevitable at times. There are various reasons for client turnover, some are avoidable and some are unavoidable. Out of their, non -availability of services, lack of co-ordination lack of confidence, changes for the sake of change are few?

All advertising agencies accept that there exists client turnover. 40% agencies have replied that the rate of client turnover is in average 25% agencies have reported that the rate is high & 15% agencies have reported that the rate of turnover is very low.

Table No.4.8
Client Turnover

Rate	No. of responses	Percentage
Very high	1	5%
High	5	25%
Middle	8	40%
Low	3	15%
Very Low	3	15%
Total	20	100%

(Source: Field Survey)

The agencies argued that there is no any ideological reason besides cost for clients turnover in Nepalese context. All the agencies argued that clients are switching over the agencies not for quality job and quick service but to reduce their advertising cost. That means advertisers are more cost conscious than quality. The agencies further argued that some advertisers use to switch over the agency without paying the big bills of getting service from agency in credit.

4.8 Advertised Products/Services

Recently Nepalese market has drifted towards competition where each and every product line has competitors with similar products. Manufacturers and business houses are trying to differentiate their product/service with the help of advertising. By seeing the climate of

advertisement we can estimate the level of competition, of a product or brand.

It seems that industrial products fall into the category of mostly advertised product. Liquor is second and tobacco and banking service rank third and fourth. The insurance service is ranked least advertised service by the respondent.

Table No. 4.9
Advertised products/services

Product/service	Weight average	Rank
Industrial product	2.2	1
Banking	3.8	4
Liquor	3	2
Tobacco	3.6	3
Beverage	1 4.4	5
Edible product	5	6

(Source: Field Survey)

This shows that there is tuff competition in industrial products, liquor and tobacco and the manufacturers of these products are involved in advertising campaigns. Recently service sector is also inclined to advertise their services.

4.9 Media of Advertising

Advertising is a form of mass communication and the media of mass communication are used as the media for advertising. In the Nepalese context the media of mass communications have developed substantially. Since the sole existence of publication media to the audio video media like television, advertising has already drifted in a facilitated way of communication medium. Recently, internet advertising system has already lunched which is the latest media of mass communication. Now, there are various media options available to the advertisers in Nepal. Mostly indoor advertising media such as paper, radio, television

are very popular and effective. Likewise, outdoor advertising media such as posters, hoarding, electronic signs & traveling displays are also popular. Besides these, direct media such as booklets and catalogues, gift novelties, package inserts, and display media such as counter display, exhibition & trade fairs are also in use to the substantial extent. Advertising agencies have been asked about the mostly used or refereed media by them to the advertisers. The basis to evaluate the media and their availability has a deciding impact on the media used most ' seems the publication /paper media is the most used media followed by Radio Nepal television is third and F.M radio and hoarding board rank fourth and fifth h the posturing the least advertising media.

Table No. 4.10
Media of Advertising

Media's	Position
Publication/Paper	1
Radio Nepal	2
Nepal Television	3
Hoarding board	5
F.M. Radio	4
Film	6
Posturing	6

(Source: Field Survey)

It is found that the publication/paper media is the mostly used media referred by the agencies. This is because of various causes, such as high circulation, accessible & descriptive message about products & services and so on. On the other hand most of the publication gets touch with business houses to get the advertisement materials but incase of radio and television there is no such thing. All this has made radio and television second and third media.

After the government decision to ban the advertisements of liquor and tobacco on electronic communication media, publication/paper media has become more popular than before because those advertisements have been drifted to the publication/paper media. This has enhanced the status of publications and helped to improve their financial position.

Media research is necessary to evaluate the availability, role and effectiveness of media available to release the advertisements. Media research helps the advertiser to identify the various media available in a target market, their coverage, circulation, cost and impacts. In the Nepalese context no research has been done about media.

4.10 Problems of Advertising Agencies

Like other areas of business, advertising industry is also not excluded from different kind of problems. Nepalese advertising business is suffering from various problems such as legal problems, ethical problems, social problem, behavioural problem and so on. The basic objective of this study is to find out the problems of Nepalese advertising agencies. Since the very beginning advertising field has been existing as a neglected field and even professionals are not contributing to popularize this field as a profession.

It has not been long time since advertising business established as a profession. Within this short period, it has already endured many up and downs. Low speed of industrial development in country, low budget for advertising, by the devisers, delay in payment, lack of institutions to provide training and theoretical knowledge in advertising, lack of advertisement materials in the market lack of unity among advertising personnel's, lack of legal provision regarding advertising, brain drain of efficient manpower from this field because of low salary and lack of fringe benefit, lack of co ordination among media, advertisers and advertising agencies are some examples of the hindrance of advertising

industry of Nepal.

Lack of realization in advertisers about advertising works and lack of evaluation of advertising effectiveness are other problems in the expansion of advertising, business in Nepal.

As per the response of advertising agencies the problems of advertising agencies are presented in table No. 4.11

Table No. 4.11
Problems of Advertising Agencies

Problems	Weighted Average	Rank
Lack of professionalization	1.75	1
Entrance of multinational agencies	4.9	6
Unfair competition	2.5	2
Lack of legal provision	4.5	5
Lack of adequate investment	4.45	4
Lack of qualified manpower	3.35	3

(Source: Field Survey)

Lack of professionalization is the prime critical problem ranked by the advertising agencies. Unfair competition and lack of qualified manpower rank second and third in the respondent's response. They have been further asked whether the entrance of multinational agency is a problem or not. Though advertising agencies against of the similar attitude of government to see the national and multinational agency but they are not taking it as a problem.

Advertising agencies have also been asked to rank the problems they are facing from media mostly.

The rank of problems from media to the advertising agencies is given in table No. 4.12.

Table No. 4.12

Problems of Agency from Media

Problem	Weight Average	Rank
Difficult to get time and space	3.3	4
High rate of media service	2.8	3
Need of high cash deposit	2	
Small coverage of media	1.9	

(Source: Field Survey)

Small coverage of media is the main problem ranked by the advertising agencies. Likewise need of high cash deposit and high rate of media service "rank second and third problems by the respondents. They have also been asked whether there is problem to get time and space in media. They repeated that there is no such problem in our context.

Advertising agencies are seriously suffering from the problems created by advertisers than that of media. Though manufacturers and business houses have become conscious about advertising-, they are still hesitating to adequate budget for advertising. On the other hand they want to use agency as a servant not as an assistance. The next problem the agencies are facing from advertisers is given in table No. 4.13.

Table No. 4.13

Problems of agencies from advertisers

Problems	Weighted average	Rank
Lack of advertisers	3.55	4
Low budget for advertising	1.85	2
Self Production of advertisement	2.95	3
Direct contact with media	1.65	1

(Source: Field Survey)

Direct contact of advertisers with media is the main problem ranked by the agencies. Low budget for advertising and self production of

advertisements are ranked second and third problems in the respondents response. Besides these usual hindrance agencies are suffering from various unusual problems free advertisers. The most critical problem of this category is discount on 15% agencies commission to the advertisers, which is against of advertising ethics. On the other hand they are suffering from the problems such as delay in payment transaction in credit, client turnover without paying billings & so on.

4.11 Membership of Advertising Association of Nepal (AAN)

After a long history of advertisement business professional rights of the advertising agencies. AAN is a representative body of advertising agencies which is responsible to protect the rights of agencies by making agreements with media and advertisers infavour of advertising agencies. Till now AAN has around 100 members which comes less than 50% of running agencies. It shows that AAN is not able to assemble all agencies in association by granting adequate facilities to the desired extent.

The sample agencies were asked whether they are the member of AAN or not 85% agencies have replied that they are the member of AAN and 15% agencies have reported they are not the member of AAN. Those agencies, which are not the member of AAN, have also been asked the reason for not taking the membership of AAN. They argue that there is no need of membership of AAN to release the advertisements in media and it does not mean to get business from advertisers. They claim that they are performing excellent jobs like member agencies.

Those agencies, which are the member of AAN, are also not satisfied with the activities and role of AAN. They argue that they are not getting anything being a member of AAN. In this context AAN should formulate a comprehensive policy to regulate the advertising activities and to assemble all agencies in AAN.

4.12 The Advertiser Advertising Agency-Media Prelateship

Principally, there exists special relationship among the advertisers, the advertising agency and the media. The agency relations mean the working relations among agency and the client (advertise) and the media. The development of advertising is a matter of concern to the advertisers, the advertising agencies and the media. In Nepal there seems to be strange relationship existing among these three groups. All these three must work together for the betterment of advertising.

The advertisers do not have any systematic way of choosing an advertising agency. Generally, it is based on personal acquaintances and like and dislike advertisements are not fully satisfied with their agencies and taking poor assessment from them. There is no fairness in their payment system also with edgeless the relation directly. The advertisers are also unsatisfied with the media service because they use to publish/broadcast advertisements defectively and sometimes without the prior approval of the advertiser.

There is mutual mistrust and leg pulling among these three parties demands full payment in advance and adjust and the commission when the company comes with the second advertisement. On the other hand media re themselves involving in direct marketing to collect the advertisement which plays the role of advertising agencies.

4.13. Advertisement Turnover of Different Media

The amount received from selling the space and time is the prime source for each and every media. In the development and expansion of the contribution of advertisement can't be exaggerated. A few years there was a metrical growth in the advertisement revenue of media because of monopoly. After the establishment of various media the growth rate is slightly decreased. The study has given a glimpse to the advertisement revenue of main media in different years which can present as follows.

Table 4.14

Advertisement revenue of Gorakhatra Corporation in different years.

in Rs '000'

Years	Revenue(Amount)	Through agency	Direct
2060/061	183422	-	-
2061/062	171949	-	-
2062/063	146788	74895(51%)	71893(49%)
2063/064	130782	71731 (55%)	59051 (45%)

(Source: Office of Gorkhatra Corporation)

In the beginning of Gorakhatra Corporation there was no any alternative media for" advertisers and it had a monopoly. The whole advertisements used to publish in Gorakhatra and it earned as much as possible from advertisement. After the establishment of publication media in private sector, the advertisement revenue of Gorakhatra corporation has beer severely affected.

Table No. 4.15

Advertisement revenue of Radio Nepal in different years Year

Rs. In '000'

Years	Total Amount	Through Agency	Direct
2060/061	580	267 (46%)	313(54%)
2061/062	748	275 (37%)	473 (63%)
2062/063	773		
2063/064	983	-	-

Source: Office of Radio Nepal

The income of radio Nepal from advertising has been increasing significantly. Because there is no competitive media of radio Nepal. Recently after the-establishment of F.M. stations the local advertisement have shifted to the F.M. radio, but its impact is not harmful to the radio Nepal. Now the government decision to ban on advertisement of liquor

and tobacco through electronic communication media has affected the revenue of Radio Nepal directly. It has already opened its own F.M station to compete with other F.M. stations.

Table No. 4.16

Advertisement revenue of Nepal Television in different years

Rs. In '000'

Years	Total	Through Agency	Direct
2060/061	52793	40026 (76%)	12767(24%)
2061/062	74369	51780(70%)	22589 (30%)
2062/063	84297	587000 (70%)	25597 (30%)
2063/064	81229	42373 (52%)	38856 (48%)

(Source: Office of N.T.V.)

Nepal Television has still monopoly in broadcasting the audio visual advertisements which is known the most effective medium. Recently, after the government decision to ban the advertisements of liquor and tobacco in NTV. Its income has bee severely affected.

Table No. 4.17

Advertisement revenue of Kantipur Publication in different Years

Rs. In crores

Years	Total amount	Through Agency	Direct
2060/061	7	-	-
2061/062	9	-	-
2062/063	11	85%	15%
2063/064	13	79.5%	20.5%

(Source: Office of Kantipur Publication)

Since the last 5-6 years the whole newspaper market has been dominate, by Kantipur Publication with its large circulation. The growth rate of its income from advertisement is significant more than other media which can be seen from the increase in total income. Kantipur

Publication claims that it has covered 62% of total circulation of daily newspaper and holds-45-48% of total advertisement in daily newspapers.

4.14 Participation of Advertising Agencies in Media Turnover

It is obvious that advertising agencies are the Agents of media, which carry the advertisements from advertisers to release through the media but it does not mean that the whole advertisements released in different media are brought by advertising agencies. In practice it is not possible to collect all advertisement through advertising agencies. So media use to involve themselves in direct marketing. Through the media are also involving in direct marketing but more than half transactions are received through advertising agencies

It seems that the percentage of participation of advertising agency different media is different and it is different even in the same media in different years. For example out of total advertisement turnover of Gorakhapatra Corporation in 2062/063, 51% transaction was conducted through agency where as 55% transaction of corporation in 2063/064 was done through agencies. It is found that the ratio of transaction through advertising agency is slightly decreasing, such as the ratio of agency transaction of NTV in 2061/062 was 76% whereas it has decreased to 52% in 2063/064. The reason behind this may be the involvement of media in direct marketing to collect advertisements. Because of high competition between media, direct marketing is becoming compulsory for their live. In this situation also, around 60% transaction in average is going through advertising agencies.

4.15 Media Facilities to The Advertising Agencies

Each and every media use to grant different kinds of facilities to their agencies, which encourage them to be get towards the media. Advertising agencies get naturally 15% media commission on total billing of purchasing space or time being a agent of media. Besides that

media grants various facilities to motivate agencies to increase the transaction through them. There are credit facility, bonus system Which are given below.

4.15.1 Credit Facility

Credit facility is common in each media. It helps agencies to release the advertisements without cash payment when there is shortage of cash. The terms of credit facility in different media are different. Gorakhatra corporation grants credit facility to the agencies up to the amount of deposit in the corporation by the agency. It is obvious that the fixed deposit amount is Rs. 75.000.

The terms of radio Nepal about credit facility is slightly different, it grants credit facility only to the renowned agencies only for 15 days on the basis of 10% of last years transaction is more liberal. In Nepal Television advertisements through agency are transmitted for 3 months on the credit basis seeing the bank guarantee of the agency. Kantipur publication has been granting credit facility to the renowned agencies only for 45 Days.

4.15.2 Bonus System

Media are also providing bonus to the agencies on the basis of annual highest transaction. To be benefited from this facility agencies should be able to provide minimum level of transaction determined by the media. This study has also given an overview about the bonus system of different media.

Gorakhatra Corporation provides bonus to the agencies on annual basis on their net cash transaction. These agencies, which provide annual transaction of Rs. 20 lakhs get this benefit. The rate of bonus is 1% in basic 20 lakhs and first 20 lakhs. After that the rate of bonus increase respectively for every 20 lakhs. The rate is constant 5% for the amount above one corers.

In Radio Nepal the annual transaction of agency should be minimum 5 lakhs to be benefited from bonus. The rate of bonus is minimum 1 % to maximum 7% on the basic of range of transaction. Nepal Television also provides bonus to those agencies that provide an annual transaction over 5 lakhs. The rate of bonus is minimum 2 % to maximum 4% according to the range of transaction, Kantipur Publication has also a policy for granting bonus to the agencies. To be benefited from bonus in Kantipur Publication agency should provide a minimum annual transaction of Rs 7 lakhs. The rate of bonus is minimum 2% to maximum 7% according to the range of transaction.

4.15.3 Reward System

All media have been following the reward system since the very beginning. They use to reward those agencies, which provide greatest amount of transaction within a year. So those agencies which provide the greatest amount of transaction are benefited from high rate of bonus and reward also. It seems that advertising agencies have been getting adequate facilities from media, which directly encourage them to expand the business and improve the quality of the job.

4.16 Advertisers

Competitive market is the primary condition for advertising and the contribution of advertising can't be exaggerated in the present day situation of business in Nepal. Nepalese market has been becoming a laboratory to test imported goods from various countries. On the other hand Nepalese manufacturers are also producing the goods more than demand. So an the one hand there is a flood of domestic as well as imported goods in the market and on the other hand customers are becoming conscious about selective buying system. In this context marketers are in the battle-field to market their goods and services and marketing without assistance of any promotional tool is just impossible.

It is the next concern of this study to find out the major clients (advertisers) to the advertisements. A few years ago public corporations and companies were the heavy advertisers when private sector business has been expanded considerably & the whole market is dominated by private business houses. According to the expansion of business they have already become the major clients (advertisers) to the advertising agencies. The advertisers can be classified into three categories.

1. Private Sector
2. Government & public Sector
3. Non government organizations.

It seems that private sector advertisers constitute the largest client groups of the advertising agencies in Nepal. The second largest group of advertisers is the government offices, public corporations & companies. Most of the government advertisements are directly given to the government media like Gorakhapatra Corporation, radio Nepal and Nepal Television by the concerned government besides without any involvement of the advertising agencies. Thus, it is natural that among the clients of advertising agencies government & public sector are only a few.

The next emerging category of advertisers is non-government organizations. Although advertisements provided by this groups are non-commercial but this is becoming a prospective market for the advertising agencies, towards which they had hitherto not given serious attention. Likewise, the foreign advertisers are also a part of clients of advertising agencies. Foreign advertisers also have deeply penetrated in to the markets of Nepal. They are active in promoting their wares and compete with the national advertisers for space and time in the media.

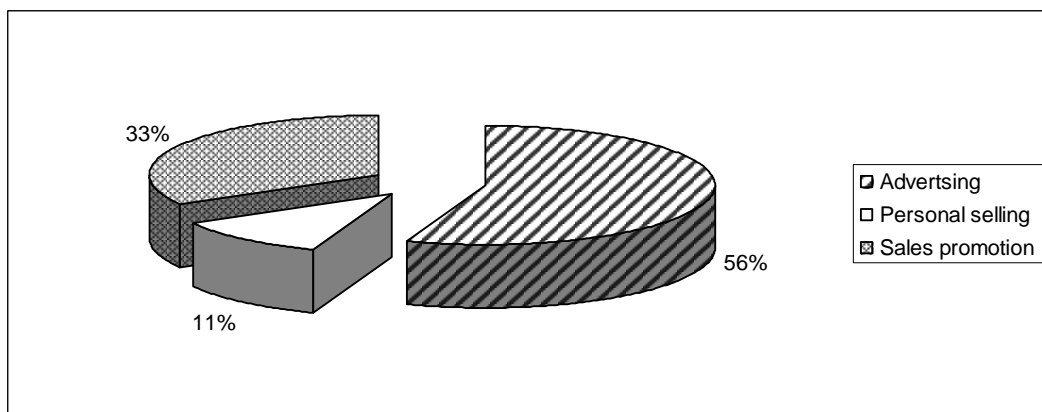
4.17 Advertising from the View Point of Advertisers

Increasing competition and sophistication of market has made

advertising a compulsion to each and every business enterprises. All manufacturers and business houses accept that advertng has become a inseparable part of their business. Advertng helps in convincing the customers about the need for the product/service, its quality and pricing, and simulates them to buy the product.

Advertisers have been asked about what promotional tool they have been using for their trade promotion mostly. The result of survey about this aspect is as follows.

Figure No. 4.2
Main method of market promotion



(Source: Field Survey)

Out of advertisers 55.56% have replied that have been following advertising as a main means for their trade promotion. They report that other promotional tools are only the supplement. It is found that though they are using a combination of various promotional tools, they are giving great preference to the advertising.

4.18 Management of Advertising

To achieve the desired objectives from the advertising programme, the advertising programme must be planned well in advance, executed properly and evaluated frequently. To perform these administrative and operational functions effectively, every organization needs either to manage a separate advertising department to handle the advertising job by

itself, or to appoint an advertising agency and delegate the advertising responsibility to it.

The advertisers were asked whether they are handing the advertising job by themselves or through advertising agency.

The advertiser report in this regard is given in table No. 4.18

Table No. 4.18

Company's Policy for Advertising

Policy	No. of responses	Percentage
By company itself	1	11.11%
Through advertising agency	8	89.89%
Total	9	100%

(Source: Field Survey)

89.89% respondents have reported that they have been performing advertising JOD through advertising agency. Only one respondent has through that it is conducting advertising job by itself. This indicates that most of the advertising activities of business houses are done through advertising agencies. It is found that most of the advertisers do not have separate advertising department and conducting their advertising activities through marketing department some of them entrusted the job to the administration department. They are unable to handle the whole advertising job by themselves because of lack of efficient manpower, inadequate budget lack of specialized knowledge in advertising and so on.

4.19 Selection of an Advertising Agency

When an advertiser decide to handle his advertising programmes through an advertising agency, the first challenge of advertiser is to select an appropriate agency. Agency selection is a long run decision of every advertiser and an intact homework should be done before making a decision in this regard. The advertising agencies specialize in advertising

only and their intimacy with makes their service highly valued. But he advertisers must examine thoroughly the advertising agencies before they engage one. For this kind of examination, the advertiser should adhere to some criteria, on the basis of which the agency should be selected. The advertiser should demand an agency profile and a statement of financial standing before entering into an agreement.

The criteria used by the advertisers in Nepal have been presented in table No.4.19.

Table No. 4.19
Criteria for selecting an agency

Criteria	Weight average	Rank
Range of service	2.44	1
Cost	2.56	2
Quick service	3	3
Image of advertisement agency	3.33	5
Manpower advertisement agency	3.33	5

(Source: Field Survey)

Advertisers have been inquired about the bases on which they select an advertising agency. According to the above table, range of services of advertising agency is the first criteria followed by cost of advertising to the

4.20 Advertisers Attitude towards Agency Service

Advertiser and advertising agency both are the active participants in advertising which are called two parts of a single coin. The existence of one participant in the absence of another is unimaginable in advertising business. So, there is an intimate interrelationship between advertisers & advertising agencies. The history of advertisers is long than that of advertising agency. An advertising agency can be said a creation of

advertiser for its specific purpose to sum extent. The-advertising agency promotes the name of the advertiser along with the product's advertisement and helps in planning and evaluation of advertising programmes.

The table No. 4.20 shows the extent level of satisfaction of advertisers with agency service.

Table No. 4.20
Extent of satisfaction from agency service

Level	No. of responses	Percentage
Fully satisfied	-	-
Satisfied	2	22.22%
Average	5	55.56%
Uncertified	2	22.22%
Total	9	100%

(Source: Field Survey)

Advertisers have been asked about to what extent they satisfied with the service of Nepalese advertising agencies. Nobody has reported that their service is fully satisfactory. 22.22% respondents have reported that they are satisfied with the present service level of advertising agencies. Most of the respondents 55.56% have replied that they are moderately satisfied.

The future of mass media also depends up on the future-of advertising. They are developing their activities by the help of income from advertisements. So, media should adopt that kind of policy, which encourage advertisers and agencies to advertise through them. There needs a triangle effort of three participants (advertisers, agencies and media) for developing advertising business as a renowned profession. For this they should follow the principle of status quo supremacy and all should go simultaneously. Given the co-coordinated effort among 3 parties (advertiser, agency and media) the future prospect of whole

advertising industry in Nepal is promising, multi model, challenging and top competitive. In other words, the future of advertising agencies is colourful.

4.21 Need and Justification of Advertising Agency Association of Nepal (AAN)

Unity is the power. So each and every community has their own association to protect their common welfare. In the context of competitive business professions it is becoming only one weapon to protect their professional rights. The necessity of association of advertising professionals was realized very late in Nepal. Though advertising agencies had been working here since 2017 B.S. but instead of common welfare advertising agencies are concerning to fulfill their individual interests and wanted to be a competent agency than others.

After the mushroom growth of advertising agencies and increasing number of unethical practices they become conscious in this regard. They also realized that they were dominated by the media and advertisers in the absence of professional association. By considering these conditions a committee was formed in 2045 B.S. under the chairmanship of Kishor Narayan Shrestha, one of the senior advertising professionals for the purpose of forming an association of Nepalese advertising agencies. This was the first effort towards establishment of AAN workshop was organized in 25th Jestha 2052 B.S. for 3 days, where 70 participants including 40 from different advertising agencies and 30 from national and multinational companies were involved. This step can be said a milestone in the history of Nepalese advertising industry. The live broadcasting of world-cup football 1998 was not a creative work for advertising industry but it enhanced the image of advertising agency association of Nepal (AAN).

Advertising club of Nepal' a wing of AAN has already established

for providing training and resource development. It can be taken next step in the development of advertising industry after the establishment of AAN. It has been taken as a center of industry watch but current activities of advertising club of Nepal are insufficient to obtain its broad objectives.

There are various things to be done by AAN to enhance the ethics of advertising and develop advertising industry in Nepal. Likewise it has to protect the right of advertisers and media besides advertising agencies. In the Nepalese context where too associations are formed by media and advertisers AAN should play the role of common platform to establish interrelationship among the all participants of advertising industry. AAN's consideration should also reach in favour of customer for whom advertisements are directed. In this regard AAN should discourage the fraudulent advertisement messages and exaggeration in advertisements.

CHAPTER V

SUMMARY, CONCLUSION, FINDINGS & RECOMMENDATIONS

5.1 Summary

Nepal has emphasized substantially for the growth, of industrialization for the economic advancement, which is equally important in the development of advertising business also. Marketing, though still underdeveloped, is receiving greater attention. Media of mass communications are developing at a faster rate. All these have helped the manufacturers and the dealers to reach their present and potential customers with advertisement economically and effectively.

By considering this fact in background, the present study has sought to focus on the present status of advertising agencies in Nepal. The role and extent of advertising agencies is not seen justified on the one hand and or the ether hand the return from advertising to the advertisers is not satisfactory. The objective of the present study is determined considering the above mentioned circumstances of advertising business. The basic objective of this study is to explore the existing nature, patterns and methods of advertising and find out the problems of advertising agencies, to examine client - agency media relationship and estimate the scope and prospects of advertising business in the context of Nepalese market.

The importance of the study lies in the fact that it gives first hand glimpse of advertising in Nepal. The topic under study covered a vast area but the field of this study is limited within the problems and operational aspects of advertising agencies. An attempt has also been made towards the status of mass media and advertisers, which are the active participants in advertising business.

As the objective of this study is to gather information, which can

assist in describing the current status of advertising industry in Nepal, Survey cum exploratory research methodology has been adopted for collecting information's. Descriptive as well as analytical approach is used for analysis and interpretation of the data. For the purpose of present study, a set of 22 advertising agencies and 10 advertisers companies including varied categories of advertisers are chosen. They are provided with questionnaires. Responses are received from 20 advertising agencies and 9 advertisers.

The data collected revealed that advertising is being used as a major promotional tool by advertisers but lack of well-equipped advertising agencies according to advertisers. On the other hand advertisers are not giving proper attention towards the contribution of advertising agency according to advertising agencies. Both advertising agencies and advertisers are convinced of the need for advertising. The study showed that 55.56% of the firms use advertising as the main method of promotion. The advertising in Nepal fall in three main categories by considering commercial as well as non-commercial advertising. The private sector business houses, Government and public sector and non governmental organizations are the main categories of clients for advertising agencies.

Most of the advertisers do not have separate section to look after the management of advertising and entrust the job to senior executives. The advertisers using advertising agencies temporarily and advertising agencies do not have skilled hands to handle the promotional as well as non promotion a advertisements. The another emerging problems for advertising agencies is that the direct contact of advertisers with media. The advertising agencies are helping advertisers for inserting advertisements in the media and acting as channel between the advertisers and. specialists service groups such as designer, printer commercial

artists etc.

The main source of income of agencies is media commission. Only a few agencies make money from service fees. The popular source of income of advertising agencies, mark up system is not in use in Nepal. The unusual practice emerging in payment system is that agencies use to payback to the advertisers a big part of the commission to make them happy to get new businesses. The rate of client turnover is very low in our context. The industrial products are found the mostly advertised products. The least advertised product/service is the insurance service.

It is found that publications, radio Nepal and Nepal television are the mostly used media of advertising. The rate of media service is not seen high for advertising agencies but the small geographical coverage of media is found the problem for advertising. All the media are providing various facilities to the advertising agencies such as credit facility, bonus, re-ward etc. Lack of professionalization of advertiser, agency and media is becoming an emerging problem for advertising industry. There is mutual mistrust and leg pulling among these parties, which is also a main hindrance in this business.

The budget appropriated for advertising by the advertisers is less than 2% of their sales which can be said too few. Out of this big amount goes for non commercial advertisements i.e. greetings so on. The turnover of advertisements in different media is increasing significantly. The amount of above the line advertising is about 500 millions.

Media have become strong with the help of advertisement. No publications can exist without excluding advertisements. After the govt. decision to ban on advertisements of liquor and tobacco on radio and Nepal television, their income has been affected severely. It is found that out of total transaction in various media around 60% transaction in an

average is going through advertising agencies. Most of the government advertisements are placed directly to the government media in which agencies are deprived to be participated.

Though there is no system of evaluation of advertising effects by advertisers, they subjectively judge that advertisements to be effective. Most of the advertisers are not satisfied with the present service level of advertising agencies. To improve the current status of advertising business some suggestions offered by the advertising agencies and advertisers can be summarized as follows.

Advertising agencies play constructive role in development of advertising industry. They have to prove to the business world that it pays to advertise and help advertise to taking all of their worries. For this they have to professionalize their services. Advertising agencies should possess adequate financial resource, qualified manpower and sufficient technical know how. They have to provide quality service and have to prove that there is substantial creativity in their service. They should have to work to convince the public of direct and indirect benefits that advertising brings, carry out researches and to be closer with the public and try to be popular.

Advertisers should advertise more vigorously. The advertisers agencies and mass media should professionalize their advertising sections and services. Advertisers should not expect the pay back money from media commission by compromising in the quality of advertisement. They should conduct consumer survey and market research to determine an appropriate marketing strategy and effective advertising campaign.

Reduction of the media rates will result in more advertisements. So media should reduce their advertising tariffs. They should provide cash discount facility to the advertising agencies. On the other hand media have to honour the commitment they make about the space and time on

advertisement has to appear or broadcast.

5.2 Conclusion

Though advertising industry in Nepal is in progressive way, there are several challenges to be developed as a renowned profession. It seems that quantitative growth of advertising agencies is becoming a problem on the one hand the trend of direct contact of advertisers with media is also increasing on the other. The present practice of advertisers directly contacting media and media accepting the advertisements is not conducive to the growth of advertising industry. Therefore, advertisements should be channeled through the advertising agencies.

It is obvious that there is no lack of media to publish/ broadcast/ transmit the advertisements. Publications, Radio Nepal and Nepal Television have become common. Likewise establishment of F.M. radio stations and use of Internet for advertising have added new dimension in the development of media to convey the advertising messages. Now advertisers have adequate media options to advertise their products/services according to the target market, advertising budget and advertising objective of the company.

Lack of evaluation system of effect of advertising is also a problem in the development of quality advertising service. Advertisers do not have any other feedback system besides sales figure. There is no-system of advertising copy test neither before campaign nor after. On the other hand they are not conducting consumer survey to obtain the consumer's reactions.

Advertisers should adopt different strategy to improve the effect of advertising. This could be only when the consumers really feel themselves to be in need or desire of the product/service. For example: if insurance company presents the advertisements in situations of some

accidents, they may prove to be more effective. By choosing the right occasion, right situation and right media are some ways to improve the effectiveness of their advertisements.

The government decision to ban the advertisements of liquor and tobacco on electronic communication media has become a barrier in advertising business. Because these are the most competitive products in Nepalese market and extensively involving in advertising.

A large amount of income of media and advertising agencies used to come from liquor and tobacco advertisement. In other words liquor and tobacco advertisement was becoming a cash cow for the advertising agencies and media.

Though advertising agencies are involving in marketing outdoor advertising materials for liquor and tobacco but they have deprived from the large amount of advertising budget they used to grasp for producing television commercials so on.

The entrance of multinational advertising agencies with huge investment and global experience can be taken as a new dimension in the development of advertising industry in Nepal. Although, most of the national advertising agencies are in opposition of their entrance but it can't be restricted in free economy system, and the quality of service can't be improved in the absence of competition. The fact is that national advertising agencies. In this situation, government should not behave them equally. Government should grant some facilities to national advertising agencies to make them competent as like multinational advertising agencies.

The another problem found in Nepalese advertising industry is lack of creativeness. Most of the advertisements seem as the duplicate of foreign advertisements. Unless and until the advertisements are made by considering the Nepalese tradition culture, value and standard their

effectiveness can't expect to the desired extent. In our context it is better to use simple language and description of end benefit of the product/service than romantic and excited messages in advertising. Advertising copy should be prepared by considering the audience profiles of the media.

There is no trend of market research media research and consumer survey neither by advertising agency nor manufactures. Manufactures are producing products without knowing the desire of customers in the one hand and on the other hand advertisement campaigns are also prepared in ad-hoc basis without considering audience expectations. In this situation consumers regard advertisements as a fraud and propaganda. To enrage these misconceptions

and enhance the ethics of advertising, advertising agencies should produce advertising copies and promotional materials by considering the standard Nepalese audiences. Advertising agencies are still not equipped materially and professional to proved the total marketing advice, carryout independent market research and take the charge of preparing and executing the whole advertising programme. Progressive marketing organizations even today expect professional services from the advertising agencies. Thus the advertising industry is passing through a reorientation period. Today advertising in Nepal is really at crossroads. Industrial development in the country growing literacy rate, competitive market mechanism, selective buying system etc. are enhancing the role of advertising gradually.

5.3 Findings

The important findings of the present study are-summarized as below:

1. Most of the advertising agencies are working as an advertisement placement agency than advertisement production unit.

2. The first advertising agency was established in the year 2017 B.S. and now around 205 agencies are in operation. Out of them more than 90% are centered in Kathmandu.
3. It is found that the advertising agencies have adequate number of personnel's but there is lack of skilled hands and knowledge of subject matter also.
4. Both the advertisers and advertising agencies recognize the need of advertising in the present context of Nepalese market.
5. The study shows that the private sector business houses are the largest group of clients (advertisers) for advertising agencies followed by public enterprises and government offices.
6. Advertising agencies are remunerated with the big media-commission. In most cases a big part of the commission is paid back tot he advertisers to make them happy to get business.
7. It is fount that publications, Radio Nepal and Nepal Television are the most used media for advertising. Publication media have been used extensively after the ban of liquor and tobacco advertisements in electronic media.
8. Industrial products are found mostly advertised product followed by liquor and tobacco. The least advertised service is insurance.
9. The rate of client turnover is very low. Advertisers use to switch over advertising agencies by considering cost and personal favourable-ness, not the quality of service.
10. As per the study, advertising, management in the companies is entrusted to the marketing department. There is no separate section/department to handle the advertising activities. On the other hand the advertising budget of companies is found too few. Most of the companies appropriate only 1-2% of their annual sales for advertising.

11. Most of the advertisers are not satisfied with the services rendered by the advertising agencies in present.
12. There is no set of criteria to select an advertising agency. Basically it is based on personal judgment of senior executives and they consider about the range of service rendered by the agency.
13. The effects of advertising are generally not evaluated by the advertisers but they think advertising has favourable impact on their customers sales and profits.
14. The trend of direct contact of advertisers with media is an emerging problem of advertising agencies.
15. As per the study the relationship among advertisers, advertising agency and media is not satisfactory. There is still mutual mistrust and leg pulling among these three participants of advertising business.
16. It is found that all of renowned media besides Radio Nepal have deposit system to publish/transmit the advertisements through advertising agencies. The amount of deposit is Rs.75000, Rs.1 50,000 and Rs. 75,000 in Gorakhapatra Corporation, in Kantipur Publication and in Nepal Television respectively.
17. Media are granting substantial facilities to the advertising agencies in addition to media commission. Mostly they are providing credit facility, bonus and reward to the agencies.
18. It is found that out of total media transaction of advertisement around 60% transaction in an average is going through advertising agencies.
19. According to the response of agencies, most of the advertising agencies are in opposition of the government decision to ban liquor and tobacco advertisements in radio & television. Media are also affected severely by this decision. And the agencies are in opposition of the entrance of multinational advertising agencies in Nepal also.
20. There is no system of media research, and advertising copy testing to

improve the efficiency of media and effectiveness of advertising.

21. All the advertising agencies have realized the need of national advertising policy to regulate their activities and to discourage the unethical practices.
22. There is no clear specification about under which ministry they should operate. They are registered under Ministry of Industry where as they should operate under the rule & regulation of information & communication ministry. In this context which is their line ministry is unclear.
23. The association of advertising agencies has already established as a representative of agencies in 2047 B. S. Now it has around 100 member agencies.
24. The total volume of advertising industry in Nepal per year is estimated to amount Rs. 49,70,91,000 above the line.

5.4 Recommendation

On the basis of the present study the following recommendations are made for the improvement of service of advertising agencies and the development of whole advertising industry in Nepal. Advertising in our society is still not regarded as a means of information about products/ service in one hand & on the other hand advertisers are not confident about the return of advertising. In this context advertising agencies should play constructive role to educate the public about the significance of advertising and to enlarge the scope of advertising. For the enlargement of the scope of advertising following steps are recommended.

1. To professionalize advertising business advertisers, advertising agencies and the mass media all have to change their outlook and behaviour and take advertising seriously as one of the important economic social and cultural force in the society. Advertisers should adopt it as a main method of trade promotion and advertising expense as a long term investment,

advertising agencies should take it as a full profession; and media should take it as a regular business.

2. Study shows that most of the advertising agencies exist only in names. They provide no service to the advertisers and act only as middlemen. These advertising agencies are suggested to possess strong financial source qualified manpower and technical know-how adequately. They should develop creativity and make advertisers confidential about quality and quick service.
3. The advertising agencies are suggested to attract clients by rendering quality services and not by paying a part of commission to the advertisers.
4. The advertising agencies should be able to provide designing, printing, recording, photography, film slide, fabrication of advertisement material & others related service within own roof. On the other hand they should render promotional as well as non promotional advertising service that a full service -agency normally does. In other words, they should professionalize their services to the desired extent
5. Qualified and trained manpower is the asset of every organization but advertising agencies lack trained manpower. They should launch a programme by which they can train their existing personnel. In addition they should attract and employ the people trained in the field of advertising or possess knowledge about advertising and other related areas.
6. The agency must be a bona fide agency. That is free from control by an advertiser in order that it may not be prejudiced or restricted in its service to all clients and free control by a medium owner in order that it may give unbiased advice to advertisers.

7. Advertising agency must keep all commissions (i.e not rebate any) it receives from media in order to devote such commissions to the service and development of advertising.
8. Quantitative growth of advertising agencies is becoming the reason of unfair competition. So small advertising agencies should follow the principle of amalgamation to accumulate adequate investment, manpower and strengthen their competitive power.
9. Now the role of AAN is not seen effective to true desired extent So, AAN should be developed as a center for training research and also to deal with government media and other professional associations. It should expand the network with the associations of advertising agencies of the other countries for the development of professionalism.
10. As the media demand advance payment in cash, it would be better if they provide a 2% cash discount to the advertising agencies as they have to wait for payment from their clients due to non-presentation of bills by the media themselves.
11. Advertising media should enlarge their geographic coverage to the whole country publication media should expand the circulation and diminish the media rate to encourage the advertisers to advertise through them.
12. Of course triangular relationship between the agency the advertiser and the media is a peculiar one and it is unlikely that anything like it exists elsewhere in the business world. But the relation between those 3 parties is not seen satisfactory. Therefore, all parties should develop professional interrelationship not personal for their common wealth because they are dependent to each other.
13. The government should encourage promotional advertising to compete with foreign products by providing certain assistance to

advertisers in this regard. Advertisers should be allowed to deduct advertisement expense up to 10% of gross income while assessing the taxable income.

14. The government should immediately formulate a national advertising policy to regulate the advertising activities. The policy should consist the following aspects.
15. To restrict the quantitative growth a set of criteria for registering an advertising agency should be determined.
16. National advertisement course of conduct should be formulated.
17. Communication ministry should be the line ministry of advertising industry and a controlling body should be formed under the same ministry.
18. The advertisements agencies should be given a 5 years tax holiday to make them competent.
19. There should be a rational, transparent and liberal policy to distribute government advertisements to the private media.
20. The rights and responsibilities of advertiser advertising agency and media should be clearly specified.
21. The right of consumers should be protected by discouraging the fraud and exaggeration in advertisements.
22. The rate of different media should also be dictated by the policy.
23. The role of AAN should be made comprehensive the settle the disputes between advertisers, advertising agency and media.

APPENDIX - I
QUESTIONNAIRE TO THE AGENCIES

Name of Advertising Agency:

Title/post of respondent:

Year of establishment:

No. Of persons in the agency:

No. Of Employees: Branch (if any):

1. What are the services available in your agency? Please tick into the following boxes.

- a) Art work
- b) Fabrication of act-Materials
- c) Placement of Advertisement in Media
- d) Graphics
- e) New concept generation
- f) Others (Please specify)

2) Do you have planned to add any additional service in your agency in near future?

- a) Yes
- b) No

If yes, what kinds of service, please specify.

3) In which area are you helping to your clients mostly?

- a) Media selection.
- b) Preparation and Placement of Advertisement
- c) Evaluation of advertising Programs
- d) Market Research

4. Which media do you refer to your clients to release the advertisement mostly? Please rank 1 or 7 in accordance with your reference.
- a. Newspapers
 - b. Radio Nepal
 - c. Television
 - d. film
 - e. F.M. Radio
 - f. Hoarding Board
 - g. Pestering
5. What types of product of service do you advertise through your advertising agency mostly? Please rank (1 to 7) in order of importance.
- a. Industrial Product
 - b. Banking
 - c. Liquor
 - d. Tobacco
 - e. Beverage
 - f. Edible Product
 - g. insurance
6. What are the main sources of income of your agency? Please indicate in terms of percentage.
- a. Commission
 - b. Service Charge
 - c. Others (Please specify)?
7. What types of employees do you have in your agency?
- a. Highly qualified
 - b. Qualified
 - c. Average
 - d. Below Average
 - e. Unqualified
8. What sort of people do you feel shortage in advertising field?
- a. Actors
 - b. Writers
 - c. Artist
 - d. Singer
 - e. Manager

9. What is your opinion about client turnover from one agency to another?
- a. Very high
 - b. High
 - c. Middle
 - d. Low
 - e. Very low
10. What are the main problems of advertising agency in Nepal? Please rank them in accordance with preference.
- a. Lack of Professionalization
 - b. Entrance of Multinational Ad-agencies
 - c. Unfair Competition
 - d. Lack of Legal Provision
 - e. Lack of adequate investment
 - f. Lack of qualified employees
 - g. Others (Please specify)
11. What sort of problem do you face from media? Please rank 1 to 4 in accordance with your preference.
- a. Difficult to get time and space
 - b. High rate of Media service
 - c. Need of high cash deposit
 - d. Small geographic coverage of the media
12. What problems are the agencies facing from advertisers mostly?: Please rank them in accordance with preference.
- a. Lack of advertisers
 - b. Low budget for advertisement
 - c. Self Production of advertisement
 - d. Direct contact with media
13. Is your agency the member of Advertising agency Association of Nepal (AAN)?
- a. Yes
 - b. No.

If yes, point out the benefits. If not, specify the reason.

14. What is your opinion about the entry of multinational advertising agencies in Nepal?
15. What additional features should have in multinational Advertising Agency?
16. What is your opinion to the government decision to ban of advertising of liquor and tobacco on electronic communication media? Which media do you refer to your, clients (related to liquor and tobacco)?
17. What do you think about the future prospects of advertising agencies in Nepal?
18. Any other suggestions or comments for developing the advertising agencies in Nepal?

APPENDIX-2

QUESTIONNAIRE TO THE ADVERTISERS

Name and address of company:

1. Which method of market promotion are you employing for your trade promotion?
 - a. Advertising
 - b. Personal selling
 - c. Publicity
 - d. Sales promotion
2. How do you advertise your product/service?
 - a. By company it's self.
 - b. Through advertising agency.
3. For what kind of service are you employing advertising agencies mostly?
 - a. Media selection
 - b. Preparation and placement of advertisements
 - c. Evaluation of advertisement programs
 - d. Market search.
4. What factors do you consider while selecting an advertising agency?
Please rank 1-5 by giving 1 to the most important consideration and 5 to their least consideration.
 - a. Range of services
 - b. Cost
 - c. Quick service
 - d. Image of the advertising agency
 - e. Manpower employed in advertising agency
5. To what extent you are satisfied with the service provided by advertising agency?
 - a. Fully satisfied
 - b. Satisfied
 - c. Average
 - d. Unsatisfied
 - e. Full unsatisfied

6. What is the percentage of sales are you spending in advertising?
 - a. Below 1%
 - b. 1-2%
 - c. 3-4%
 - d. 5%
 - e. Above 5%
7. What benefit you have received through advertising mostly?
 - a. Increase in sales
 - b. Increase in company's image
 - c. Increase in brand loyalty
 - d. Increase in market share
 - e. Easy to compete
8. Which media are you employing to release you advertisements instead of electronic communication media and why? (Only for advertisers in liquor and tobacco)
9. Do you think the relationship between advertisers and advertising agencies is satisfactory in Nepal?
10. What is your recommendation to improve the present service level of advertising agencies in Nepal?

APENDIX-3

SAMPLE OF ADVERTISING AGENCIES

1. Professional Advertising Pvt. Ltd.
2. Muna Ad. Print. Pvt. Ltd.
3. Welcome Advertising Agency.
4. Stimulus Advertisers Pvt. Ltd.
5. Nepal Printers and Traders Co-Operative.
6. Classic Advertising Service.
7. Kishor Advertising.
8. Echo Advertising Agency.
9. Time Media Service.
10. Mirage Advertising and Graphics.
11. Shanti Advertising.
12. Trikon Advertising Service.
13. Expose Media Service.
14. Binod Advertising Services.
15. Adlink Pvt. Ltd.
16. Spectrum Ad. and Media Consultant.
17. Shushma Advertising Agency.
18. Media Wave Pvt. Ltd.
19. Thompson Nepal Pvt. Ltd.
20. Intermission Advertising and Marketing.
21. Dina Advertising.
22. MAC Design, Graphics and Advertise.

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