

**A STUDY OF MARKET PROMOTION STRATEGY
OF INSURANCE COMPANIES IN NEPAL**

A Thesis

Submitted By:

Prakash Basel

Shanker Dev Campus

TU Regd. No.: 7-1-48-1320-2001

Campus Roll No.: 219/063

Exam Roll No.: 2654

Submitted To:

Shanker Dev Campus

Faculty of Management

Tribhuvan University

In partial fulfillment of the requirement for the degree of

Master of Business Studies (M.B.S.)

Putalisadak, Kathmandu

October, 2012

RECOMMENDATION

This is to certify that the thesis

Submitted by:

Prakash Basel

Entitled:

**A STUDY OF MARKET PROMOTION STRATEGY OF INSURANCE COMPANIES
IN NEPAL**

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

Dr. N. K. Pradhan
Supervisor

Prof. Dr. Kamal Deep Dhakal
Chairperson, Research Committee

Prakash Singh Pradhan
Campus Chief

VIVA-VOCE SHEET

We have conducted the viva-voce examination of the thesis

Submitted by:

Prakash Basel

Entitled:

**A STUDY OF MARKET PROMOTION STRATEGY OF INSURANCE COMPANIES
IN NEPAL**

and found the thesis to be the original work of the student and written according to the prescribed format. We recommend the thesis to be accepted as partial fulfillment of the requirements for the degree of

Master of Business Studies (M.B.S.)

Viva-Voce Committee

Head, Research Department -----

Member (Thesis Supervisor) -----

Member (External Expert) -----

DECLARATION

I hereby declare that the work reported in this thesis entitled “**A Study of Market Promotion Strategy of Insurance Companies in Nepal**” submitted to Shankar Dev Campus, Faculty of Management, Tribhuvan University, is my original piece of work done in the form of partial fulfillment of the requirement for the Master’s Degree in Business studies under the supervision and guidance of Dr. N.K. Pradhan, Shankar Dev Campus.

.....

Prakash Basel

Campus Roll No.: 219/063

T.U. Registration No: 7-1-48-1320-2001

Exam Roll No.: 2654

Shankar Dev Campus

ACKNOWLEDGEMENT

This dissertation is written for the fulfillment of the requirement for the degree of Master of Business Studies (M.B.S.). But individual, without the help and cooperation of others to complete of its details, is not possible. Therefore, I would like to acknowledge the help and cooperation of others to complete of its details.

At the outset, I owe my sincere and utmost gratitude to my supervisor Dr. N. K. Pradhan by Shankar Dev Campus for his valuable suggestions, proper guidance and unfathomable support in turning the proposal "A Study of Market Promotion Strategy of Insurance Companies in Nepal" into a complete thesis.

I take this opportunity to thank my colleagues and friends for their encouragement, help and supportive role during this work. I deeply acknowledge my friend Mr. Nilkantha Pokhrel for his help on thesis work, also to those who have directly and indirectly helped and contributed to accomplish this thesis are indebted by this researcher.

Finally but immensely, I acknowledge my parents and relatives for their blessings, whole hearted cooperation and enthusiastic encouragement to pursue my studies and complete the present work. My affective gratitude goes to them.

Prakash Basel

TABLE OF CONTENT

Page No.

RECOMMENDATION LETTER

VIVA VOCE LETTER

DECLARATION

TABLE OF CONTENT

LIST OF TABLE

LIST OF FIGURE

ABBREVIATION

CHAPTER – I: INTRODUCTION 1-13

1.1 Background of the Study 1

1.2 Profile of sample insurance company 5

1.3 Focus of the Study 7

1.4 Statement of the Problem 8

1.5 Objectives of the Study 10

1.6 Significance of the Study 10

1.7 Limitations of the Study 11

1.8 Organization of the Study 12

CHAPTER – II: REVIEW OF LITERATURE 14-56

2.1 Conceptual Framework 14

2.1.1 Market and Marketing 14

2.1.2 Marketing Mix 19

2.1.3 Marketing Strategy 23

2.2 Concept of Insurance 31

2.2.1 Historical Development of Insurance 34

2.2.2 Types of Insurance 38

2.2.3 Insurance Issues in Developing Countries 42

2.2.4 Development of Insurance in Nepal	44
2.3 Review of Previous Studies	47
2.3.1 Review of Related Articles and Journals	47
2.3.2 Review of Thesis	52
2.4 Research Gap	56
CHAPTER –III: RESEARCH METHODOLOGY	57-59
3.1 Research Design	57
3.2 Population and Sample	58
3.3 Nature and Sources of Data	58
3.4 Methods of Data Presentation and Analysis	59
CHAPTER –IV: DATA PRESENTATION AND ANALYSIS	60-73
4.1 Status of Insurance Business in Nepal	60
4.2 Market Share of NIC, LIC and HGI	62
4.3 Marketing Mix of Insurance Companies	64
4.3.1 Service/Product Mix of Insurance Companies	64
4.3.2 Price Mix of Insurance Companies	65
4.3.3 Place Mix of NIC, LIC and HGI	66
4.3.4 Promotional Mix of Insurance Companies	67
4.4 Primary Data Analysis	69
4.5 Major Findings of the Study	72
CHAPTER –V: SUMMARY, CONCLUSION AND RECOMMENDATION	74-77
5.1 Summary and Conclusion	74
5.2 Recommendation	75

Bibliography

Appendix

LIST OF TABLES

	Page No.
Tab. 1 Ownership Structure of Insurance Companies	61
Tab. 2 Market Share of Insurance Company	62
Tab. 3 Service/Products Mix of Insurance Companies	65
Tab. 4 Place/distribution Mix of NIC, LIC and HGI	66
Tab. 5 Promotion Mix of Insurance Companies	68

LIST OF FIGURES

	Page No.
Fig. 1 Ownership Structure of Insurance Companies	61
Fig. 2 Insurance Premium Collection in million	63
Fig. 3 Insurance Premium Collection in Percentage	63
Fig. 4 Place/distribution Mix of NIC, LIC and HGI	67

ABBREVIATION

ALICO	-	American Life Insurance Company Limited
A. D.	-	Anno Domini
B. S.	-	Bikram Sambat
FM	-	Frequency Modulation
HGI	-	Himalayan General Insurance Company Limited
IT	-	Information Technology
Ltd.	-	Limited
LIC	-	Life Insurance Corporation (Nepal) Limited
MBS	-	Master of Business Studies
MBA	-	Master of Business Administration
NIC	-	Nepal Insurance Company Limited
TV	-	Television

CHAPTER-I

INTRODUCTION

1.1 Background of the Study

The market really is what marketing is all about-how to reach it and serve it profitably and in a socially responsible manner. The market should be the focus of all marketing decisions in an organization. A market may be defined as a place where buyers and sellers meet, goods or services are offered for sale, and transfers of ownership occur. A market may also be defined as the demand made by a certain group of potential buyers for a goods or services. When we consider needs, we do so from the perspective of the dictionary definition of need as the lack of anything that is required, desired, or useful. We do not limit needs to the physiological requirements of food, clothing, and shelter essential for survival.

Traditionally, a market was a physical place where buyers and sellers gathered to buy and sell goods. Economists describe a market as a collection of buyers and sellers who transact over a particular product or product class. These definitions are not sufficiently precise to be useful to us here.

"A market as people or organizations with needs to satisfy, money to spend, and willingness to spend money." (*Etzel, Walker and Stanton; 2001:46*)

From the definition of Etzel, Walker and Stanton, in marketing any given goods or service, three specific factors need to be considered:

- ❖ People or organization with needs,
- ❖ Their purchasing power, and
- ❖ Their buying behaviour.

"A market is the set of actual and potential buyers of a product. These buyers share a particular need or want that can be satisfied through exchange relationships. The size of a market depends on the number of people who exhibit the need, have resources to engage in exchange, and are willing to exchange these resources for what they want." (*Armstrong and Kotler; 2009*)

Competition in every business sector is increasing rapidly. As people become more conscious about the product or service they acquired from the surrounding market. Consumers get informed through different mode of media; advertisement, sales promotion, personal selling, and publicity are some of them.

Promotion is any marketing effort whose function is to perform or persuades actual or potential consumers and users about the merits of the products or services for the purpose of introducing a consumer either to continue or to start purchasing the firm's products/services at a given price. Promotion is the sales appeal. It is the art of telling and selling. It denotes communication that informs individual, groups, or organization about the firm's products and services and persuades them to use or buy it. Promotion

represents the various communications consist of advertising, personal selling, sales promotion, publicity and public relation activities.

Advertising is one of the main forms of market promotion used by identified sponsor. Simply, advertising denotes the means employed to draw attention to any object or purpose. In the marketing context, advertising can be defined as mass paid impersonal communication of goods, services, or ideas by an identified sponsor. The sponsor makes the payment for the communication via one or more forms of media (e.g. television, radio, magazine, newspapers). It can be used to create awareness and stimulate demand, and can successfully underpin the other marketing mix elements.

Personal selling is a unique type of promotion presented on a personal basis. It consists of verbal communications between a salesperson (or selling team) and one or more perspective purchasers with the objective of making or influencing a sale. Personal selling is a process of informing customer and persuading them to purchase products or services through personal communication in an exchange situation.

Sales promotion consists of various promotional activities, including trade shows, contests, samples, point of purchase displays, trade incentives, and coupons. Seller may use consumer promotion to increase short-term sales or to help build long term market share.

Public relations consist of communications placed in the commercial media but not paid for directly by the sponsor. It also refers the management of communications and relationships to establish goodwill and mutual understanding with the legislator, government, shareholders, media, intermediaries, customer, and with general public. A firm should keep smooth public relations for the success of marketing.

Publicity is a special form of public relations that involves news stories about an organization or its products and services. Like advertising, it consists of impersonal message that reaches a mass audience through the media. But it is not paid for, the organization that is the subject of the publicity has little or no control over it, and it appears as news and therefore has greater credibility than advertising. Some of common tools of publicity are press conference, speeches, news release, features articles, publications, captioned photograph, etc.

Strategy is a unified, comprehensive, and integrated plan that relates the strategic advantages of the firm to the challenges of the environment. It is designed to ensure that the basic objectives of the organization (enterprise) are achieved through proper execution by the organization. Strategy is concerned with the long-term direction of an organization. Strategy is concerned with the scope of an organization's activities and it is seen as the matching the resources and activities of an organization with the environment in which it operates. The strategies of all organizations are

affected not only by environmental forces and resource availability, but also by the values and expectations of those who have power in and around the organization.

1.2 Profile of Sample Insurance Companies

The study focuses on the market promotion of three insurance companies namely Nepal Insurance Company Limited, Life Insurance Corporation (Nepal) Limited and Himalayan General Insurance Company Limited.

1.2.1 Nepal Insurance Company Limited.

The parental role of the development of insurance in Nepal goes to Nepal Bank Limited. Transport of Goods and Insurance Company (Nepal Mal Chalani Ra Beema Company) was established under the control of Nepal Bank Limited in 2004 B.S. The Transport of Goods and Insurance Company used to release the goods from the customs of Rakasaul-Birgunj imported through Nepal Bank Ltd. and hand over such goods to the go-down of the bank or parties after receiving it. The name of this company was changed into Nepal Insurance and Transport in 2016 B.S. Again in 2048 B.S., the name of this company was changed into Nepal Insurance Company Limited, which is the oldest insurance company in Nepal.

The head office of the company is located on NIC Building, Kamaladi, Kathmandu. It has six branches and three contract offices. The company is providing fire, motor, marine cargo, personnel accidents, cash in transit, burglary and house breaking, medical aid scheme, contractors all risks,

engineering, student safety, household, overseas medical and travel insurance services.

Nepal Insurance Company Ltd., the pioneer insurance company of Nepal has celebrated its golden jubilee in the year 1997. It is one of the leading non-life insurance companies of Nepal. This company is a profit making entity from day one. Premium volume has exceeds Rs. 200 million a year. The company has more than 100 insurance agents all over the country. It has six branches at Biratnagar, Bharatpur, Nepalgunj, Khasyoli, and Pokhara. It has two contract offices at Lahan and Dhangadi. The company has Rs. 150 million authorized, Rs. 102.68 million issued and paid up capital. 51 percent share of the company is of Nepal Bank Ltd. and remaining are of general public.

1.2.2 Life Insurance Corporation (Nepal) Limited

Life Insurance Corporation (Nepal) Limited is a limited liability company domiciled in Nepal. The Company was incorporated under the Nepal Companies Act, on December 26, 2000. The company obtained regulatory approval to undertake Life Insurance business on September 1, 2001 from Beema Samiti (Insurance Regulatory Authority in Nepal). The address of its registered office is Kamaladi, Kathmandu, Nepal. The Company has a primary listing on the Nepal Stock Exchange Limited. The principal promoters of the company are Life Insurance Corporation of India (55%) and Vishal Group of Nepal (25%). The company now has 20 outlets through which it is distributing its products and services. The company

operates through its 15 branches and 5 Sales Centres at present, which are spread across the country. As at the end of Ashad 2068, the company is servicing 2,78,112 policy holders. During the year under review, the Company recruited 2,475 new agents. As at the end of Ashad 2068, LIC had 22,189 agents on roll out of them 3,719 have contributed to the business of the Company. At the end of Ashad 2068, authorized, issued, and paid up capital of the company is Rs.250 million, Rs.250 million and Rs. 250 million respectively.

1.2.3 Himalayan General Insurance Company Limited.

Himalayan General Insurance Company Limited was incorporated under Company Act in 1988. With the approval of Beema Samiti, it commenced operation on November, 1993 and an objective of undertaking non-life and re-insurance business in the country and abroad. HGICL listed on Stock Exchange on 26 January 1994. The shareholding pattern of the company is 60 % shares owned by promoters and 40 % by general public. At the end of Fiscal Year 2007/08, authorized capital, issued capital and paid up capital were Rs. 160 million, Rs. 120 million and Rs. 108 million respectively.

1.3 Focus of the Study

The study will focus on the market promotion strategy of insurance companies in Nepal. In today's competitive market, there are many products and services which are competing in the same market to satisfied

same needs. So, it has become very challenging for any organization to differentiate their products and services. Today, marketers are seeking the answer of how they could tell their customers in better way about their products, suggest new uses for a product, inform the market and price change and explain how the product works.

In other hand, building brand performance, changing customers perception of product attributes, maintaining the awareness in the mind of customer are the major concern of today's marketers. Market promotion has become an effective marketing tool. To the solution of these problems to some degree and differentiate the products/services with competitor's products/services in the mind of customers, market promotion strategy has become a core competitive of the organization that provides competitive advantage to the organization.

Hence, the study is to describe the market promotion strategy specially concentrating on insurance companies. The study is focus on market promotion behaviors of the insurance companies, which are handling insurance business in Nepal.

1.4 Statement of the Problem

Insurance is an arrangement between insured and insurer to protect the insured against risk. It is a means to shifting the risk to insurer in consideration of normal cost called premium. With considering this reality, a number of insurance companies are increasing in Nepal. At the same time, there are a numbers of constraints that hinder the development of

insurance company in Nepal. Growing number of insurance companies in Nepal is an indication of expanding scope. However, the potentiality the insurance companies are plagued with immense challenge to survive and to outpace those within the entity mainly due to rising competition, weak economic condition of people and lack of insurance knowledge and awareness. Some of them are pointed out below:

- ◆ Many people do not have knowledge about insurance.
- ◆ About twenty five percent of Nepalese people are living under poverty line. They hardly think about the insurance services.
- ◆ Most of the insurance companies lack professionalism and in some cases it is found that they do not follow business ethics properly.
- ◆ Most of the insurance companies are located in urban area with limited target customers leaving out a very large population in rural area.
- ◆ Most of the political instability in our country has hindered the growth of insurance business to a large extent.

Today, almost all the insurance companies should rely on promotional strategies as essential and vital tools to provide competitive advantage in this competitive world, hence these arises a need to study the promotional strategies in insurance companies in Nepal. Here the researchers aim to probe into the reason of implementing right promotional strategies.

1.5 Objectives of the study

The main objective of the study is to analyze the market promotion strategy of insurance companies in Nepal. The marketing promotion strategy has several objectives but now mainly focusing on its application in insurance companies and its role to improve organizational profile. The specific objectives of the study are as follow:

- To identify the existing Nepalese insurance companies' market promotion strategy.
- To analyze problems of market promotion of insurance companies in Nepal.
- To assess the future prospects and make recommendation for the effective market promotion strategy for insurance business operation in Nepal.
- To suggest measures to improve insurance business in Nepal.

1.6 Significance of the Study

Insurance Companies have become the most popular sector of Nepal. They safeguard against loss, provision against sickness, death etc. in return for regular payment. This research focused to analyze marketing promotion strategy of insurance companies and familiarize the present scenario of insurance companies in Nepal. The researcher believes that different individual and institution will be benefitted from the study.

The specific emphasis of this research is on promotion strategy and its situation in insurance companies. Therefore, this research is conducted in insurance companies of Nepal. There is no more depth study and research

to address problem and potentiality of market promotion strategy in insurance companies in Nepal. The researcher hopes that, this study will support to prepare market promotion strategy, and help to set integrated market promotion strategy in the context of insurance business in Nepal.

The market promotion strategy is defined as those causes which has the potential to affect managerial decisions. It is like a mirror which demonstrates the reality of organization and helps to identifying the right tract or road to move. The concentration in market promotion strategy is designed to teach tomorrows how to derive the maximum benefit from organization.

The integrated market communication system illustrates how it is used to identify and solve organization's market related problems from the market promotion strategy. The market promotion strategy is useful to simplify the complex phenomenon to cope with the changing competitive environment, and changing consumers' needs and wants. The application of market promotion strategy in insurance companies in Nepal is one of the hidden strength and issues in different financial, operational and market coverage of their business. The study will try to represent this fact.

1.7 Limitations of the Study

This study is to fulfill the requirement of Master Degree in Business Studies. It cannot cover all the dimension of the subject matter and resources. The major limitations of the study are as follows:

- This study will not cover all the activities of insurance companies and it will only focus on market promotion strategy.
- This study does not cover market promotion strategy of all insurance companies.
- The study is limited due to lack of resource and time.

In research study, there appeared several problems and some of significant problem mentioned below:

- There was lack of scientific knowledge and training in the research methodology
- There was lack of sufficient interaction between researcher and concerned insurances' stakeholders.
- There was also the difficulty of timely availability of published data from insurance companies, government and other agencies.
- On the research studies faced the problem of over lapping.
- There was finance and time constraint for researcher and as for a student, there was also lack of manpower.

1.8 Organization of the Study

This study will include five chapters such as introduction, review of literature, research methodology, data presentation, analysis and summary, conclusion and recommendations.

Chapter-I: Introduction

The first chapter will deal with subject matter of study. This study will contain general background of the study, profile of sample insurance companies, focus of the study, statement of the problem, objective of the study, significance of the study and limitations of the study.

Chapter-II: Review of Literature

The second chapter will be review of literature. It will include conceptual framework, review of books and review of previous study, reports, thesis and articles related to the topic of the study.

Chapter-III: Research Methodology

The third chapter will be about research methodology. It includes the whole procedure of research work i.e. research design, population and sample, nature and source of data, methods of data presentation and analysis.

Chapter-IV: Data Presentation and Analysis

The fourth chapter will be about presentation and analysis of data. It will include the presentation and analysis of primary data and secondary data, interpretation, major findings of the study.

Chapter-V: Summary, Conclusion and Recommendations

The final or fifth chapter will contain the summary and conclusion of entire study and concrete measures will be suggested in the form of recommendation.

CHAPTER-II

REVIEW OF LITERATURE

The previous studies cannot be ignored because they provide the foundation to the present study. In other words, there has to continuity in research. The present research aims to analyze the market promotion strategy and practices of insurance companies especially three insurance companies viz; Nepal Insurance Company Limited, Life Insurance Corporation (Nepal) Limited, and Himalayan General Insurance Company Limited. For this purpose, it needs to review related literatures in the concerned area which will help to get a clear idea, options and other concerns. What other has done? Said? and other have written? Topics from different books and different studies published in magazines, previous thesis of seniors and journals related to the study are reviewed below. This chapter contains conceptual frame and reviews of various studies.

2.1 Conceptual Framework

2.1.1 Market and Marketing

The word 'Market' is derived from the Latin word 'Marcatus' meaning merchandise, wares, traffic, trade or a place where business is

conducted. The common usage of market means a place where goods are bought or sold. In its street meaning market need not necessarily mean a place of exchange.

"The concept of exchange and relationships lead to the concept of a market.

A market is the set of actual and potential buyers of a product. These buyers share a particular need or want that can be satisfied through exchange relationships. The size of a market depends on the number of people who exhibit the need, have resources to engage in exchange, and are willing to exchange these resources for what they want." (*Armstrong and Kotler; 2009*)

It is obvious that the concept of marketing is being applied in every field of the society along with the business. Marketing is getting increasing importance with the necessity of it in every field. So, we can say that this is the age of the marketing. Today's marketing is sensing the hyper competition since the business is being operation in globalize economy. Marketing is typically seen as the task of creating, promoting and delivering goods and services to consumers and business. Marketing are skilled in stimulating demand of or a company's product. Markets are responsible for the demand management. Marketing managers seek to

influence the level, timing and composition of demand to meet the organization's objectives.

Marketing deals with identifying and meeting human and social needs. Marketing efforts help to achieve organizational goals. It helps organization to find out what their customers need and what and to decide what product or service to offer so that the customers need and want can be best satisfied. It is concerned with attaining and retaining customers and winning long term customer loyalty.

"Marketing is the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchange that satisfy individual and organizational goals." (*American Marketing Association*)

"Marketing is a societal process by which individuals and groups obtain what they need and through creating, offering, and freely exchanging products and services of value with others. Holistic marketing approach recognizes that 'everything matters' in marketing. It has four components i.e., Relationship marketing, Integrated marketing, Internal marketing and Performance marketing." (*Kotler and Keller, 2008*)

"Marketing is a total system of business activities designed to plan, price, promote and distribute a flow of need-satisfying products to target markets to achieve organizational objectives."(*Stanton, Etzel and Walker; 2001*)

Marketers are involved in marketing 10 types of entities, goods, services, experience, events, persons, places, properties organization, information and ideas.

Goods: Physical goods constitute the bulk of most countries production and marketing effort, so marketing people are busy in the marketing effort, so marketing people are busy in the marketing of tangible objects or products. (*Kotler; 2003*)

Services: It includes the marketing of the services like airlines, hostels, barbers, banks, insurances, beauticians, maintenance and repair people, professionals working within or for companies, such as accountants, lawyers, engineers, doctors, software programmer and mgmt consultants. Nowadays, any market offering consists of the variable mix of goods and services.

Experience: By orchestrating several services and goods, a firm can create stage and market experiences.

Events: Marketers promote time-base events, such as the Olympics, company anniversaries, major trade houses, sport events and artistic performances.

Persons: Celebrity marketing is a major business today. It is advised that each person's should become a 'brand' by marketing himself or herself.

Place: Cities states, regions, and whole nations-complete actively attract tourists, factories, company headquarters and new residents.

Properties: Properties are intangible right of ownership of either real property (real state) or financial property (stocks and bonds). The marketing of the properly involves here.

Organization: Organizations actively work to build a strong, favourable image in the mind of their target publics; companies spend money on corporate identity adj.

Ideas: Every market includes a basic idea. Products and services are the plate forms for delivering some ideas and benefits.

Marketing is the art of selling products and at the same time it is delivery of a higher standard of living to the society marketing thinking should start even before there is a product to offer. It is concerned with identifying existing needs & then converting them in to a product a services. Besides, even after the product has reached the customer a user, the marketing efforts does not come to an end. There is a question out of his purchase. After sales services are essential to keep the customer satisfied and become repetitive customer.

In marketing concept, the most important thing is to forecast where customer are moving to be in front of them the right product they want and need to delight them since it is no longer enough to satisfy them.

2.1.2 Marketing Mix

Marketing Mix is the set of marketing tools the firm uses to pursue its marketing objectives in the target market. McCarthy classified these tools into four broad groups that he called the 4Ps of marketing: Product, Price, Place and Promotion.

1. Product

Product is anything that can be offered to a market for attention, acquisition, use a consumption that might satisfy a want and need. Product is a key in the market offering. Marketing mix planning begins with formulating an offering that brings value to target customers. This becomes the basic upon which the company builds profitable relationships with customers (*Kotler, 2003*).

The most basic level of product is the core benefit, which address the question what is the buyer really buying? When designing products, marketers must first define the core, problem solving benefits and services that consumers seek. At the second level, product planners must turn the core benefit into an actual product. They need to develop product and services features, design, a quality level, a brand name and packaging. Finally, products planners must build an augmented product around the

core benefit and actual product by offering additional consumer services and benefits.

Products fall into two broad classes based on the types of consumers that use them-consumer products and industrial products. Broadly defined, products also include other marketable entities such as experience, organization, person, place & ideas.

2. Price

The amount of money charged for a product or services the sum of the values that consumers exchange for the benefits of having or using the product and services. Price is the only element in the marketing mix that produces revenues; all other elements represent costs. Price one of the most flexible elements of the marketing mix. Unlike product features and channel commitments, price can be changed quickly.

At the same time, pricing is the number one problem facing many frequent executives. Yet many companies do not handle pricing well. One frequent problem is that companies are too quite to reduce price in order to get a sale rather than convincing buyers that there product are worth a higher price. Other common mistake includes pricing that is too cost oriented rather than customer value oriented and pricing that does not take the rest of marketing mix into account.

3. Place

To attain the formulation marketing and sales objectives along with the overall corporation goal, product must be accessible to the target market.

Distribution may be the biggest constraint in the successful sale of product if the product is not shipped to the right place at the right time with the right price. Inadequacies within the distribution channels must be overcome to sell the intended product in the target market successfully at lower price.

The distribution process includes the physical handling and distributing of goods, the passage of ownership. It is the buying and selling negotiations between producers and middlemen and between middlemen and customers. Each market contains a distribution network with many channel choices whose structures are unique and in the short-run fixed.

4. Promotion

Advertising, sales promotion, personal selling, public relations, publicity and direct marketing the mutually reinforcing elements of the promotion mix, have as their common objectives the successful sale of a product or services. Once a product or service is developed to meet the market needs, intended customers must be informed of the product's value and availability. The promotion mix is the basic ingredient in the marketing mix. Sales promotion offers an incentive to buy. Sales promotion (prices off, advertising and display, allowances and free goods); business and sales force promotion (tradeshows and conventions, contests for sales reps and specialty advertising). Sales promotion enable manufacturers to adjust to short-term variations in supply and demand.

5. Three additional Mix/or Ps for Service Marketing

"However to capture the distinctive nature of service performances three more elements associated with service delivery are considered physical environment, process, and people." (*Lovelock and Wirtz, 2004*).

The traditional four Ps marketing approaches work well for goods, but additional elements require attention in service business. *Booms and Bitner* suggested three additional Ps for service marketing:

People: Most services are provided by people. The selection, training, and motivation of employees can make a huge difference in customer satisfaction. Ideally, employees should exhibit competence, a caring attitude, responsiveness, initiative, problem solving ability, and goodwill.

Physical Evidence: Companies also try to demonstrate their service quality through physical evidence and presentation. A hotel will develop a look and style of dealing with customer that realizes its intended customer value proposition, whether it is cleanliness, speed, or some other benefit.

Process: Service companies can choose among different processes to deliver their service. Thus the service outcome and whether or not people will remain loyal to a service provider, is influenced by a host of variation.

2.1.3 Marketing Strategy

The strategic plan defines company's overall mission and objectives. Consumers stand in the center. The goal is to build strong and profitable customer relationships. Next comes marketing strategy the marketing logic by which the company hopes to achieve these profitable relationships. Guided by marketing strategy, the company designs a market mix made up of factors under its control product, price, place and promotion. To find the best marketing strategy and mix, the company engages in marketing analysis, planning, implementation and control.

2.1.3.1 Market Promotion Strategy

Promotion represents the various communications to inform and persuade people that a firm directs toward its market targets, channel organizations, and the public at large. These communications consists of advertising, personal selling, sales promotion, public relations, publicity and direct marketing into an integrated program for communicating with buyers and others who influence purchasing decisions. Effective management of resources is essential to gain the optimum return from the promotion expenditures.

"The communications activities that make up promotion strategy inform people about products and persuade the company's buyers, channel organizations, and the public at large to purchase brands. The objective is to combine the promotion components into an integrated strategy for communicating with buyers and others who influence purchasing decisions." (*Craven and Piercy; 2003:400*)

"Promotion strategy consists of planning, implementing, and controlling an organization's communications to its customers and other target audiences. The purpose of promotion in the marketing program is to achieve management's desired communications objectives with each audience. An important marketing responsibility is planning and coordinating the integrated promotion strategy and selecting the specific strategies for the promotion components. It is important to recognize that word-of-mouth communications among buyers and the communications activities of other organizations may influence the firm's target audiences." (*Craven and Piercy; 2003:400*)

A) The components of Promotion Strategy

Advertising

"Advertising is one of the main forms of impersonal communication used by service firms. The role of advertising in services marketing is to build awareness of the service, to add to the knowledge of the customer about the service, to help persuade the customer to buy and differentiate the service, from other service offerings."(*Glynn and Barnes; 2006:351*)

Relevant and consistent advertising is therefore of great importance to the success of the marketing of the service. Identifying and describing the target audience is the first step in developing an advertising strategy. Next, it is important to set objectives and decide on the advertising budget. There may be an adjustment of this initial budget as the specific advertising activities are determined. Among the advantages of using advertising to

communicate with buyers are the low cost per exposure, the variety of media (newspapers, TV, radio, internet, direct mail, and outdoor advertising), control of exposure, consistent message content, and the opportunity for create message design. In addition, the appeal and message can adjust when communication objectives change. It has some disadvantages. It cannot interact with the buyer and may not able to hold the viewer's attention and the message is limited to the duration of an exposure. Objectives of advertising are:

- To improve brand image or brand awareness
- To inform and persuade the target audience
- To achieve a desired sales level
- To successfully launch the new product/or service to the market
- To support the personal selling and
- To win the competition

Advertising Media

Advertising uses various media for delivering messages. They are:

- ✓ Print media: Newspapers, journals, newsletters, brochure.
- ✓ Visual media: Billboards, displays, point-of-purchase displays
- ✓ Audio media: Radio, tape-recorder
- ✓ Audio Visual media: Television, Videotapes, cinema
- ✓ Internet: E-mail and websites

Personal Selling

Personal selling consists of verbal communication between a salesperson (or selling teams) and one or more prospective purchasers with the

objective of making or influencing a sale. Many customers of service firms have close and ongoing relationship with the service providers. Personal selling has several unique strengths: salespeople can interact with buyers to answer questions and overcome objections, can target buyers, and have the capacity to accumulate market knowledge and provide feedback.

Types of Sales Jobs

Salespersons' jobs can be classified into two types. They are:

- ✓ Ultimate consumers sales
 - Door-to-door sales
 - Insurance sales
 - Real estate brokers
 - Retail store sales
- ✓ Industrial Sales
 - New business selling
 - Trade selling
 - Missionary selling
 - Consultative/Technical selling

Sales Promotion

Sales promotion consists of various promotional activities, including trade shows, contests, samples point-of-purchase displays, trade incentives, and coupons. Sales promotion is demand-stimulating activity designed to supplement advertising and facilitate personal selling.

"All marketing activities other than advertising, personal selling, and publicity, that stimulate consumer purchases and improve retailer or middlemen effectiveness and cooperation are sales promotion." (*Shrestha; 2008:230*)

This array of special communications techniques and incentives offers several advantages: Promotion can be used to target buyers, respond to special occasions, and create an incentive for purchase. Sales promotions are short-term efforts directed to the consumer and /or retailer and middlemen to achieve such special objectives such as;

- Consumer products /or services trial and /or immediate purchase
- Consumer introduction to the store
- Gaining retail point-of-purchase displays
- Supporting advertising and personal selling.

Sales Promotion Tools

- ✓ **Tools for Consumer Promotion:** Samples, coupons, rebate, premiums, contests, price-off and displays.
- ✓ **Tools for Channel Promotion:** Free goods, discounts, allowances, price-off, gifts, sales contests and credit facilities.
- ✓ **Tools for Sales Force Promotion:** Sales contests, trade shows, gift items, promotional kits, bonus and commission.

Direct Marketing

Direct marketing includes the various communications channels that enable companies to make direct contact with individual buyers. The

distinguishing feature of direct marketing is the opportunity for the gain direct access to the buyer. Direct marketing expenditures account for a large proportion of promotion expenditures. It is interactive, it allows to dialogue between the marketing team and consumer, and message can be altered depending on the consumers' response.

Direct Marketing Methods

Direct marketing is making direct contact with end-user customers through alternative media. Many direct marketing methods are available. They are:

- ✓ Catalogs and direct mail
- ✓ Telemarketing
- ✓ Direct response media
- ✓ Electronic shopping

Public Relation and Publicity

Public relation has become an important marketing tool these days. The basic philosophy of public relation is that if the image of the company is poor in society, no other marketing efforts including quality product and service can satisfy the customers. In order to gain good image in society, a company must establish a good relation with the public. Public relation is also used for publicity purposes such as communicating with financial analyst. Publicity in media can be negative as well as positive and cannot be controlled by the organizations to the same extent that other promotion components can. Publics are several groups of society, including customers, stockholders, stalls or employees, dealers, the press, the

financial community and the general community which have an interest in the services or products company. Company must have good relations with these groups, if it really wants to promote its sales and develop an established market for its product and services. The main objective of public relation is to secure mutual understanding with the public and obtain goodwill from them. Other objectives are:

- Build awareness towards the company's products, service, organization and ideal.
- Build credibility of company, its products and services through communications.
- Stimulate sales force and dealer.
- Hold down promotional cost.

Tools of Publicity and Public Relation

It refers to programs designed to promote or protect a company's image and products /or services. They are:

- ✓ Press conferences and speeches
- ✓ News releases
- ✓ Feature article
- ✓ Publications
- ✓ Personal communications
- ✓ Sponsorship events
- ✓ Exhibits and displays

2.1.3.2 Factors affecting Promotional Strategies

Promotional strategy is persuasive communication process. It tells the target customers about product/or service, price, and place. Many factors affect the promotional strategy of the company. Some of them are as follows:

1) Promotional objectives

If the objective is to build awareness through informing, advertising and publicity are important. If the objective is to get order for product, personal selling and sales promotion are important. Therefore, promotional objective directly affects the promotional strategy.

2) Nature of product/or service

Low cost product requires emphasis on mass advertising and sales promotion. High-cost shopping product requires emphasis on personal selling and publicity.

3) Nature of target market

Consumer markets need more emphasis on sales promotion and advertising. Industrial markets need more emphasis on personal selling and sales promotion.

4) Size of promotional budget

Advertising requires ample resources because it has to be long-term and of a campaign nature. Personal selling is suitable for small organizations. But large sales force is expensive.

2.2 Concept of Insurance

Wherever there is uncertainty there is risk. We do not have any control over uncertainties which involves financial losses. The risks may be certain events like death, pension, retirement or uncertain events like theft, fire, accident, etc. Insurance is a financial service for collecting the savings of the public and providing them with risk coverage. The main function of Insurance is to provide protection against the possible chances of generating losses. It eliminates worries and miseries of losses by destruction of property and death. It also provides capital to the society as the funds accumulated are invested in productive heads.

Insurance is defined as a co-operative device to spread the loss caused by the particular risk over a numbers of persons who are exposed to it and who agree to ensure themselves against that risk. Insurance give relief from the risk. It performs the task of paying compensation for financial loss under the insurance, in return of little fixed amount if loss or damage has taken place. Insurance, in modern term, can be defined as a risk transfer mechanism whereby the one who is exposed to risks transfers all or some part of it to an Insurer. "The meaning of insurance as a mean of spreading over the many losses, which would otherwise be borne by the individual it provides, in effect a pool to which the many contributions, out of which the few who suffers losses, are compensated." (*Dansdale; 1985:25*)

"Insurance is created by insurer which is a professional risk bearer, assumes the financial aspects of risk transferred to it by insured. As a device for handling the financial aspects of risk, insurance is feasible

because insurance is able to combine the risks of individuals into groups and pay losses with funds collected from its members."(*Athenian; 1981:25*)

"Insurance is a provision made by a group of persons, each single in danger of some losses, the incidence of which cannot be foreseen that when such loss occurs to any of these, it shall be distributed over the whole group. Its elements therefore are foresight and cooperation." (*Bhargave; 2053:15*)

"Insurance as a contract settled between the parties, one is insurance company and another is insured party who insure his properties as well as lives. They have stated as, it undertakes to indemnity to loss suffered (due to specified cases) by the other party known as the insured in consideration for a sum of money known as premium. Since the amount of the premium is generally small, insurance contract spreads the losses suffered by one person over a large number of persons. Everyone pays a premium those who suffer a loss are paid a sum of equivalent to loss (loss according to the term of contract) and those who do not suffer loss by the premium paid. The protection against unforeseen events is purchased through a contract of insurance." (*Shukla and Grewal; 1990:36*)

From the above mentioned definition it is clear that the insurance reduces the risk and provides financial security in return of payment of a certain amount. Insurance is a powerful weapon to manage risk.

Hence, "Insurance is a contract where one party (the insurer) agrees to pay the other party (the insured or his beneficiary) a certain sum called upon a given contingency (the risk) against which insurance is sought." (*Mishra; 1996:36*) Thus, insurance safeguard the interest of people at a given

contingency. Insurance companies constitute one of the most important components of financial structure. They play two vital roles in the economy, safeguard against the risk of loss of property and life and accumulation of resources. The former role is unique to them while the later is also significant because they mobilize funds of long-term nature.

Insurance company is an institution, which accepts the premium for specific probable events and pays on the loss. Insurance company is firm legally registered as per the state rule and regulation (Insurance Act) and insures the insured to make payment to a specific event or losses. Like the commercial banks, insurance companies are also responsible and contribute for the economic growth to the nation. They attract the people from door to door to insure against the possible loss and invest the fund to the more productive sectors.

Insurance companies play vital role for the economic development of the nation as well as for the world's economy. Whether the country is developed or underdeveloped, it is very important to mobilize the fund in different investment sectors. Though the history of insurance company is not very old in Nepal but they have come long way to reach the present position. The concept of insurance developed in ancient period in Nepal. The system of maintaining '*Guthi*' can be taken as the beginning point for the development of insurance in Nepal. The income from such *Guthi* was used to build building and repairing temple and so on. But now they are converted into commercial phenomenon.

2.2.1 Historical Development of Insurance

Today's modern form of insurance is not the effect of fortnight. It has crossed a long series of time to developed insurance from ancient practices to modern insurance practices. From the very beginning of society, men have been following the way to share loss and profit, suffering and prosperity mutually with one another. "The concept of insurance is originated very early in *Greece*. There is a word "*Yogakshem*" in Rigveda, which means security. About three thousand years ago, racial insurance was in existence in the Arya Community of India. But before four century BC, there was the use of Bottomward banks under the marine insurance in Greece. Existence of life annuity was found during the period of Roman Emperor. At first, Church of England used to make religious guild. Later on forming the merchant guild, started to give protections to the members further, later on crafts guild began to work as subsidiary of the merchants' guild. In this way, the concept of insurance is evolved. The development of modern formal insurance can be described in the following phases." (*Bailey and Jeffery; 2002:95*)

1) First Phase: Emergence of Marine Insurance

After the emergence of the concept insurance, it was most commonly used for marine insurance. So, marine insurance is the first modern form of insurance in the history of insurance. In 1300 A.D., the first insurance contract called "*Polizza*" was made in Italy. Later another word "*Policy*" was developed from "*Polizza*". The concept of marine insurance was commonly used in Lombard of Italy and in Venice in 14th century. In fact,

the Lombard of Northern Italy had main role in bringing the international extension of marine insurance in England. Later, the Jewish of Lombard was banished. Then, they settled in different countries of Europe. The name of street, "Lombard Street" of London was named after the name Lombard. At that time, this street was called the central point of the marine insurance.

"The significant role of Lloyds' institution for the development of insurance cannot be ignored. The underwriters who took the marine risk used to carry out the work of marine insurance, meeting personally in the coffee house of Ederd Lloyd in the tower of street of England. Slowly, the coffee house was successful to introduce itself as a centre of marine insurance. The Lloyds' institution established in 1771, is the first institution to make formal marine insurance. Till now, this institution is the one of the most popular insurance company in the world." (*Bailey and Jeffery; 2002:101*)

2) *Second Phase: Development of Life Insurance*

After the development of marine insurance, people used the concept of the insurance to provide security to their lives. To talk about the modern like insurance, by an associate 16 persons, the first life insurance policy of the world was issued in the name of a person named "*William Gybbons*" in 1583 AD. It is recovered that insurance policy was issued for one year. One astronomer named *Admand Heley* submitted a '*Mortal Table*' in 1693 AD to the royal security. This mortal table is useful tool for calculating insured amount. But the first time, life insurance institutions insured amount technology on the basis of data.

"In 1744 AD passing the Life Insurance Act created the foundation of the modern insurance. There after different laws enacted remove the defect that came to it on the basis of experience. With the cause of the difficulties that came to the business, many companies were closed and some of them went and mixing or merging with insurance company. There is no controversy that the Life Insurance Act, 1870 was passed to control of the life insurance business for protection of the customers. Before the beginning of the 19th century, many life insurance were that already established in the world. We find that the life insurance business in our neighboring country India had started with the establishment of the Mutual Association. In 1971, both the life and the non-life insurance were nationalized in India. As a result, the Life Insurance Corporation for life insurance and General Insurance Company Ltd. for non-life insurance were established. During the regime of Elizabeth I, the life insurance used to effect for one year. After one year, if it was not renewed, the insurance automatically used to be cancelled. But the of effecting ling-term insurance started from 18th century has been increased continuously." (*Bailey and Jeffery; 2002:105*).

3) *Third Phase: Emergence of Fire Insurance*

In the history of insurance, the fire insurance comes after the life insurance. However, there is some controversy about it. In the opinion of some people, the concept of the fire insurance had come after the marine insurance and then only after about two hundred years, the idea of the life insurance was communicated. The function of the fire insurance was done in 14th century. The beginning of the fire insurance for the first time can be

found in the municipality of the Hamburg in Germany in about 13th century. It is said that after the birth of life insurance the fire insurance was developed.

"In 1666 AD, after the fierce fire incident, many buildings were turned into ash in England. It is known from the history of insurance that many people were in difficulties. So, the fire insurance was introduced with the main objective of the providing the financial protection to the people to save from the risk and the ruin. In 1680 AD, Dr. Nicholas Barbon was called the fire office later named as Phoenix in 1782. Phoenix Insurance Company was established with the development of the fire insurance today many people, industry and businessmen are breathing the air of the safety." (Bailey and Jeffery; 2002:106).

4) Fourth Phase: Practice of Miscellaneous Insurance

After the fire insurance, many other types of insurance have come in use. Thus, by such insurance policies man is trying to be protected from many types of risks. "Under the miscellaneous insurance, fidelity guarantee insurance started from 1848, personal accident insurance from 1880, liability insurance from 1875, public liability insurance from 1877, burglary and house breaking insurance from 1903, motor insurance from 1911, and aviation insurance came in practice. Similarly in other insurance, the vocal insurance can consider the vocal of the male singer and female singer, model beauty, castle insurance, rain insurance, and earthquake insurance as miscellaneous insurance." (Bailey and Jeffery; 2002:107).

2.2.2 Types of Insurance

Insurance has been the most effective and strongest to save peoples, property so on. It makes the security for the payment of the insured amount to those who have made life and non-life insurance. Nowadays, insurance has become the pillar of alertness, courage, and eagerness to develop the life and living standard of the common people, industrialist and traders of the world. Nowadays, various types of insurance have been practiced, which can be classified in following ways:

1) From the business point of view

From the business point of view, the types of insurance are as follows:

Life Insurance

Life insurance provides a protection for two major contingencies. A man inures his life either to make provision for leaving a certain sum for his dependents when he dies, which may happen he is able to say and accumulated sufficient amount. Life insurance has several businesses and financial advantages. In life insurance, it is provided that the insured interest amount is to become payable in the happening of death or in some cases on the attainment of certain age, whichever is earlier. Only the men having and insurance interest in the proposed life can obtain a policy on it. The concept of the life insurance is based on pooling the risks of many to a group, accumulation a fund by contribution from the members of the group and paying from this fund the losses of those who suffer loss.

"Life insurance is a plan of compulsory saving and there will be all round development of nation from premium paid for that and the Life Insurance plan is helping to control the inflation. Because there are the factors of protection and investment in Life Insurance, It has gained much more popularity. Under this insurance, if the insured remains alive, he himself gets a payment of insured amount, if he is dead, his wished person, if it's not wished for the wished person is death, the nearest person get the payment under the policy as per law." (*Mishra; 1996:36*).

Non-Life Insurance

Insurance, other than life and social insurance are called Non-life or General Insurance. The subject matter affected under it, is in nature of property. The insurance company provides indemnity to insured. Such compensation should be based on the actual value. This type of insurance includes marine, fire, and miscellaneous types of Insurance.

a) Marine Insurance

"Ships sailing on are exposed to various types of risks. They be collided against one another, spring a leak, caught by fire, captured enemies and seize by pirates. The ship and cargo may be lost in such a case and a tremendous loss may be caused to its owners. Such risks if not covered will greatly discourage the international trade, which is mostly sea borne. That is why the Marine Insurance is considered to be the land mind of modern international trade, which is indispensable auxiliary." (*Mishra; 1996:36*)

b) Fire Insurance

The insurance done against the risk of fire is known as Fire Insurance. Fire Insurance policy may be taken on residential houses or on factories and business premises. "Under Fire Insurance policy, if any property loses by fire the insured amount would pay as indemnity. The property should be in its full market value, the claim under the fire insurance policy is determined on the basis of present value of the property." (*Mishra; 1996:36*)

c) Miscellaneous Insurance

Miscellaneous Insurance business includes the various types of Insurance business such as aviation insurance, motor insurance, cash transit insurance, workmen's compensation insurance, burglary and house breaking insurance, public liability insurance, cattle insurance, medical aid scheme and so on.

d) Social Insurance

In modern age Social Insurance has an important place. The objective of this insurance is to provide the maximum social benefit to the society. This type of insurance is specially, useful for the worker class and the owners of the factories. This sector poses high risk because the workers work in the mill and factories, from it the workers, officials and owners also many suffers loss. "Social Insurance provides the economic protection both to the official and owners. The main examples of Social Insurance are workmen's compensation insurance, sickness insurance, pension insurance, maternity

insurance, and unemployment insurance etc. Having regarded to the importance of this insurance in every developed country, this insurance has been generally made compulsory. This insurance was started from England. The burden of expenses of government and the owner of the factories has to bear the most of the portion of premium." (*Ghosh and Agrawal; 2002:75*)

2) From the risk point of view

The insurance from the risk point of view is classified in the following ways:

a) Personal Insurance

Under this personal insurance, the insurance is made to the subject related to the person's life. There is possibility of risk associated to death accidents and diseases. "The insurance, which is effected against such risks, with the objective of getting financial protection, is called personal insurance. Life insurance, personal accidents insurance, and health insurance etc. are the example of personal insurance." (*Ghosh and Agrawal; 2002:75*)

b) Property Insurance

Under this insurance, insurance of the different nature's property is affected to compensate the property damaged or lost. This insurance company gives the compensation to the insured. "The insurance company gives only actual compensation to an insured on the basis of fact and event. The examples of property insurance are fire, marine, crop, cattle, and burglary insurance etc." (*Ghosh and Agrawal; 2002:75*)

c) Liability Insurance

Under this insurance, compensation is given to third person for loss or damage caused by negligence or other reason of the party. " The examples of liability insurance are motor insurance, public liability insurance etc."

(Ghosh and Agrawal; 2002:75)

d) Guarantee Insurance

"Under this guarantee insurance, the insurance company gives the guarantee of faithfulness or the honesty of any employee or any other person and it accepts the liability of compensation on financial loss to the insured with the cause to dishonesty and fraud. The examples of guarantee insurance are credit right, fidelity guarantee insurance etc. If any event is found within the policy, then the insured has right to get compensation."

(Ghosh and Agrawal; 2002:75)

2.2.3 Insurance Issues in Developing Countries

As the popularity of insurance is growing rapidly, its market is expanding not only developed countries but also in developing countries. For this, favorable environment should be created by making essential laws and regulations. Nepal is a developing country. It faces many problems. Some articles are to be reviewed about the issues of developing country, which helps us to know the fact about developing countries.

In most of the countries, there is insurance legislation in practice. However, some countries are in the amending these existing laws. All of the countries have a law or decrease regarding compulsory or third part motor liability. "In most of the, international insurance is a flourishing area and only in some countries are the roles of actuaries regarded. Some countries had provision for funds to protect insured. There is a real tendency in all the countries to widen the space between the insurance supervisory body and ministry of finance." (*Laszlo; 1988:45*)

Third world insurers may at this stage not gain much from a market opening in developing countries. "Physical presence of the insurance provider is usually needed to sell cover. But capital and or solvency required in developed countries for the establishment of subsidiaries of branches are usually considered prohibitively high by developing country insurers. When it comes to large and targets risk for which over could be offered cross boarder via brokers." (*Marion; 1990:131*)

"Insurance industry in developing countries often has a unique position within the socio-economic structure of many countries. In its capacity as one of the few indigenous service which is a major employer of the politically influenced middle or educated classes and is often the biggest institutional investor in the some countries like Malaysia, India, China, Taiwan, and South Korea. In such insurance companies usually lack of educate capitalization and the requisite technical skills and professional management needed to serve their clients and markets insurance and re-insurance requirement appropriately." (*Kamara; 1988:72*)

Insurance business in Nepal does not have long history. But it is a true fact that insurance business has developed gradually. Insurance business cannot flourish in a small insurance market. But Nepal itself, a small country, has small market. This signs of worldwide liberalization in economic sector and the functions of public welfare have appeared in Nepal too.

2.2.4 Development of Insurance in Nepal

The concept of insurance developed in ancient period in Nepal. The system maintaining '*Guthi*' can be taken as the starting point for the development of insurance. The income from such *Guthi* was used to build building, temple, and repairing etc. So, the concept of insurance was emerged with the religious view but not as commercial view.

The modern insurance business is relatively new in Nepal. Indian insurance companies initiated the insurance business from the late 1930 A.D. in Nepal. The Indian insurance companies were enjoying monopoly over the insurance business and had a well developed business network in Nepal. Later in 1948 A.D. (2004 B.S.), the first Nepalese insurance company, '*Nepal Mal Chalani Ra Beema Company Limited*' was established by Nepal Bank Limited. This pioneering insurance company has changed its name into Nepal Insurance and Transport Company Limited in 2016 B.S. and Nepal Insurance Company Limited since 2048 B.S. The company started to provide only non-life insurance. There was not any insurance company to carry out life insurance business until 2024 B.S. So, the government realized the necessity for the establishment of insurance company to

execute life insurance business. As a result Government of Nepal established Rastriya Beema Sanstham (Private) Limited in 2024 B.S. under the Company Act. The government enacted Rastriya Beema Sansthan Act, 2025 and Rastriya Beema Sansthan (Private) Limited changed into Rastriya Beema Sansthan under the Rastriya Beema Sansthan Act, 2025. It has provided life and non-life insurance service all over the country.

Now, the government has adopted liberal economic policy. As a result many of the insurance company established after the restoration of democracy. At present, 25 insurance companies are operating in Nepal. Among them, one is composite insurance company transacting life as well as non-life insurance business, while other 8 companies are transacting life insurance business and 16 are non-life insurance companies. They are as follows:

Insurance Company Providing Life and Non-Life Insurance Services:

1. Rastriya Beema Sansthan

Insurance Companies Providing Only Life Insurance Services:

2. National Life Insurance Company Limited
3. Nepal Life Insurance Company Limited
4. Life Insurance Corporation (Nepal) Limited
5. American Life Insurance Company Limited (ALICO)
6. Asian Life Insurance Company Limited
7. Surya Life Insurance Company Limited
8. Gurans Life Insurance Company Limited

9. Prime Life Insurance Company Limited

Insurance Companies Providing Only Non-Life Insurance Services:

10. Nepal Insurance Company Limited

11. The Oriental Insurance Company Limited

12. National Insurance Company Limited

13. Himalayan General Insurance Company Limited

14. United Insurance Company (Nepal) Limited

15. Premier Insurance Company Limited

16. Everest Insurance Company Limited

17. Neco Insurance Company Limited

18. Sagarmatha Insurance Company Limited

19. Alliance Insurance Company Limited

20. NB Insurance Company Limited

21. Prudential Insurance Company Limited

22. Shikhar Insurance Company Limited

23. Lumbini General Insurance Company Limited

24. NLGI Insurance Company Limited

25. Siddhartha Insurance Company Limited

2.3 Review of Previous Studies

2.3.1 Review of Related Articles and Journals

Arora, Kalpana in her article headed '*Marketing Communication*' Published on "The Himalayan Times", Perspective, Sept16, 2012, has explained marketing communication mix. In her words the success of the organization is measured not in terms of how many products but the number of customers it has. In this context, marketing communication comes into the picture. Like any communication process, it is aimed at transferring a message with the objective of influencing behaviour and action. The objective is to get customers to be loyal. Working with the attention, interest, desire and action (AIDA) formula, organizations use a mix of communication channels to promote their products and services.

P stands for publicity: It is one of the best ways to create awareness and interest in a mass audience. Media today is a very powerful and influential medium. Press coverage, news reports, press conferences, articles, photographs are all ways to create a desire in people to experience the product or service.

R focuses on relationships: Building and maintaining favourable public relations is crucial for all organizations. Sponsorships, participation in community activities like blood donation camps, fund raising for various events are all aimed at influencing public opinion about the organization which in turn again promotes the organization and its products and services.

O stands for offers: Discounts, rebates, free offers, contests, gifts, limited low price editions all try to stimulate customers to buy. Such is the craze of freebies today that I once overheard a little boy telling his mother, "Please buy those trousers they are wrinkle-free. We will get wrinkle free with them."

M means marketing: Direct marketing is all about communicating with the end customer at an individual level. So we have direct mailers being sent to customers, executives contacting prospective customers through telephone or meeting them in person to win them over and motivate them to buy. However, too much dependency on this promotion tool makes customers wary and shy away from any mention of the organization and its products.

O represents outgoing: Personal selling is all about identifying prospects, understanding their needs, and convincing them to buy the products and services by showing them how the product best meets their needs. There is direct face-to-face contact, which enables the organization representative to adapt his communication to best suit the situation.

T means telling: An organization attempts to reach innumerable people through especially prepared communications using audio, audio visual, and/or print media. Advertisements work very well in getting the desired result. The Maggie Two Minute Noodles campaign had all kids pestering their mothers to cook it for them and now even adults have become loyal consumers of Maggie.

E is experiential marketing: It is one of the latest tools of promotion that aims at selling through firsthand experience of a product or a brand. Mahindra Holidays gave free holiday package at their resorts to meritorious students and their families. Many such families, after the experience, moved on to become members of the Holidays Club.

Communication is all about getting the message across. Its effectiveness is in the achievement of desired result. The desired result in case of marketing communication is a steady stream of customers for life!

Subedi, S. (2006:33) in his article, 'Life Insurance Marketing System' Published on July, 2006 "Insurance News and views", Rastriya Beema Sansthan, has explained as below:

Insurance is a risk related of business; therefore, its products are needed to encompass by marketing principals and practices. In insurance marketing, agents are the main doers of sale. Since insurance came as a business, agents have been doing the role of selling insurance products. So, insurance marketing system hovers around the agents.

Every system can be divided into three components, viz; input, process and output. Marketing is a more than selling a good, which starts before production and does not end even after selling the products.

Life insurance is remarkably different form non life insurance. So it ought to be seen on the basis of its own practices and principles.

Traditionally life insurance companies have been selling their products through agents. In emerging insurance market agents are unanimous

medium to reach to the customers. Mature insurance markets have been applying mainly three types of life insurance marketing system.

- 1) Agency Building Marketing System
- 2) Direct Non Building Marketing System
- 3) Agency Building Marketing System

1. Agency Building Marketing System

Insurer produces more and more agents to increase its agency power in the market. The more the agency power increases the more the market is captured. Training is provided as the basic tool to convert a layman into an agent. Agents are motivated through different refreshment training time and again. One agent can represent only one insurance company. The team of agents is supervised by the management.

Agency building marketing system can be divided into two categories.

- General Agency System
- Managerial System

Under the general agency an agent is an independent contractor, can make a contract with any customer on behalf of his company. He can represent only one company. General agent is liable to increase more agents to train and them and to help them. General agent receives commission for this task. Organization helps general agent financially and technically as well. In Nepal, ALICO is introducing general agency system. Unit Manager, a kind of agent of ALICO can be said categorized in this group.

Under the managerial system insurance company opens branch offices in different areas. Branch managers train the crude people to change them as

an agent. Branch managers supervise the agents and they themselves do not have right to sell the products to strengthen the position of agents. Branch manager receives salary and agent receives commission for their job. Agent cannot do business of other than his own company. The big insurance companies which have many branches apply this method. The Agency building marketing system is presented in the following diagram

2. Agency Non Building Marketing System

In this marketing system, organization does not make or produce agents. The products of life insurance companies are sold through the famous local agents. Those famous local agents work for more than one companies. They do agreement with insurance companies to sell the product. They do have their own fee or commission rate of selling products. These types of agents are freelancer, so, they bear their all costs by themselves. They operate their business institutionally and sell products of many companies in the same time. Those agents have big power to mobilize general agents. Specially, new companies in the market adopt this method, nevertheless, many companies in the mature market, have been utilizing this system. The agency non building marketing system is presented in the following diagram.

3. Direct Response Marketing System

Direct response system is the method of not creating any agents. Generally public media and promotion activities are applied to increase the number of insured people. Television, Radio, Paper, Magazines, Websites, Tele-

Network etc. are used as a promotion tools to find out the target customer. This kind of system reduces the cost of agency. It is very successful information collection and feedback suppression mechanism. It is useful to sell common products, but complex products are difficult to sell through this system. The companies which are well known in the market can apply it very successfully. In Nepal, we can see than LIC Nepal and Nepal Life Insurance Company have come to market with promotion programs like advertisement.

2.3.2 Review of Thesis

In the last few years, some students of MBA/MBS have been found conduction research on marketing. Some of them which are supposed to be relevant have been reviewed and presented in this section.

Koirala, B. (2011), in her thesis headed "*A study of market promotion strategy of private bank in Nepal*" with following objectives of:

- To identify the existing private banking market promotion strategy.
- To analyze problems in market promotion.
- To assess the future prospects and make recommendation for the effective market promotion strategy.

The findings of the study are:

- All components of promotion mix are used in some extent by private bank in Nepal.

- Personal selling is considered as most important tools to maintain relationship between customer and bank.
- Public relations are maintained to gain goodwill and also realized to attract the customer.

Rokaha, D. (2012), in her thesis titled "*Promotion Strategies a case study of Ncell Pvt. Ltd.*" with the consideration of following objectives:

- To examine promotional strategy and tools adopted by Ncell Pvt. Ltd.
- To examine broad awareness of Ncell to determine the promotional tools used by Ncell.
- To identify response of Ncell's target audience.

The researcher has presented the following findings:

- The customers give more preference to brand name and facilities rather than to price and availability while buying any other commodities whereas while taking decisions to purchase the mobile services maximum respondents seemed to remember and notice the advertisement campaign.
- Advertisement seems to be the most powerful promotional tools to create brand awareness among the customers.

Pokharel, N. (2012), in his thesis headed "*A study on the effectiveness of advertising and sales promotion of Samsung Television*" with the objectives of:

- To evaluate the effectiveness of advertising and sales promotion for attaining and retaining the market share of television business in Nepal.
- To analyse the importance of sales promotion in building company's reputation.
- To review the market status of Samsung television and
- To examine the brand awareness of customers.

The findings of the study are:

- Nepalese television customer is more quality conscious.
- Advertising has great impact on sales of television.
- Television is the most attractive means of advertising to Nepalese customers.
- Business promotion tools like convention, trade shows, sales contest are very less used by companies in Nepal.
- Television market in Nepal is being more and more competitive day by day.

Tulsi, P. (2012), in his research headed "*A study of Advertising, sales and promotion of paints in Nepal with special reference of Asian Paint Nepal*" with the consideration of following objectives:

- To evaluate the effectiveness of advertising and sales promotion for attaining and retaining the market concentrating on paint business.
- To examine the brand awareness in customers for paints.
- To analyze the importance of sales promotion in building a company's reputation.
- To view the market status.

The major findings are as follow:

- Most of the respondents have opined that they are much more persuaded by the advertising rather than by sales promotion of Asian Paint.
- More than one fourth of the respondents have suggested to Asian Paint use cartoon and animations while making advertisement.
- One half of the respondent have stated that the past experience have made them more loyal to the company.

Shrestha, J. (2008), in her thesis entitled "*A study on advertising and its impact on the buying behaviour of the consumer*" having the following objectives:

- To find out the relationship between consumers' attitude towards advertising and buying decision.
- To understand the consumers' credibility towards advertising and its effect on buying decision and
- To get insight about the factors affecting consumer decision process.

The findings of the study are:

- Advertising is the effective source of conveying information.
- Advertising mostly affects the consumer decision while making buying decision rather than others tools.

2.4 Research Gap

I have found so many previous research reports on market promotion strategy in the marketing field with related subject matters. But choice of this topic is due to the fact that, there is not found any study on market promotion strategy in insurance business in Nepal. The study will try to show that how various promotional packages help to create awareness and increase sales volume of insurance policy. Research has attempted to prepare and present this report with full enthusiasm and all possible primary as well as secondary data source are collected, analyzed and presented here in respective manner.

CHAPTER–III

RESEARCH METHODOLOGY

Research methodology refers to the various sequential steps (along with a rationale of each such step) to be adopted by a researcher in studying a problem with certain object/objects in view. More specifically, this section explains about research design such as population and sample, nature and source of data, data collection technique and data analysis techniques. Market research specifies the information required to address the issues, designs the method of collecting information, manages and implements the data collection process, analyzes the result, and communicates the findings and their implications. Research methodology still is an unavoidable guideline which will be given due importance throughout the study. It describes the methods and process applied in the entire aspect of the study.

3.1. Research Design

Research design is the plan, structure and strategy of investigation so as to obtain answers to research questions and to control variance. The research project would not be conducted without research design clearly conceived by the researchers. In this study, descriptive and analytical research designs have been followed in order to make the study more authentic and reliable.

3.2. Population and Sample

At present, there is 25 (life as well as non-life) insurance companies operating in Nepal and whole shares are traded actively in insurance market. The entire insurance companies have provided competitive packages to the customers. Among them, my study will concentrate only on three insurance companies. Due to time and resource factors, it is not possible to study all of them regarding the study topic. Among them, my study will concentrate only on three insurance companies. Therefore, the samples to be selected are as follows:

- 1) Nepal Insurance Company Limited
- 2) Life Insurance Corporation (Nepal) Limited
- 3) Himalayan General Insurance Company Limited

3.3 Nature and Sources of Data

Primary data regarding the promotion strategies have been collected through guided interviews performing and answers of the questionnaires filled by insurance companies' related personnel. Secondary data are collected from their respective annual reports, brochures, and other publications made by the concerned insurance companies. Likewise, some other related information is gathered from related agency like Beema Samiti, Ministry of Finance, Office of the Company Registrar and their website etc. Similarly, other information is obtained by performing discussion with the executives and management experts of the respective insurance companies.

3.4 Methods of Data Presentation and Analysis

The main purpose of analyzing the data is to change it from an unprocessed form to an understandable presentation. The analysis of data consists of organizing, tabulation, performing statistical analysis and drawing inferences. Graphs, tables, Pie-Charts and Percentages are used to present and analyze the collected data and information to make it more easily understand. The data is presented in the following way:

a) Pictorial Presentation:

- ◆ Bar Charts
- ◆ Pi-Chart
- ◆ Graphs

b) Tabular Presentation

CHAPTER–IV

DATA PRESENTATION AND ANALYSIS

This chapter is related with presentation and analysis of primary and secondary data which have been collected from questionnaires and secondary sources. The data are tabulated, presented and analyzed in a reasonable manner using tabular and pictorial tools. The prime objective of this chapter is to achieve the objectives which are set in first chapter, Introduction. To achieve these objectives the gathered data are presented and analyzed with the help of different tools. So, it is focus part of this study, which helps to analyze the promotional strategies of insurance companies and the management's attitudes towards the market promotion strategy. The promotional strategy of all insurance companies in Nepal is almost same. The main objective of the study deals with analysis of the promotional strategies adopted by insurance companies. The major difference in the promotional strategies adopted by life and non-life insurance company is in two techniques of the promotion. They are:

1. Personal Selling
2. Direct Marketing

4.1 Status of Insurance Business in Nepal

Today insurance industry is a major component of the Nepalese economy. There are 25 insurance companies engaged in insurance business in Nepal. Among these 8 companies carry out life insurance, 16 companies carry out

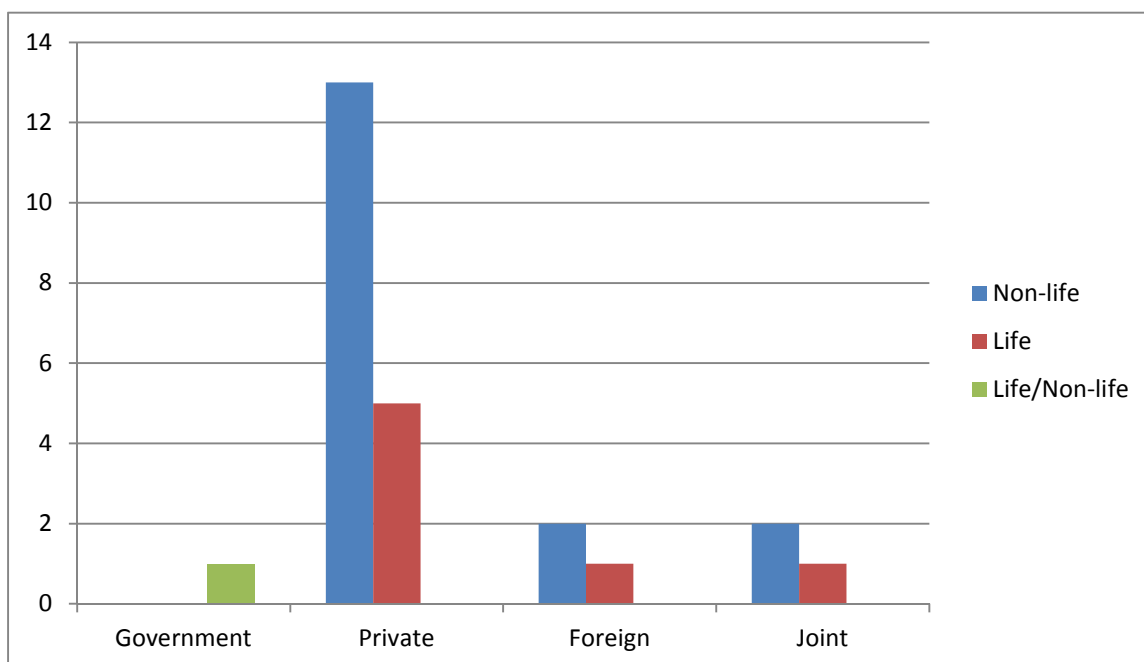
Non-life insurance and 1 insurance company has been carrying out both the kind of businesses. According to ownership structure of insurance companies, 3 are in form of branch of foreign insurance companies, 3 on joint investment with foreign companies, 18 in private ownership, and 1 in Government ownership. Insurance business of Nepal has received insurance fees of Rs. 17486.1 millions in the FY 2010/11.

Table No: 1 Ownership structure of Insurance Companies

Ownership	Non-life	Life	Life/Non-life	Total
Government	-	-	1	1
Private	13	5	-	18
Foreign	2	1	-	3
Joint	2	1	-	3
Total	17	7	1	25

(Source: economic survey)

Figure No: 1 Ownership structure of Insurance Companies



Contribution of gross insurance fees income to GDP (at current prices) in FY 2010/11 stood at 1.31 percent. Insurance industry is providing jobs to more than 40000 people as employees, insurance agents, and surveyor. It has provided insurance services to more than 1.8 million people directly.

Table No: 1 and Figure No: 1 show there are 25 insurance companies in Nepal among these 17 are non-life insurance companies, 7 life insurance and one providing life and non-life both facilities. In non-life insurance companies, 13 are private, 2 foreign and 2 joint ventures. Among 7 life insurance companies, 5 are private, one foreign and one joint venture. One government insurance company is providing life and non-life insurance facilities in Nepal.

4.2 Market Share of NIC, LIC and HGI

Table No: 2 Market Share of insurance companies

Particulars	NIC	LIC	HGI	Insurance co.(others)	Total
Insurance Premium Collection (in million)	212.73	1868.87	182.22	15222.80	17486.10
Percentage	1.22	10.69	1.04	87.05	100

(Source: Beema Samiti Report)

Figure No: 2 Insurance premium collection

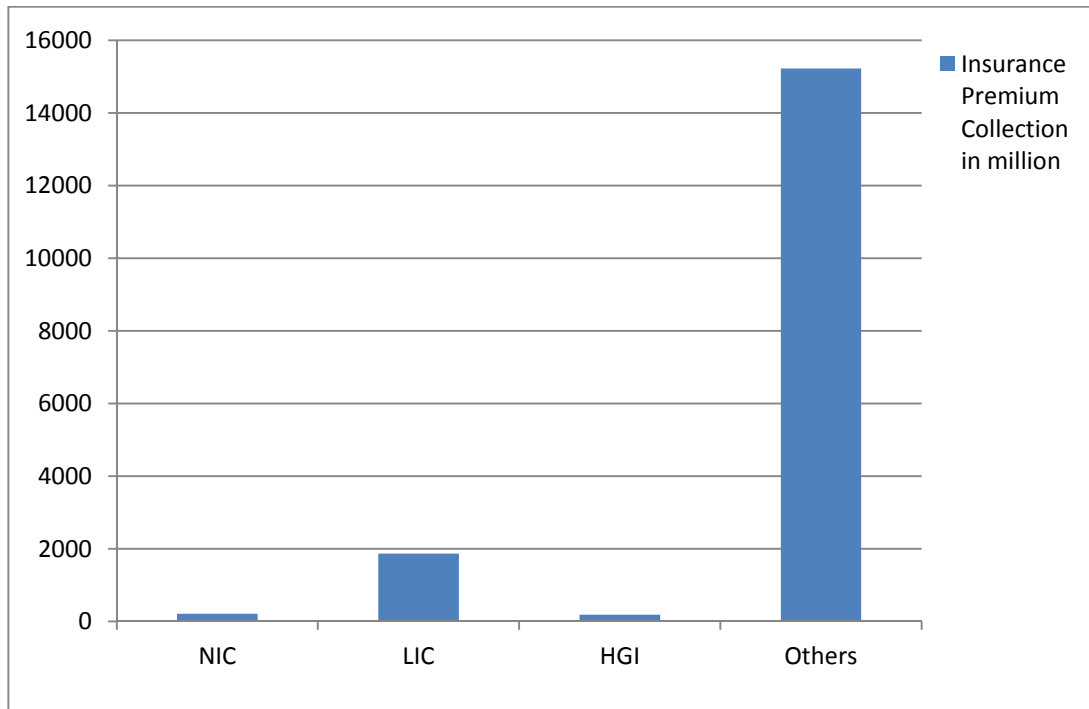


Figure No: 3 Insurance premium collection in percentage

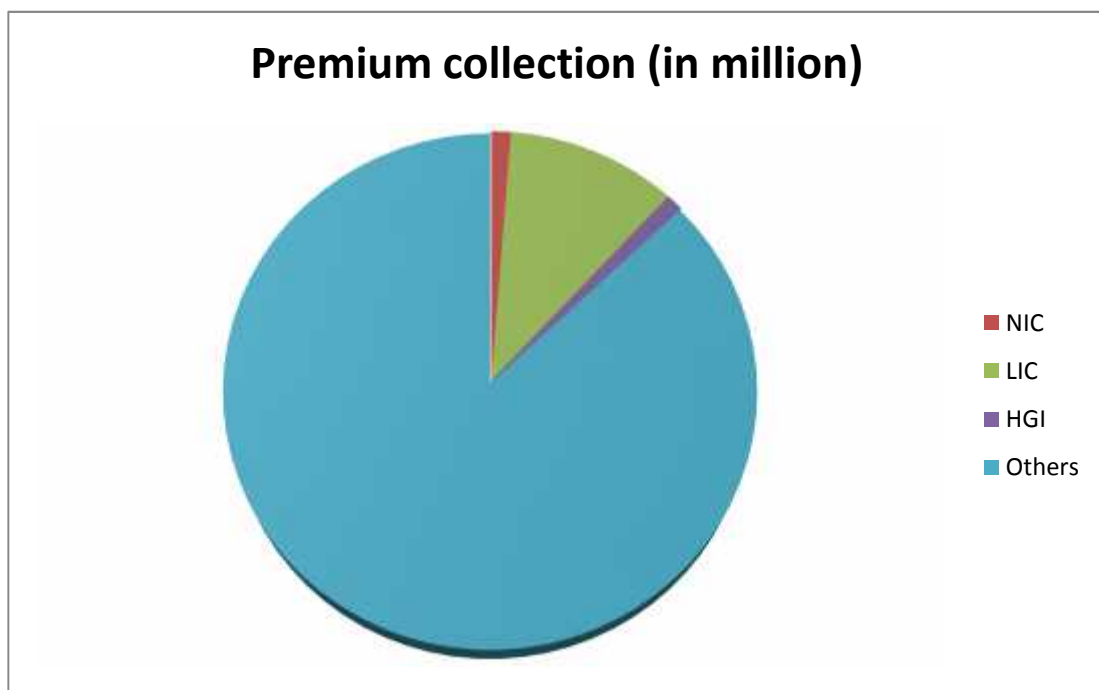


Table No: 2, Figure No: 2 and 3 show that the three companies NIC, LIC and HGI cover about 13% of market share. NIC has covered only 1.22% of market share and LIC covers 10.69%, HGI covers 1.04% and insurance companies cover rest of 87.05% of market share. Table and figure show that share of sample insurance company, NIC and HGI is not satisfactory but share of LIC is satisfactory.

4.3 Marketing mix of Insurance Companies

Here, the marketing mix of NIC, LIC and HGI is studied. The marketing mix of the sample insurance companies includes:

- ✓ Service/product mix
- ✓ Pricing mix
- ✓ Promotion mix and
- ✓ Place/distribution mix

4.3.1 Service/products mix of Insurance Companies

Insurance companies are provided different services to different potential customers. In Nepal, Insurance Act-1992 has regulated the insurance companies.

Insurance Act has allowed the following life and non-life service business. Beema Samiti regulates the insurance companies in Nepal and gives direction to the related industries and persons. Following the laws and directives, insurance companies are providing the following services and products mix to the potential customers.

Table No: 3 Services/products mix of insurance companies

S.N.	<u>Non-Life Insurance Co.</u>	<u>Life Insurance Co.</u>
1.	Fire Insurance	Whole Life Insurance
2.	Motor Insurance	Endowment Life Insurance
3.	Marine Insurance	Term-life Insurance
4.	Engineering and Contractor's Risk Insurance	
5.	Aviation Insurance	
6.	Miscellaneous Insurance	

(Source: Insurance Act-1992)

From Table No: 3, it is clear that the life insurance companies are providing whole life, endowment life and term-life insurance services to satisfy the insurance needs of the potential customers. On the other hand, non-life insurance companies are providing fire, motor, marine, engineering and contractor's risk, aviation and miscellaneous insurance services to satisfy the different customers' needs in the market.

4.3.2 Price mix of Insurance Companies

The price (policy limits) people pay for life insurance depends on their age, their health and to a lesser degree their lifestyle. People with extremely hazardous lifestyle or occupations who engage in hazardous hobbies have seen required to pay higher price and life insurance premium. Pricing of non life insurance is affected by property and liability to be insured, the perils against, and existence of hazardous. Nepalese insurance companies

are following these insurance pricing factors. Insurance premium people can pay on half yearly, yearly and total policy amount at the time of policy purchase.

4.3.3 Place/distribution mix of NIC, LIC and HGI

Insurance companies sell insurance policies through establishing their branches in the potential market areas and through sales agents. No all insurance is sold and serviced through agents. Many companies are direct sellers, selling their policies through salaried employees, mail order marketing, newspapers etc.

Table No: 4 Place/distribution mix of NIC, LIC and HGI

S.N.	Particulars	Name of Insurance Company		
		NIC	LIC	HGI
1.	Head Office	Kamaladi, Kathmandu	Kamaladi, Kathmandu	Babarmahal, Kathmandu
2.	No. of branches(offices)	15	15	7
3.	No. of Staffs	122	91	91
4.	No. of Agents	94	22189	103

(Source: Annual Report of NIC, LIC and HGI)

Figure No: 4 Place/distribution mix of NIC, LIC and HGI

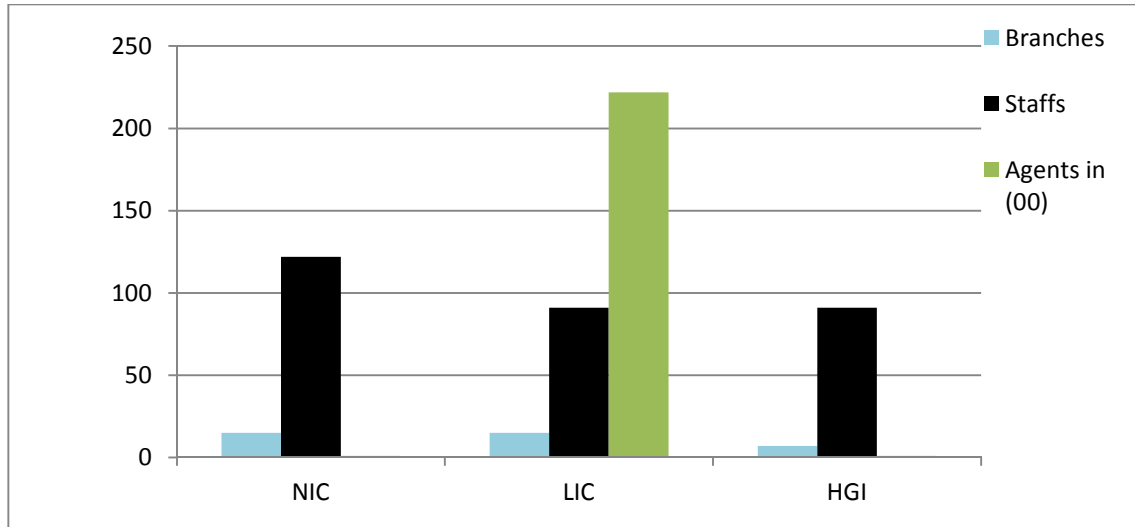


Table No: 4 and Figure No: 4 show that NIC is selling insurance policies establishing 15 branches around Nepal with 122 official staff and 94 sales agents. Its own head office is in NIC building, Kamaladi, Kathmandu. LIC is selling different life insurance policies establishing one head office in Kathmandu Plaza, Kamaladi, Kathmandu and 15 branches around Nepal with 91 official staffs and 22189 insurance sales agents and HGI is selling different non-life insurance policies establishing head office in Babarmahal, Kathmandu and 7 branches in different city of the Nepal with 91 official staffs and 103 insurance selling agents. Table also shows that LIC has one of the insurance companies which appointed more staffs than other insurance companies.

4.3.4 Promotion Mix of insurance companies

Today, almost all the insurance companies should rely on promotional strategies as essential and vital tools to provide

competitive advantage in this competitive world, hence these arises a need to study the promotional strategies in insurance companies in Nepal. Here the promotional mix of the insurance companies is shown in the table.

Table No: 5 Promotional mix of Insurance Companies

Promotional Tools	Life Insurance Co.	Non-Life Insurance Co.
Advertising on TV	Yes	No
Advertising on Newspaper	Yes	No
Personal Selling Through Independent Agent	Yes but few	Yes
Personal Selling Through Internal Agent	Yes	No
Advertisement in Journal and Magazines	Yes	Yes
Outdoor Advertising Hoardings etc.	Yes	Yes but few
Public Relation Program/events	No	No
On-line marketing /E-mail	Yes but few	Yes
Pamphlets/propaganda	Yes	Yes
Publishing News in Newspaper	Yes	Yes

(Source: Primary Data)

Table No: 5 show that the promotional strategies of life and non-life insurance companies are almost same. Both types of insurance companies take the help of all type of media other than TV and hoarding. The objective of the study deals with the analysis of the promotion strategies adopted by insurance companies in Nepal. Insurance companies mainly

focus on insurance sales agents and less focus on others promotional tools. Table shows that Life insurance companies are also using TV but non-life insurance not using to promote and inform the target customer. Life insurance companies are using internal as well as independent sales agents but non-life insurance companies using only independent sales agents. Both types of insurance companies use Newspaper, pamphlets and magazines to give information to their policyholder and shareholders and related persons. In Nepal, only life insurance companies are using hoarding boards as a promotional tool other than Beema Sansthan.

4.4 Primary Data Analysis

The following could be extracted as the findings from the questionnaires that are constructed to collect data from marketing managers:

➤ **Do you realize future opportunities in insurance business in Nepal?**

It could be interpreted that the marketing managers are realizing more market opportunities in the field of insurance business sectors.

➤ **What sort of market promotion plan is your company formulating to grab these future opportunities?**

It could be interpreted that insurance companies are formulating only short-term and middle-term market promotion plan but not formulating long -term plan in their insurance companies.

- **How much budget (percentage) has your company been allocating for market promotion program annually?**

It could be interpreted that less than 5 percent of total budget is allocated all the insurance companies to promote their insurance policies.

- **How do you reach to target customers?**

It could be interpreted that the tools to reach target customers are personal selling (agents), advertising, sales promotion and in some cases direct marketing also used.

- **How often do you advertise?**

It could be interpreted that advertising is lunch in more times gaping such as three months basis, half yearly and sometimes yearly in their companies.

- **What kind of media do you use for advertising?**

Insurance business in Nepal, newspaper and magazine, posters and brochure are mostly used by insurance companies. Sometimes, hoarding boards is also used but TV is rarely used by insurance companies.

- **What type of Insurance agents do you use for personal selling?**

According to marketing managers, life insurance companies mostly use internal agents but rarely used independent agents. Non-life insurance companies used only independent insurance agents for personal selling.

➤ **What type of sales promotional tools does your company use?**

It could be interpreted that insurance companies are using displays, sales contests, bonus and commission, tour package and gift items are using for staff, agents to promote sales.

➤ **What do you do for publicity and public relation?**

It could be interpreted that most of the insurance companies are used news release for public relation and publicity.

➤ **Why do you select these methods for publicity and public relation?**

It could be interpreted that insurance companies use news release for effective coverage but some insurance use for others reason.

➤ **How often do you do publicity?**

It could be interpreted that in the occasion of annual general meeting and new policy lunch they do publicity.

➤ **What factor mainly does affect to purchase insurance policies to the policy holders?**

It could be interpreted that legal factor (legal compulsion) mainly affects to purchase insurance policy to the policy holders.

➤ **What kinds of competition have been facing insurance companies in Nepal?**

It could be interpreted that they have been facing unhealthy competition, competition from foreign investors and political instability but unhealthy competition is reducing because of Beema Samiti's regulation.

➤ **Now, what type of market promotion strategy has your company been formulating and are going to formulate in future?**

It could be interpreted that they have formulated market promotion strategy focusing on door-to-door services, brand awareness, and news release, advertisement on print media. In future, they are going to continuing some promotion strategy, in new they are going to advertise in TV, hoarding and public relation program.

4.5 Major Findings of the Study

From the analysis of data collected from various sources following have been made:-

- Nepalese insurance companies are formulation only short and middle-term strategy to promote their insurance policies.
- Nepalese insurance companies has allocated less than 5 percent budget on market promotion program of total budget.
- In Nepal, legal compulsion is a main factor that affects customers to purchase insurance policy.

- Advertisement on print media, magazine and brochures are used by Nepalese because of effective coverage and cost effectiveness and there is not regularity in advertisement and promotional program.
- Hording are used only life insurance companies and there is no access to TV and audio media to many insurance companies.
- Insurance companies are used sales promotion to promote only insurance agents but not to customers and official staffs.
- Insurance companies in Nepal are promoted public relation through news release on the occasion of annual general meeting and new policy release.
- Nepalese insurance companies are used only some promotional tools to promote their market, there is no effective combination on market promotion mixes and promotional mix with other mixes. Insurance companies have been spending about 11 to 13 percent insurance premium amount to insurance agent commission in Nepal.
- In Nepal, market promotion strategies are formulated but not implemented effectively and some organization are not formulated also.
- Because of unhealthy competition and political instability insurance industry cannot be developed well in Nepal.
- Nepalese people are very unconscious about future and future risks.
- In Nepalese life insurance companies, endowment policy deserves most of the life insurance share and in non-life insurance, motor insurance deserves the most of the share.

CHAPTER-V

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Summary and Conclusion

From the findings it can safely be concluded that the people are not fully aware about insurance activities in Nepal. They don't know about the different types of insurance policies. The above findings suggest that public at large users as well as non users consider insurance against urban despite the fact that insurance in Nepal is operating on urban compliant basis. This is the reason that the main motivating factor for the people to purchase remains the *legal compulsion* and thus the main selling products of non-life and life are motor insurance and endowment insurance respectively which occupy major part of the Gross Written Premium.

The insurance executives emphasized that fast claim settlement is the most important feature for the customers. The second feature was that it shall be followed by simplified contract, easy procedures, high risk coverage and low premium. Other features such as tailor made products, high discounts, easier installment, higher return on investment and flexible terms of exit were not that important. The results of the study show that the social and regulatory factors played crucial role in the consumer's decision in purchasing insurance. The insurance companies shall focus of promotional marketing strategies.

Nepalese insurance companies often use public relation, publicity and advertisement in the occasion of annual general meeting and new policies launching. Most of the insurance companies in Nepal, the market promotion is limited on personal selling agents, brochure, and print media only. Nowadays, some insurance companies are going against this strategy. Market promotion budget is very small compared to total budget. There is not right combination in different market promotion related activities. Some of the insurance companies have some types of traditional practices. Due to lack of awareness among people, they are forced to rely such policies. Despite a long back inception of insurance company in Nepal, it still needs collective effort for its growth and development.

This research shows that all components of promotion mix is used in some extent for promoting market by insurance company. It seems that personal selling agents considered as the most import tools to promote market by insurance company. Legal compulsion is the most crucial factor to decide insurance policies purchase to the insured.

5.2 Recommendation

On the basis of the findings and issues which have been analyzed in the study, following useful recommendations have been made:

- ❖ One of the strongest challenges for the marketers of insurance shall be to educate the public that insurance companies in Nepal

operate on cooperative basis. Hence the insurance companies needs to emphasize on educative promotional marketing strategy to spread the insurance geographically as well as to motivate the public to purchase insurance.

- ❖ Insurance in Nepal is operating on urban compliant basis that Beema Samiti of Nepal, the regulator of the insurance companies needs to be very serious on this issue.
- ❖ As there is an association between the market research and survey with flurry of media, it is suggested that efforts need to be diverted by the insurance companies to establish market research department in insurance companies. Market research provide the precise information for insurance companies and enable them to choose a right mix of promotional strategies to inform and pursued the end users of insurance products in Nepal.
- ❖ Researchers recommended that brand communication should be cautiously done by the insurance companies to project the right kind of image in the mind of customer. Researcher has already proved that there is different expectations exist in the mind of customers of life insurance product in Nepal. Since the customer expectations form a key element of the brand strategy based on which a suitable brand positioning is evolved.
- ❖ Insurance companies should be provided professional study facilities to their staffs in insurance study to uplift insurance industry and motivate new innovation in this sector.

- ❖ Well blend of market promotion mix is necessary to get optimal benefit from investment on market promotion program.
- ❖ The market promotion activities should be brought according to the changing needs and wants of customers & competitors moves.
- ❖ Personal selling agents must be well trained about insurance policies selling profession.
- ❖ Insurance companies should be taken initiation to promote through TV, radio and hoarding boards also.
- ❖ The insurance companies shall focus on the fast claim settlement process as well.
- ❖ New direct marketing tools should be followed in the competitive and IT age.

BIBLIOGRAPHY

Books:

- Aaker, D. A. (2008). *Strategic Marketing Management*. New Delhi: John Wiley India.
- Adhikari, Dev R. (2008). *Strategic Management*. Kathmandu: Buddha Academic Publishers & Distributors.
- Agrawal, Govinda Ram (2009). *Marketing Management in Nepal*. Kathmandu: M.K. Publishersti & distributor.
- Bhattarai, M. & Shrestha, Sajeeb K. (2006). *Marketing Management*. Kathmandu: Dhaulagiri Books & Stationery.
- Boyd, H. W., Westfall, R. & Stasch, S. F. (1990). *Marketing Research: Text & Cases*. New Delhi: All India Traveller.
- Cateora, Philip R. & Graham, John L. (2009). *International Marketing*. New Delhi: McGraw-Hill.
- Craven, David D. & Piercy, P. R. (2005). *Strategic Marketing*. Irwin: McGraw-Hill.
- Etzel, Michael J., Walker, Bruce J. & Stanton, W. J. (2001). *Marketing*. Irwin: McGraw-Hall.
- Garman, T., Eckert, S. W. & Forgue, R. E. (1985). *Personal Finance*. Boston: Houghton M. Jflin Company.
- Johnson, G. & Scholes, K. (2003). *Exploring Corporate Strategy: Text & Cases*. New Delhi: Prantice-Hall of India.
- Koirala, K. D. (2006). *Technical Note in Marketing Research*. Kathmandu: Buddha Academic Publishers & Distributors.

- Kotler, P., & Keller, Kevin L. (2005). *Marketing Management*. New Delhi: Prantice-Hall of India.
- Shrestha, Sajeeb K. (2008). *Marketing Research*. Kathmandu: Dhaulagiri Books & Stationery.
- Shrestha, Shyam K. (2008). *International Marketing Decisions: Nepalese Perspective*. Kathmandu: Buddha Academic Publishers & Distributers.
- Wolff, Harvard K. & Pant, P. R. (2005). *Social Science Research and Thesis Writing*. Kathmandu: Buddha Academic Publishers & Distributers.

Unpublished Thesis:

- Bista, Kuber K. (2007). *Tourism Marketing and Promotion in Asian Market by Nepal Tourism Board*. Submitted to Faculty of Management, Shanker Dev Campus.
- Gnawali, L. N. (2011). *Promotional Strategy Used by Nepali Commercial Banks: A Study of their Effectiveness*. Submitted to Faculty of Management, Shanker Dev Campus.
- K. C., Malika. (2008). *A Study of Financial Performance of Some Listed Insurance Companies*. Submitted to Faculty of Management, Shanker Dev Campus.
- Koirala, B. (2011). *A Study of Market Promotion Strategy of Private Banks in Nepal*. Submitted to Faculty of Management, Shanker Dev Campus.

- Pokhrel, N. (2012). *A study on the effectiveness of advertising and sales promotion of Samsung Television*. Submitted to Faculty of Management, Shanker Dev Campus.
- Rokaha, D. (2012). *Promotion Strategies a case study of Ncell Pvt. Ltd.* Submitted to Faculty of Management, Shanker Dev Campus.
- Shrestha, J. (2008). *A study on advertising and its impact on the buying behaviour of the consumer*. Submitted to Faculty of Management, Shanker Dev Campus.
- Thapa, A. (2010). *A Comparative Study on Marketing & Advertising Practices of Hundai and Kia Cars In Nepal*. Submitted to Faculty of Management, Shanker Dev Campus.
- Tulsi, P. (2012). *A study of Advertising, sales and promotion of paints in Nepal with special reference of Asian Paint Nepal*. Submitted to Faculty of Management, Shanker Dev Campus.

Journals, Magazines and Newspapers:

- Insurance News and Views. Beema Samiti. (Sep, 2006)
- The Himalayan Times (Daily Magazines)

Websites:

- www.bsib.org.np
- www.mof.gov.np
- www.nepalinsurance.com.np
- www.nrb.org.np

APPENDIX -I

Questionnaire

The Marketing Manager/ Public Relation Officer

..... Insurance Company Ltd.

Dear Sir/Madam,

As a student of Master of Business Studies (M.B.S.) of Shanker Dev Campus, Putalisadak, Kathmandu, I would like to inform you that I am going to conduct survey for the partial fulfillment of academic qualification entitled "*Market Promotion Strategy of Insurance Companies in Nepal*". For this purpose, I have chosen your company as one of the sample insurance company. It is obvious that without your kind co-operation I would never be able to complete my study. I would also like to assure that your individual responses will be kept anonymous and only the general findings will be presented in this study. I therefore request you to furnish the following information as per the questionnaire.

Name of Insurance Company:

Name of Marketing Manager/ P Officer:

Signature:

- 1) How much future opportunity do you realize in insurance business in Nepal?
 - a) Less
 - b) More
 - c) Non
- 2) What kind of market promotion plan is your company formulating to grab these opportunities?
 - a) Short-term (up to 1 yr) ()
 - b) Medium-term (1yr to 3yr) ()

- c) Long-term (5yr) ()
 - d) Perspective plan (10 yr & more) ()
 - e) More than one ()
- 3) How much percentage of total budgets has your company been allocating for market promotion program annually?
- a) Less than 5 percent of total budget ()
 - b) 5 to 10 percent ()
 - c) 10 to 15 percent ()
 - d) More than 15percent ()
- 4) How do you reach to target customers?
- a) Advertising ()
 - b) Personal selling ()
 - c) Sales Promotion ()
 - d) Publicity and public relation ()
 - e) Direct marketing ()
 - f) More than one method ()
- 5) What is the main purpose of market promotion in insurance?
- a) To inform customers about the product/service ()
 - b) To motivate customers to buy the product/service ()
 - c) To increase sales of the product/service ()
 - d) All of them ()
- 6) How often do you advertise?
- a) Daily ()
 - b) Weekly ()
 - c) Monthly ()
 - d) Half yearly ()
- 7) What kind of media do you use for the advertising?
- a) Newspapers and magazines ()
 - b) Television ()
 - c) Hoarding board ()
 - d) Radio ()
 - e) Movie ()
 - f) Poster/brochure ()

- g) More than two ()
- 8) What type of insurance agents do you use for personal selling?
 - a) Independent insurance agents ()
 - b) Exclusive insurance agents (internal agents) ()
 - c) Both of them ()
- 9) What type of sales promotion tools do you use?
 - a) Sales contests ()
 - b) Discounts ()
 - c) Displays ()
 - d) Bonus and commission ()
 - e) Gift items ()
 - f) More than one ()
- 10) What do you do for publicity and public relation?
 - a) News ()
 - b) Press conference ()
 - c) Musical conference ()
 - d) Health camp ()
 - e) Others ()
- 11) Why do you select these methods for publicity and public relation?
 - a) Cost effectiveness ()
 - b) Effective coverage ()
 - c) Others ()
- 12) How often do you do publicity?
 - a) Weekly ()
 - b) Monthly ()
 - c) Half yearly ()
 - d) Annually ()
- 13) What factor mainly does affect to purchase insurance policies to the policy holders?

.....

.....

.....

14) What kinds of competition have been facing insurance companies in Nepal?

.....
.....
.....

15) Now, what type of market promotion strategy has your company been formulating and are going to formulate in future?

.....
.....
.....

16) What kind of changes in market promotion strategies is essential to attain the objective of the company effectively in insurance business?

.....
.....
.....

Thank you very much for your kind co-operation.

