Customer’s Satisfaction with Service Division (SD) System in Nepal Telecom

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Abstract

Purpose – This paper aims to examine the customer’s satisfaction with Service Division (SD) system in Nepal Telecom.

Design/methodology/approach – Review of the current literature on the link between quality customer services and customer satisfaction, observation, preliminary data collection, attitude of the employees and customer’s expectation, and the perception of employees and customers on customer’s satisfaction due to SD system.

Findings – The result of the Chi square test shows the relation between it will help the organization to focus on to improve the customer satisfaction and retention.

Research limitations/implications – The major limitation of our research is the severe time and resource constraints, done only as a partial fulfillment of the academic program. Sample size is very small and locations are limited to 3 sites only. Literatures regarding the customer satisfaction measurement in Nepal Telecom are very limited to an effect of being almost non-existence.

Practical implications – The practical implications of the study is to illustrate where Nepal Telecom needs to concentrate on customer handling to improve the customer satisfaction and to retain them to increase the customer lifetime value.

Keywords – Customer Satisfaction, customer satisfaction measurement, Nepal Telecom, Service Division or SD system

Introduction

(“The only valid definition of business purpose is to create a customer.” - Peter Drucker)

Telecommunications is the electronic transmission of any form of information from one location to one or more locations. Telecommunication was introduced in Nepal with the installation of open wire trunk telephone line in 1913. Nepal Telecommunication Corporation (NTC) was established in 1975 in accordance with the Communications Corporation Act 1972. Under the liberalization policy, NTC was registered as Nepal Doorsanchar Company Limited (Nepal Telecom) on 2060-10-11 under company act 2053, after dissolving then Nepal Telecommunications Corporation (NTC).

Liberalization of Telecom Sector

Liberalization of telecom sector in Nepal aims at improving accessibility, availability, reliability and connectivity through private sector participation and to bring about much needed improvement in the Quality of Service (QoS). Through increased competition, the service providers are expected to become more sensitive and responsive to the customer’s needs and choices and endeavor to give him/her greater satisfaction.

The rapid technological advances has brought about significant improvements in the quality of service (QoS) provided to customers. The computerization of customer services has also gone a long way in improving the quality of service.

Telecommunications Services in Nepal

Telecommunications Policy, 1999 has classified the telecommunications services into the following three categories:

1. Basic Telephone Service (Available in Nepal are in a form of Public Switched Telephone Network

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(PSTN) i.e. a network of fixed-line copper wires and CDMA phone with limited mobility. This service is provided by NT and UTL.)

2. Mobile telephone Service (The mobile services available in Nepal are based on GSM and CDMA technology. They are provided by NT, UTL and Spice Nepal.)

Other Value Added Services of Telecommunications (e.g. internet and email, voice mail, fax, VSAT, data communication, IVR etc.)

**Telecommunications Service providers in Nepal**

As of October 17, 2007, the number of basic telecom service providers currently stands at four; two cellular mobile operators, 35 internet service providers (ISP), seven VSAT network providers, 110 VSAT service users, one video conferencing, three GMPCS, one each in rural telecom service and local data network and eight limited mobility service providers.

The total number of various telecom service users including basic telephone, cellular mobile, and wireless in local loop and GMPCS satellite phones has already crossed 2.72 million.

The number of internet user stand at 67,419.

The growth trend has been overwhelming, as tele-density or penetration rate has gone up to 10.13 percent from 0.8 percent in 10 years.

**Customer Satisfaction**

(“A good service accepts that things are wrong and fixes it.”-Ken Birkby, head of customer service, Marks & Spencer)

Literally there are two basic definitions for customer satisfaction. They are:

Ø Satisfaction is defined as a customer’s satisfaction with the end state resulting from having consumed a product or service.

Ø Satisfaction is defined as a customer’s process of perceiving and evaluating a consumption experience (Yi 1991).

Customer Satisfaction is a customer’s emotional response to his or her evaluation of the perceived discrepancy between his or her prior experience with and expectations of the product and organization and the actual experienced performance as perceived after interacting with the organization and consumption or usage of the product. Customers’ satisfaction will influence their future reactions toward the organization (readiness to repurchase, willingness to recommend, willingness to pay the price without haggling or seeking a lower-cost provider).

Furthermore, customers can experience satisfaction with:

- The overall product of the organization
- Specific performance aspects of the products/service
- Conduct during transactions (sales presentations, delivery of goods, repair visits, complaint handling, etc.)
- The organization, representatives, and/or departments as entities
- The pre-purchase relationship created with them by the organization
- The post-purchase relationship created with them by the organization

What a customer remembers about a service is on the “moments of truth. It is in the moments of truth, Jan Carlzon (1987) said, that organizations are either created (their image shored up in a customer’s mind) by living up to the customer’s expectations or destroyed by failing customer’s expectations.

Some of the personal factors that impact on perception of service are:

- The level of concern shown for the individual customer
- The level of friendliness shown towards the customer
- The level of civility shown towards the customer

**Need for Customer Satisfaction**

Customers are becoming ever more demanding with
a lot of information and necessary knowledge, and have more options to choose than ever before. At the same time perceived switching barriers, the inconveniences of changing supplier, are being reduced. Because most customers have the option of buying from several suppliers who all offer products of similar quality (parity products), suppliers must look beyond the physical product for other indications of quality.

The claim that it costs five to eight times more to acquire new customers than to hold on to old ones is key to understanding the drive toward benchmarking and tracking customer satisfaction.

The reasons for the need of customer satisfaction are:

Ø **The philosophical or core values reason**
Customer satisfaction is a Win-Win-Win situation. Satisfied customers tolerate higher margins that can be used to pay employees higher salaries. The higher pay boosts employee morale, reducing employee turnover. With more tenured employees servicing customers, there is greater likelihood of better satisfying customers, and so on and so on. This is also known as **Cycle of Good Service** (Schlesinger and Heskitt, 1991).

Ø **The economic reason**
The performance of all businesses ultimately depends on their success in keeping customers—lengthening the lifetimes of their customers.

**Customer’s Rights**

Consumers International’s 17th World Congress was held in Lisbon, Portugal from October 13 to 17, 2003 with the participation of approximately 600 delegates from 110 countries. Theme of this Congress was "The future of Consumer Protection: Representation, Regulation and Empowerment in a world economy".

The United Nations Guidelines for Consumer Protection stated the essential starting point for Consumers International’s policies with the eight basic rights of consumers Statement from Consumers International’s 17th World Congress: The Future of Consumer Protection – Asia Pacific Consumer VOL. 34 4/2003 Page 18.

- the right to satisfaction of basic needs
- the right to safety
- the right to be informed
- the right to choose
- the right to be heard
- the right to redress
- the right to consumer education
- the right to a healthy environment.

**Nepal Telecom**

("Dedicated to Customer Service" - Nepal Telecom)

Nepal Doorsanchar Company Limited (Nepal Telecom), a government owned telecommunication network operator, was registered on 2060-10-11 under company act 2053 and the notice to this effect was published in the Nepal Gazette dated 26th Chaitra 2060, after dissolving then Nepal Telecommunications Corporation (NTC). However, the Company’s name was officially effective from 1st Baisakh 2061(13th April 2004) and is also known to the general public by the name NEPAL TELECOM as registered trademark.

Nepal Government is in the process of divesting 15% of the shares of Nepal Telecom to the public. Even after divesting, Nepal Government will control 85% share making the Nepal Telecom, a government owned entity, a Public Enterprise (PE).

**Services Provided by NT**

Some of the major services provided by NT are

1. Basic Telephone Services:
2. Rural Telecom Services:
3. GSM Mobile Services
4. Voice, Data and Telegraph Leased Circuit Services
5. E-mail and Internet Services
6. V-SAT Services

The Evolution of Nepal Telecom:

The history of telecommunication development in Nepal is not long one and can be categorized into three stages:

Initial stage (Prior to 2013 BS):
The 1\textsuperscript{st} telecommunication service was started in Nepal during the regime of Chandra Shamsher in 1972 BS. 25 automatic telephone lines were distributed among the high-ranking personalities of Nepal for their own individual uses. Nepal had wireless services only between 28 centers in various parts of the country.

The first telecommunication office was established near Ranipokhari.

Middle Stage (1st to 3rd five year plan / B.S. 2013-2027):
After BS 2013, His Majesty’s Government of Nepal (HMG/N) gave started implementing the “Five Year National Planning”.

The 1\textsuperscript{st} five year planning period (2013-2018 BS): The “Telecommunication Department” was established in BS 2016. At the end of First Five-Year Plan, telegram service was extended to 28 districts and the number of telephone lines available to the reached to 1000 lines.

The 2\textsuperscript{nd} planning period (2019-2022 BS): An automatic Exchange of 4000 lines capacity was installed in Kathmandu. Delhi, Calcutta Rawalpindi and Dhaka were linked by telephone. Telegram service was available in 58 different places of the kingdom.

The Third Five-Year Plan (2022-2027 BS): HMG/N established a separate organization named “Telecommunication Development Committee” (TDC) in BS 2026.

Modern Era (After 2028 BS to 10th plan):
The Telecommunication Development Committee (established on BS 2026) developed and implemented the Phase-Wise Development Plans with the loan assistance of World Bank. The development works undertaken during different phases of Telecom Development Project are as follows:

First Phase (BS 2027 – BS 2032): “Telex Service” was introduced in BS 2028. “Communication Corporation Act 2028” was enacted on BS 2028. By the end of this Phase, the number of telephone lines in the country reached 9810 (8300 automatic and 1510 manual). M. K. Shakya: NT’s 23rd Souvenir, page 48

Second Phase (BS 2032 - BS 2037): The Telecommunication Development Committee was converted into Nepal Telecommunications Corporation (NTC). The total lines distributed by the end of Second Phase increased up to 15,590.

Third Phase (BS 2037- BS 2042): Satellite Earth Station was established at Balambu and NTC introduced Digital System. By the end of this phase, the total numbers of telephone line distributed reached 34,870.

Fourth Phase (BS 2042 – BS 2047): Nepal became the first country in South Asia with completely digitized telecommunication services. The rural areas are served by digital Multi Access Radio Telephone System (MARTS) and digital radio links. During this phase total lines increased up to 78,250.

Fifth Phase (BS 2049- BS 2054): Installation of a new Satellite Earth Station (A-type) and a new Gate-way exchange at Jawalakhel. International circuit capacity increased to 720 lines. By the end of this period, the total telephone lines distributed reached to 243,000 lines.

Sixth Phase (B.S.2054-2059): Value Added Service (VAS) was introduced. The basic telephone infrastructure has increased to 300,000 lines. This phase initiated the launching of Internet / E-mail services, Cellular Mobile, Pay phone and other VAS.
Current Running Phase (B.S.2059-2064): As of Ashwin 2064, total distributed telephone lines (including mobile services) reached a staggering total of 1,842,731 lines. Total telephone exchanges in operation reached 202. Total capacity of the installed PSTN telephone is 659,884 and total distributed lines have reached 517,123 lines. Total GSM mobile line distributed has reached 1,072,688 and CDMA has reached 252,920. NT’s MIS report, Ashwin 2064

Some of the remarkable achievement during this phase are: Completion of East West Optical Fiber SDH Project, Interactive Voice Response (IVR), CDMA Network project, Customer Billing System (CBS)-an integrated billing & ledger/online cash collection system, implementation of Service division (SD) system—an one window system to serve customer, installation of Access Network, various Value Added Service, Short Message Service (SMS) in GSM and CDMA telephone service, Intelligent Network and ADSL services to name few. This phase also laid the groundwork to introduction of Next-Generation-Network.

Service Division (SD) System
(“Practice makes permanent.” —Dale Carnegie)

Liberalization of telecommunications sector in Nepal and the presence of competitors has driven Nepal Telecom to become more customer centric and more dedication towards the Customer Services. One of the efforts, among the many are to improve its Customer Services, setting up a Service Division (SD) System.

The system development began as a pilot project in 1996 in attempt to computerize the sales record. Its deployment began on September 27, 2001, by launching it in Sundhara Telecom Exchange and gradually expanded to encompass all the exchanges in the Kathmandu Valley. It computerized the Customer Services in Nepal Telecom

This system was developed by Nepal Telecom after extensive discussion with front line staffs, Area Engineers who deal directly with customers and in-depth study of the core activities of Nepal Telecom processes that directly deal with its customers.

This System facilitates efficient management of Telephone line connection for a customer, right from the registration to installation and maintenance throughout the customer’s lifetime. It fully automated the core activities of Nepal Telecom’s inter-action with its customers. It allows customer to access different services, such as new installation, location transfer, maintenance, changes in facilities etc., from the same counter (one window system) without going to different counter for different services.

Main Features

Main features of SD system are:

- Fully computerized service.
- Work Place is designed as one window system under the modern customer care principle.
- Nine working desk (Registration, sales desk for new line, and thaunsari i.e. location transfer of existing phone, sales in-charge desk, outside desk, MCC desk, Switching desk, MDF desk and Account desk).
- Front-line staffs collect and keep the data which is stored centrally in the main server, at the Computer Department, Jawalakhel.

Goals of SD System

- Reduce manual process as much as possible.
- Computerize NT’s business activities to enhance the work efficiency.
- Single point of contact for customer (One window system).
- Secure central data with distributed control.
- Generate customer information at its origin.
- Instant information retrieval.
- Share same customer information to standardize business processes.
- Speed up the new line connection process/subscribers line maintenance.
- Quick MIS reporting.
- Manage resources optimally.
Establish a strong backbone for further IT developments.

- Transparency of process and information

Brief description of the major components of SD System

The major components of SD Project are:

Sales System (Customer Care System): This system deals from the registration for the new line till its installation. It also handles the activities like Name Transfer (Namsari), Place Transfer (Thausari) of the existing subscriber.

Complain Handling System (CMS, 198): This system takes care of the existing (connected) subscriber’s line complaints. Simply dial 198 to lodge a line complains. This system also updates the information of Due Not Paid (DNP) records.

Enquiry System: Based on query, the system is enabled to deliver information about existing subscriber’s telephone number. Query result can be processed by their first name or last name or full name or address. (Note: The Public Enquiry System or 197 has been out-sourced)

Plant Data Management System (PDMS): This system helps to generate exchange numbers (Telephone Number) Primary Pairs (PP), Cabinet (Cab), Distribution Point (DP), Secondary pairs (SP), Pair Gain (PG) Data. The system also enables the users to retrieve various information from all the exchanges connected to the network.

Problem Statement

(“Difference between the almost right word and the right word is really a large matter - "tis the difference between the lightening bug and lightening." - Mark Twain)

Despite the introduction of SD, customer’s satisfaction with NT is still not very high. They complain about the hazards they have to face and lack of information. This is also evident from the grumbling of customers heard in the SD rooms during simple observations any time. Customers still find it very difficult to understand the processes needed to be followed, frequent follow-ups, visiting different rooms for record verification or cash payment, etc.

Even the front-line employees, who do not get tired of praising the system, have some reservation against it.

Research Question

This study is confined to the problem related to “Customer Satisfaction” with SD and with the assumption that Customer Satisfaction is the function of process and quality of service, speed of services, price of services, and staff’s attitudes i.e.

Customer’s Satisfaction = f (process, timeliness, price, staff behaviors)

This study tried to find answer to the following questions.

“Do the Customer Satisfaction increases with the effectiveness of the process? Does it depend on the tariff of the Service? Does it increases with speed of process? Does it depend on the price or staff behavior.”

Hypotheses

\( H_0 \): Customer’s Satisfaction depends on Process effectiveness.

\( H_A \): Customer’s Satisfaction is independent of Process effectiveness.

\( H_0 \): Customer’s Satisfaction depends on Process time.

\( H_A \): Customer’s Satisfaction is independent of Process time.

\( H_0 \): Customer’s Satisfaction depends on Tariff.

\( H_A \): Customer’s Satisfaction is independent of Tariff.

\( H_0 \): Customer’s Satisfaction depends on Staff Attitude.

\( H_A \): Customer’s Satisfaction is independent of Staff Attitude.
**Theoretical Framework**

*Figure 1: Theoretical Framework*

![Diagram]

**Sample Selection**

SD System is being used in all telecom exchanges in the Kathmandu Valley. For this study, data was collected only from three Exchanges located in Naxal, Chauni and Patan. Owing to the time and resource constraints, for the present study, the numbers of respondents selected from Naxal, Chauni and Patan Exchange were reduced to only 40, 30 and 30 respectively.

Interviews of three AE, two SD System developers and 25 front line staffs were also conducted.

**The Data Collection Method**

The data collection methods used was observations, questionnaire to the customer, in-depth non-structured interviews of the SD System developer and internal customer (front-line employees, AEs and other users of SD System). Data collection was also done through literature survey and internet browsing.

**Variables and Measures Used**

The variables used for the measuring the Customers satisfactions were their degree of satisfaction with the NT’s process, speed of the process, tariff rate and staff attitudes etc.

The *dependent variable* is the overall satisfaction level and the *independent variables* affecting the overall satisfaction are NT process and tariff charged. The *moderating variables* used for this study are staff attitudes and speed of the process.

**Data Analysis Techniques**

The data collected from primary and secondary sources were analyzed in distinctive qualitative research as well as statistical test using Chi-square test. The information collected through interview and questionnaire were transformed in to the quantitative data sheet and then the necessary tabulation was done using Microsoft Excel. Statistical tools provided in excel were used to analyze and make bar charts.

**Results**

("We cannot let facts and figures attempt to speak for themselves; we must speak for ourselves, and clearly." - Ann B. Kulik)
Process Effectiveness

This figure shows that 43% of the respondents were found to be satisfied with NT's SD System. 22% respondents agree that the process in NT improved after privatization and 38% agrees that process improved after implementation of SD system (computerization). Only 27% respondents were satisfied with the process time.

Hypothesis Testing

Process Effectiveness

The summary of the Chi Square Test for process effectiveness is tabulated below.

Table 2: Chi Square Test for process effectiveness

<table>
<thead>
<tr>
<th>Grand Total</th>
<th>100</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Chi Sq.</td>
<td>44.36</td>
</tr>
<tr>
<td>D.F.</td>
<td>12</td>
</tr>
<tr>
<td>Chi Sq (.05,12)</td>
<td>21.026</td>
</tr>
<tr>
<td>p Value</td>
<td>0.000</td>
</tr>
</tbody>
</table>

The Chi Square test showed that the Customer Satisfaction depends on the Process Effectiveness. Hence to improve the Customer’s Satisfaction, NT has to improve the process.

Process Speed.

The summary of the Chi Square Test for process speed is tabulated below.

Table 3: Chi Square Test for process speed

<table>
<thead>
<tr>
<th>Grand Total</th>
<th>100</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Chi Sq.</td>
<td>10.095</td>
</tr>
<tr>
<td>D.F.</td>
<td>9</td>
</tr>
<tr>
<td>Chi Sq (.05,9)</td>
<td>16.919</td>
</tr>
<tr>
<td>p Value</td>
<td>0.608</td>
</tr>
</tbody>
</table>

Table 4: Process Expectation

<table>
<thead>
<tr>
<th>Description</th>
<th>Process as expected</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than Expected</td>
<td>27</td>
</tr>
<tr>
<td>As Expected</td>
<td>36</td>
</tr>
<tr>
<td>Better than Expected</td>
<td>37</td>
</tr>
</tbody>
</table>
The Chi Square test showed that overall Customer Satisfaction is independent of Process Speed. The reason for this independency might be that most of the customers have low opinion on the quality and speed of the process that most of them found the process speed to their expectation or better, as shown in the table 4. They are used to an idea that one might have to wait for a long time even years to get the connection as past history has shown.

**Tariff**

The summary of the Chi Square Test for tariff is tabulated below.

**Table 5: Chi Square Test for tariff**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Grand Total</td>
<td>100</td>
</tr>
<tr>
<td>Total Chi Sq.</td>
<td>25.059</td>
</tr>
<tr>
<td>D.F.</td>
<td>9</td>
</tr>
<tr>
<td>Chi Sq (.05,9)</td>
<td>16.919</td>
</tr>
<tr>
<td>P Value</td>
<td>0.015</td>
</tr>
</tbody>
</table>

**Table 6: Tariff**

<table>
<thead>
<tr>
<th>Description</th>
<th>Tariff charged</th>
<th>Description</th>
<th>Satisfied with tariff</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very Low</td>
<td>0</td>
<td>Strongly dissatisfied</td>
<td>2</td>
</tr>
<tr>
<td>Low</td>
<td>35</td>
<td>Dissatisfied</td>
<td>26</td>
</tr>
<tr>
<td>Neutral</td>
<td>37</td>
<td>Neutral</td>
<td>32</td>
</tr>
<tr>
<td>High</td>
<td>24</td>
<td>Satisfied</td>
<td>36</td>
</tr>
<tr>
<td>Very High</td>
<td>4</td>
<td>Highly Satisfied</td>
<td>4</td>
</tr>
</tbody>
</table>

The Chi Square test showed that the Customer Satisfaction depends on the tariff charged. Tariff rate of NT is very low compared to any other telecom operators not only in Nepal but also globally except of the international call. With the introduction of VOIP (voice over internet protocol), tariff of international call has reduced drastically. Even the customers have realized this fact and some of them have requested for the reduction of long distance call as shown in the following table.

**Staff Attitude**

The summary of the Chi Square Test for staff attitude is tabulated below.

**Table 7: Chi Square Test for staff attitude**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Grand Total</td>
<td>100</td>
</tr>
<tr>
<td>Total Chi Sq.</td>
<td>24.624</td>
</tr>
<tr>
<td>D.F.</td>
<td>12</td>
</tr>
<tr>
<td>Chi Sq (.05,12)</td>
<td>21.026</td>
</tr>
<tr>
<td>P Value</td>
<td>0.017</td>
</tr>
</tbody>
</table>

The Chi Square test showed that the Customer Satisfaction depends on the tariff charged. However from the following table, most of the respondent found the attitude of staff to be average. More of the respondent agreed positively with the staff’s attitude and competencies. However, there is still
room for development and in average only 36.67\% of respondent are satisfied with the staff’s attitude. NT needs to improve the staff attitude to improve the Customer Satisfaction.

### Table 8: Staff Attitude

<table>
<thead>
<tr>
<th>Description</th>
<th>Staffs are polite and friendly</th>
<th>Staffs are professional and competent</th>
<th>Staffs were able to make you understand</th>
<th>Overall Satisfaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Disagree</td>
<td>2</td>
<td>7</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Disagree</td>
<td>10</td>
<td>4</td>
<td>5</td>
<td>11</td>
</tr>
<tr>
<td>Neutral</td>
<td>52</td>
<td>53</td>
<td>43</td>
<td>32</td>
</tr>
<tr>
<td>Agree</td>
<td>32</td>
<td>34</td>
<td>44</td>
<td>43</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>4</td>
<td>2</td>
<td>6</td>
<td>14</td>
</tr>
</tbody>
</table>

### Other Findings

#### Follow-up Process

### Table 9: Follow-up Procedure

<table>
<thead>
<tr>
<th>Description</th>
<th>Happy with follow-up procedure</th>
<th>Telephone</th>
<th>E-mail</th>
<th>Internet</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Dissatisfied</td>
<td>2</td>
<td>0</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Dissatisfied</td>
<td>13</td>
<td>9</td>
<td>9</td>
<td>13</td>
</tr>
<tr>
<td>Neutral</td>
<td>35</td>
<td>34</td>
<td>44</td>
<td>38</td>
</tr>
<tr>
<td>Satisfied</td>
<td>39</td>
<td>43</td>
<td>43</td>
<td>42</td>
</tr>
<tr>
<td>Strongly Satisfied</td>
<td>11</td>
<td>14</td>
<td>2</td>
<td>5</td>
</tr>
</tbody>
</table>

As illustrated by the above table, 50\% of the respondents were satisfied or strongly satisfied with follow-up procedure. Only 13\% percent were dissatisfied with it. Upon query, most of them preferred to use telephones for the follow-up procedures. They were also found to be enthusiastic to have these information through email or available in the internet.

#### Service Popularity

### Table 10: Service Continuation

<table>
<thead>
<tr>
<th>Continue to use the service</th>
<th>Why continue</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
<td>0</td>
<td>No alternatives</td>
</tr>
<tr>
<td>Don’t Know</td>
<td>47</td>
<td>Others are no good</td>
</tr>
<tr>
<td>Yes</td>
<td>53</td>
<td>Tariff Reasonable</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Trust NT</td>
</tr>
</tbody>
</table>

Another interesting finding was that 53\% of respondent wants to continue using NT’s services. 42\% of them continue to use NT’s services because they trust NT.
with the subscriber regarding their complaint. It not only reduced the work load of the staff but also improved their efficiency enabling them to handle more work. It reduced the paper work and at the same time improved the record keeping. It also helped AE to monitor the staffs easily making them more responsible.

It made Service Department more transparent since all data are available to any authorized personnel. It helped in planning and control. AE believes that the larger exchanges now will not be able to function properly without SD system.

AE said that the only problem with the system is that it is slow. Computer Department is keeping a very tight control and has restricted data manipulation to such an extent that even for a minor corrections, the office has to wait for the technical expert from Computer Department. The software still has a lot of bugs and needs update.

**Front-line Staff**

Front-line staffs are also very happy with the system. The system has reduced their work load and work flow has been systemized. They were able to provide all the relevant information to the customer.

Front-line staffs do have some reservation against the system. One has to be familiar with the computer. Work has to be completed as per the timetable. One has to keep on monitoring the program to check whether the new job has been assigned since the program keeps the record of when a job has been assigned and when it was completed.

**Program Developers**

Program Developers were happy with the success of their work and response generated by it.

Program development, maintaining and upgrading it was a herculean job. With the limited resource (manpower), expansion of the SD system beyond the Kathmandu Valley is difficult.

The program was developed with the inputs only from the employees of Nepal Telecom.

They have not tried to get any input from external customers i.e. subscriber.

**Limitation of the Study**

This study was conducted as a partial fulfillment of academic program for EMBA course under KUSOM and suffers from severe time and resource constraints.

Also the sample size is very small and may not truly represent the population. It is done with purposive sampling technique with sample size of only 100 respondents, 25 front-line staffs, three AE and two developers, the finding of this study may lack enough data for creditable generalization in the national context.

As the result of these limitations, the finding of this study may not be true and used as fact to paint the picture of the customer satisfaction measurement (CSM) level of Nepal Telecom nor could the findings of this study be could be used to portray the customers view about NT or used as guideline to improve the customer satisfaction level without further study.

**Conclusion**

(“Your customers can and should be a dynamic source of ongoing innovation and inspiration for your organization. If you don’t have infrastructures or apps that make it easy for them, you should.” - Michael Schrage; CIO Magazine)

The SD system, even with some bugs and need for improvement, manages to satisfy the need of the front-line staffs. They optimistically believe that it also addresses the customer’s need and is able to provide Customer Satisfaction. Till date, Nepal Telecom has not asked it customers what they actually want, expect and desire.
However, even with all short coming, the customers are still reasonably satisfied and loyal to Nepal Telecom. They still trust the company and will continue to use its services.

**Recommendation**

(“In addition to following rules, sticking to a routine, and treating every situation alike no matter what, front-line workers must be able to do the opposite: bend the rules, take initiative, and improvise.” - Hart, Heske, and Sasser ; “The Profitable Art of Service Recovery” (p. 155))

This study recommends the upgrading the system to solve the existing bugs and add other necessary features necessary for the customer service. However, this study strongly suggest to NT to find out what the customers really want, expect or desires before upgrading/modifying the SD System.

**Annex I** (Subscriber’s response to the questionnaire)

The Study finds that the strict control on data manipulation is necessary but to operate such a big organization and to provide fast service to the customer, support at the local level or empowering the office in-charge or Area-Engineer is vital. The study recommends providing training to the Area Engineers and authorizing them to make minor corrections.

The study team also recommends the deployment of this system in all exchanges of Nepal Telecom throughout the country.

The study team also recommends incorporating facilities in this program or setting up information desk to handle the enquiry call (follow-up) of the subscriber or potential subscriber regarding the status of their request and minimize needless follow-up by them in person.

<table>
<thead>
<tr>
<th>Description</th>
<th>% Poor</th>
<th>% Poor</th>
<th>% Neutral</th>
<th>% Good</th>
<th>% Poor</th>
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<tr>
<td>Quality Of Service improved after privatization</td>
<td>2</td>
<td>11</td>
<td>55</td>
<td>22</td>
<td>10</td>
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<tr>
<td>Tariff charged is (v. low to v. high)</td>
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<td>35</td>
<td>37</td>
<td>24</td>
<td>4</td>
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<tr>
<td>Satisfied with tariff (v. dis-satisfied to v. satisfied)</td>
<td>2</td>
<td>26</td>
<td>32</td>
<td>36</td>
<td>4</td>
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<tr>
<td>Computer improved bureaucratic process (strongly disagree to strongly agree)</td>
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<td>9</td>
<td>44</td>
<td>38</td>
<td>7</td>
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<tr>
<td>Process as expected (Less, as expected, better)</td>
<td>27</td>
<td>36</td>
<td>37</td>
<td></td>
<td></td>
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<tr>
<td>Satisfied with the speed processes</td>
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<td>26</td>
<td>41</td>
<td>27</td>
<td>0</td>
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<tr>
<td>Staffs are polite and friendly</td>
<td>2</td>
<td>10</td>
<td>52</td>
<td>32</td>
<td>4</td>
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<tr>
<td>Staffs are professional and competent</td>
<td>7</td>
<td>4</td>
<td>53</td>
<td>34</td>
<td>2</td>
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<tr>
<td>Staffs were able to make you understand</td>
<td>2</td>
<td>5</td>
<td>43</td>
<td>44</td>
<td>6</td>
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<tr>
<td>Happy with the follow-up procedure</td>
<td>2</td>
<td>13</td>
<td>35</td>
<td>39</td>
<td>11</td>
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<tr>
<td>Continue to use the service (No, Don’t Know, Yes)</td>
<td>0</td>
<td>47</td>
<td>53</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Why continue (No alternative, competitors not good, tariff reasonable, Trust Nepal Telecom)</td>
<td>29</td>
<td>6</td>
<td>23</td>
<td>42</td>
<td></td>
</tr>
<tr>
<td>Overall impression (v. dis-satisfied to v. satisfied)</td>
<td>0</td>
<td>11</td>
<td>32</td>
<td>43</td>
<td>14</td>
</tr>
</tbody>
</table>
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Job Satisfaction and Organization Commitment (Nepal Investment Bank)

* Manju Bansnet, ** Sabita Joshi, *** Smriti Upadhay

Abstract

**Purpose** - The study aims to investigate the relationships between staff job satisfaction and the factors like general working condition, pay, Fringe and Benefit, Co-workers, supervision, overall growth opportunity and organizational commitment in NIBL.

**Design/methodology** - After a review of the various literatures on the job satisfaction and organizational commitment, the research found that job condition, job itself, pay & fringe benefit, job security, co-workers, supervision and personal growth opportunities are different dimensions that give Job satisfaction. The research also found that there is a strong relationship between organizational commitment and job satisfaction. The original research was conducted by administering surveys to 30 staffs of Nepal Investment Bank Ltd that include support staff, middle level officers and managers.

**Findings** - The analysis of responses on job satisfaction revealed three major findings. First, the level of job satisfaction was found to be varying among individual. Younger are much more satisfied than that of mature staffs due growth and development opportunity. Second, middle level officer are not fully satisfied with their job due to amount of pay they receive and the facilities they get and are a bit satisfied with their personal growth and development in this bank. Third, manager level staffs are satisfied with the general work they perform and moderately satisfied with the pay, fringe and benefits they receive. However they are more concern with further growth opportunities

**Research Limitation** - The major limitation of our research is that the sample data are limited to generalize the findings. The sample is limited so that the variables that will be examined to identify the outcome of job satisfaction and performance are also limited. However the data itself are self reported.

**Research implication** - The research implications are the dimension of job satisfaction and the relation between job satisfaction and organization commitment has been found.

**Practical Implication** - The practical implication is that the bank needs to be revised pay, fringe and benefit and making comparative study with the existing major players and the emerging banks. There should be growth and development plan for every level of employees in the bank. Increase employee job satisfaction and commitment with the participation of employees in the decision making process.

**Originality/value** - This type of study though have already been conducted in past, its value addition is particularly in terms of looking at job satisfaction at various hierarchical and functional level in financial sector of Nepal.

**Keywords** - Job satisfaction, dimension of job satisfaction, organization commitment and employee commitment, bank

Introduction

One of the most discussed issues in the field of human resource management in any organization is job satisfaction and organization commitment. The decline in job satisfaction is widespread among employees of all ages and across all income brackets as the organization could not meet needs and requirement of their employees. Rapid technological changes, rising productivity demands and changing employee expectations have all contributed to the decline in job satisfaction.

Job satisfaction is one of the major areas of study in various organization and studies. Many studies identify that there is correlation between job

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satisfaction and pay, fringe and benefit, work condition, coworker, supervisor, type of work and opportunity for promotion.

There is no one definition that sums up job satisfaction but there are many theories on what contributes positively or negatively to those feelings. Today the classic theories of Maslow (1943), Herzberg (1968), and Vroom (1964) on job satisfaction are the basis for much of the modern day studies. These classic theories serve as a basis for the evolution of job satisfaction research and serve as a springboard for research inside and outside the field of organization performance. It is important to look at the classic theories of job satisfaction. In the book on theories of job satisfaction, Campbell, Dunnette, Lawler, and Weik (1970) divide the present-day theories of job satisfaction into two groups, content theories which give an account of the factors that influence job satisfaction and process theories that try to give an account of the process by which variables such as expectations, needs, and values relate to the characteristics of the job to produce job satisfaction. Maslow’s (1943) Needs Hierarchy Theory and its development by Herzberg into the two-factor theory of job satisfaction are examples of content theory. Equity, fulfillment and Vroom’s (1964) expectancy theory are examples of process theory.

The study identifies the various factors that lead to Job Satisfaction for employees and co-relation between Organization Commitment and Job Satisfaction.

**Job Satisfaction**

Employee satisfaction is confirmed to be a multidimensional construct composed of six factors: personal job satisfaction, satisfaction with work itself and workload, satisfaction with team spirit (co-workers), satisfaction with promotion and recognition, and satisfaction with supervisor and feedback and satisfaction with pay, benefit and fringe. The purpose of this study is to assess the direction and magnitude of the relationships between various staff satisfaction components.

The study of job satisfaction consolidated that Job satisfaction is a result of employee’s perception of how well their job provides those things that are viewed as important. Overall job satisfaction is a combination of the person’s feeling towards the different facets of job satisfaction.

Further, Locke and Latham (1976) gave a comprehensive definition of job satisfaction as pleasurable or positive emotional state resulting from the appraisal of one’s job or job experience. Job satisfaction is a result of employee’s perception of how well their job provides those things that are viewed as important. Overall job satisfaction is a combination of the person’s feeling towards the different facets of job satisfaction. Luthan (1998) showed that there are three important dimensions to job satisfaction:

- Job satisfaction is an emotional response to a job situation. As such it cannot be seen, it can only be inferred.
- Job satisfaction is often determined by how well outcome meet or exceed expectations. For instance, if organization participants feel that they are working much harder than others in the department but are receiving fewer rewards they will probably have a negative attitudes towards the work, the boss and coworkers. On the other hand, if they feel they are being treated very well and are being paid equitably, they are likely to have positive attitudes towards the job.
- Job satisfaction represents several related attitudes which are most important characteristics of a job about which people have effective response.

They also stated that the pay; promotion opportunities, work itself, supervision, work group or coworker and working conditions are major dimensions that are used to measure job satisfaction from many years.

Motivation has been identified as an important component of job satisfaction. Herzberg’s Motivation-Hygiene Theory is classified as one of the content theories of motivation. Others in this category include Maslow’s Hierarchy of Needs and Alderfer’s ERG theory of existence, relatedness, and growth. Content
theorists such as Herzberg have made a significant contribution to the discussion of job satisfaction. Herzberg identifies the following five items as job satisfiers are: achievement; recognition; work itself; responsibilities; and opportunities for advancement.

Organization Commitment

Organizational commitment (Luthans 2005) is most often defined as a strong desire to remain a member of a particular organization, willingness to effort on behalf of the organization and a definite belief in and acceptance of the values and goals of the organization. It is an attitude reflecting employees’ loyalty to their organization and is an ongoing process through which organizational participants express their concern for the organization and its continued success. The organizational commitment attitude is determined by a number of personal and organizational variables. Organizational commitment in influenced by (i) Personal attributes: Age, service period, negative/positive affectivity and (ii) Organizational characteristics like job design, organizational values, supervisory support. Economic factors like income, and social prestige and altruistic behavior also tend to influence commitment to the organization. Lack of organizational commitment among staff members can have the following negative consequences for the organization.

- **Absenteeism:** This could result in the delay of making important decisions disrupt production lines and even hamper the quality of products and service.

- **Turnover:** High turnover increases selection and recruitment costs. It can reduce productivity levels especially if good performers leave the organization. Many trade secrets can also be lost costing the company dearly.

To Greenberg and Baron (1997), organizational commitment is the extent to which an individual identifies and is involved with his or her organization and/or is willing to leave it. Organizational commitment deals with the attitudes of the people towards their company. Allen and Meyer’s three-component model of commitment For a long time, Porter et al.’s (1974) goal congruence approach conceptualized organizational commitment as a one-dimensional construct, and defined it as the relative strength of an individual’s identification with, and involvement in, a particular organization. On the other hand, Becker’s side-bet approach (1960) focused on the accumulated investments an individual stands to lose if he or she leaves the organization. More recently, Allen and Meyer (1990) conceptualized a multidimensional organizational commitment measure and proposed a three-component model of organizational commitment comprising:

1. **Affective commitment:** This refers to the employee’s emotional attachment to, identification with, and involvement in the organization.

2. **Normative commitment:** This refers to the employee’s feelings of obligation to stay with the organization.

3. **Continuance commitment:** This refers to the commitment based on the costs that the employee associates with leaving the organization (Allen and Meyer, 1990; Meyer and Allen, 1991). Meyer and Allen’s (1991) three-component model links each component of commitment to specific

A wide variety of definitions and measure of organizational commitment exist. Beckeri, Randal, and Riegel (1995) defined the term in a three dimensions:

1. a strong desire to remain a member of a particular organization;
2. a willingness to exert high levels of efforts on behalf of the organization;
3. a define belief in and acceptability of the values and goals of the organization.

To Northcraft and Neale (1996), commitment is an attitude reflecting an employee’s loyalty to the organization, and an ongoing process through which
organization members express their concern for the organization and its continued success and well being.

Organizational commitment is determined by a number of factors, including personal factors (e.g., age, tenure in the organization, disposition, internal or external control attributions); organizational factors (job design and the leadership style of one’s supervisor); non-organizational factors (availability of alternatives). All these things affect subsequent commitment (Nortcraft and Neale, 1996).

Mowday, Porter, and Steer (1982) see commitment as attachment and loyalty. These authors describe three components of commitment:

- an identification with the goals and values of the organization;
- a desire to belong to the organization; and
- a willingness to display effort on behalf of the organization.

A similar definition of commitment emphasizes the importance of behavior in creating it. Salancik (1977) conceives commitment as a state of being in which an individual becomes bound by his actions and it is these actions that sustain his activities and involvement. From this definition, it can be inferred that three features of behavior are important in binding individuals to act; visibility of acts, the extent to which the outcomes are irrevocable; and the degree to which the person undertakes the action voluntarily. To Salancik therefore, commitment can be increased and harnessed to obtain support for the organizational ends and interests through such things as participation in decision-making.

Research questions

With different view, it is anticipated that Nepal Investment Bank staff will have positive relationship between the factors like pay, benefit and fringe, recognition and promotion, working condition supervisor and feedback etc and job satisfaction and correlation between level of job satisfaction and organization commitment. Consequently, two research questions are addressed in this study.

1. What is the level of job satisfaction at various hierarchical and functional (management and operational) levels of employees at Nepal Investment Bank?
2. Is there a positive co-relation between job satisfaction and Organization commitment?

Nepal Investment Bank

Nepal Investment bank Ltd is one of the largest commercial banks in Nepal and rated 3rd in terms of profitability. The bank has 578 staff members in 17 branches spread across the country. Growing banking industries and staff employee’s shifting a job from one bank to another for better opportunity is the major problem in banking industry. There is a great challenge for staff retention in NIBL. Staff performance and retention could only be achieved by staff job satisfaction and organization.

Sample population: The population for the study comprised of 30 staff of NIBL at different levels (Management, Officers and Support level) upon whose observed trend this study has been designed.

Methodology:

The study method chosen for this research is Cross-Sectional Study. Since the research was focused on identifying the level of job satisfaction and organizational commitment of NIBL staff, the study had to be operationalized. The pertaining independent variable identified for the study were the working condition, pay fringe and benefits, growth opportunity, supervision, co workers. The identified intervening variables were the work environment of the organization. The Dependent variable for the research was identified as employee job satisfaction. To measure the variables like Scale, Verbal Frequency Scale and Semantic Differential Scales were used in the questionnaires. The data are gathered over a period of time.

Sample population: The population for the study comprised of 30 staff of NIBL at different levels (Management, Officers and Support level) upon whose observed trend this study has been designed.
Ten managers, nine officers and eleven support staff were taken as sample population for the research.

Data Collection: The research followed the following methods of data collection.

**Primary Data**
- Data collection for the purpose of this research was through Questionnaires, site visit of NBL & Structured and non-structured interview.
- Questionnaires pertaining to the character, motivation and development of work were administered among the staff of NBL.
- An interaction with management team, HR Department was conducted to share their views regarding the “General Job Satisfaction among various staff of NBL”.

**Secondary Data**
A review of the literatures were performed utilizing keywords such as “job satisfaction”, “organization commitment”, “employees satisfaction”, “determinants of job satisfaction, job satisfaction and organization performance”, the search resulted in numerous refereed articles, journal, report and on-line resources. As sources were reviewed, additional citations were found and explored.

**Data Analysis Technique:**
Frequency distributions were used to measure the demographic characteristics of the samples.
Descriptive Statistics such as mean, median, mode and standard deviation were also used for the same.
Independent – dependent relationship between demographic characteristics was analyzed through data analysis and p-value.

Microsoft Excel was used in the Data Analysis. The output of the data analysis and the Column Chart were all formulated by the use of Microsoft Excel.

**Result**

**Level of Job Satisfaction**
The level of job satisfaction was found to be varying at different level due to different associated reasons. The reason for Management level staff to be satisfied may be due to higher pay scale, other allowances and facilities associated with the positions. Abroad traveling opportunity, Training Opportunity abroad along with reach at control level and decision making power etc. Besides that, they are also entitled to various facilities on like (home loan as per salary structure, vehicle facility etc). But still there is concern shown by this level of staff about future growth opportunity.

The reason behind the mid level staff to be satisfied might be due to the reason that they have some control over decision making and they are optimist for their future growth opportunities. They are satisfied with the job they are performing. They enjoy some interference among the work of the organizations and decisions they take so they are more satisfied in comparison to the support level staff.

They are very enthusiastic, have positive vibes about their job and are not in the position to leave the organization. The reason for support level staff being less satisfied in comparison to others may be that that, as per motivational theory they have already attained the job security level and its hard for them to attain other levels at high hierarchy and the comparative benefits associated with the position are also very low. Besides that the less challenges are found associated with these positions and have no authority over control function and decision-making.

**Organization Commitment of NBL staffs**
General level of Organizational Commitment at all the level is seen quite satisfactory as the name of Investment Bank is very sound in the market. The employees there feel proud working over there. The people there believe that with the experience and nametag of Investment bank, they are quite sellable in the market and are very optimist to get good opportunities to open door for further promotions either with NBL itself or with other emerging banks.
Tables

Support Level Staff Job Satisfaction/Organizational Commitment: Survey Readings:

<table>
<thead>
<tr>
<th>Level of Job Satisfaction at Support Level Staff</th>
<th>Total Org. Commitment-Support Level Staff</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>Mean</td>
</tr>
<tr>
<td>3.26</td>
<td>68.45</td>
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<tr>
<td>Median</td>
<td>Median</td>
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<tr>
<td>3.26</td>
<td>70.00</td>
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<td>Mode</td>
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<td>2.95</td>
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<td>Standard Deviation</td>
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Level of Job Satisfaction/ Org. Commitment among Officers Level Staff

<table>
<thead>
<tr>
<th>Level of Job Satisfaction at Officer Level Staff</th>
<th>Level of Org. Commitment- Officers</th>
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<tbody>
<tr>
<td>Mean</td>
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<tr>
<td>3.28</td>
<td>79</td>
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<tr>
<td>3.28</td>
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<td>3.28</td>
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<td>Standard Deviation</td>
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<td>2.79</td>
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Managers Level Job Satisfaction: Survey Readings

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<th>Level of Job Satisfaction at Manager Level Staff</th>
<th>Org. Commitment- Managers</th>
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<td>3.32</td>
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</table>

Limitation of study

This study has been conducted specifically for NIBL considering the context applicable to it so it might not be relevant and applicable for all.

Due to time and resource constraint, the variables that will be examined to identify the outcome of job satisfaction and performance are also limited.
Implications

Based on the findings of the research and literature review we can propose following implications.

In order to make employees satisfied and committed to their jobs in bank, there is need for strong and effective motivation at the various levels, departments, and sections of the bank to lower the seen trend of job hopping at various levels of employees at NIBL. To get best out of employees following things might help to NIBL

a. Pay, Fringe and Benefits needs to be revised making comparative study with the existing major players and the emerging banks. The Pay, Fringe and Benefits rather being position specific should also focus on the level of work done and the performance of individual employees

b. There should be ample growth opportunities for the employees in the bank itself so that they won’t go for job hopping. If the employee is deserving and capable enough and are being considered by other banks for the higher positions then it seems there is some potential in that employees to there should be growth and development plan for every individual employees.

c. Job of support staff needs to be appreciated and awarded or recognized to uplift their commitment and performance. Job rotation and job enrichment plan for young and deserving employees will help in building themselves as future higher level employees of the bank itself

d. There should be career plan and development opportunities in the form of various grooming and professional trainings at all level so that the employees see their growth and development future secured in the organization itself rather than looking for alternative opportunities as it will be difficult itself for the bank to invest in new employees recruitment where as less effort and changes might be sufficient for retaining the best employees.

e. There should be positive environment for open communication and employees suggestions should be incorporated in the organizational decision making to make the employees more satisfied and committed

Implications for management development

The organization needs to revisit the various components of job satisfaction which is presently seen lacking among employees at different levels and main important of them being growth and development opportunities. Having growth and development plan for individual employees will help in defining the career path for individual employees will motivate them for learning, face the challenges, variety in their work, increased responsibility and recognition will help in improving the overall performance and commitment from them.

As all the staff are found to have high growth need strength thrive on opportunity and responsibility so they will respond very well and positively for their job with well defined career path. Scheduling regular meetings with employees to share their problems and findings and providing prompt response and solution to their queries, providing them opportunity to come up with innovative ideas to improve performance of bank, appreciating the best idea in mass, providing them autonomy regarding some decision making as they are the face of the bank, by always following open door policy by HR and will help them to evaluate their performance and likes and dislikes and level of motivation on regular basis prior to arising of any alarming situation.

The effects of redesign and its impact on employee’s performance can be assessed through the number of complaints received from staff, the number of turn after implementation of this new redesigned job description (this will help in accessing how well the employees have started performing after fulfillment of their motivational and recognition need through growth and development plan incorporated Plan) and also through the ultimate improved performance of the

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Non-Life Insurance Companies having more Product Innovations are Performing Better than those having Less Products

*Bhurat Bishawakarma, **Kiran Lal Joshi, 
***Sunil Devkota, ****Suresh Prasad Mahto

Abstract

Purpose – This paper aims to examine the relationship between product innovation and company performances among non-life insurance companies in Nepal.

Design/Methodology- Survey questionnaire was used to obtain information about the various variables of insurance market in Nepal. Responses are tallied from insurance agents—18 insurance companies.

Result- The result shows that non-life insurance company having more product innovations is performing better in-terms of company revenues.

Research Limitation- The primary difficulty identified was time management. The sector identified for the research was the overall non life insurance companies that are operating in Nepal. Plan was to gather information from at least 18 companies and about 100 individual respondents but we were able to collect company specific information from secondary sources and insurance awareness and non-life insurance product from 50 individual respondents.

Introduction

Product Innovation and Company’s Performance are multidimensional variables as opposed to what has been envisaged at the beginning of the research. The research aims to analyze, practices and culture of product innovation among non-life insurance companies in Nepal and its direct link to its performance. A survey was carried out to understand insurance awareness level of the general public toward non life insurance and future prospect of new product. It was realized that only published data was not sufficient to understand companies’ performance as there are many other aspect associated with its performance like company image, service quality, functional strategies and product portfolio. To understand the management of insurance companies better we have taken United Insurance Company Limited for our study.

Product innovation in non-life insurance companies means adopting new kind of services either completely new or replicating services that are available in other countries but not available in the market (Mr. Vielreicher1995, Product Innovation and Population Dynamics in the German Insurance Market). Literature reviews reveals that product innovation in non life insurance companies varies depending on the size and nature of the economy. Type of products, insurance companies offer in the
advanced and industrialized economies differs from the rural and agro based developing economies.

There is a good prospect for micro insurance in Nepal, which can be helpful in protecting the poor people of the country. This concept came up very recently in India and the practice started in southern India in 2003 (Mr. Gopal Shestha, CEO, Alliance Insurance, The Boss, 15 Dec 07 to 14 Jan 08, page 46). Since Nepal's economy is agriculture based, we have to protect people dependent on agriculture. The Government can run development program by partnering with insurance companies (Mr. Jagdish Ghosh, CEO, National Insurance Company, 15 Dec 07 to 14 Jan 08, page 46). The interdependence among the three sub sectors – farming, animal husbandry and forestry – is unique in the Nepali hill farming system. If insurance companies can come up with appropriate insurance program, despite of it being a daunting and complex task, it will surely help in broadening the market size and increasing insurance awareness throughout the country.

Performance measure of companies may vary depending on its corporate strategy. Companies may choose market size, revenue size or net revenue as its indicator of performance but in the long run profit will be the ultimate measure of company performance for which market growth is a must. Nepal has 10 to 15 percent annual growth on the insurance industry whereas countries like India and Sri Lanka enjoys a growth of 25-30 percent (Mr. KB Basnyat, ED, Sagarmatha Insurance, The Boss 15 Dec 07 to 14 Jan 08 Page 45).

Meantime, the geographical hazard and diversity poses unique and varied risk to insurance companies to materialize product innovation potential and industry growth. Other major challenge for insurance companies is a very low reinsurance backing support. Earlier reinsurance backing was done by British insurance companies but now the reinsurance market is concentrated in India. With India as a base, there is a high probability of the Indian companies monopolizing the Nepali insurance market. Thus it is necessary to understand all these challenges and risks thoroughly and be able to manage and construct an insurance business with sustainable growth and profitability.

Like in any business, non-life insurance company also requires continuous improvement and/or innovation in the products it offers to its client. This is a must to sustain profitability and growth of the company. However, product innovation alone is not sufficient to desired company performance. Product innovation should be backed by process innovation, efficiency and customer satisfaction. It is apparent that company performance is contingent to product/process innovation in non-life insurance companies.

**Problem Statement**

The non life insurance companies in Nepal are focused on the core business areas. Due to low levels of per capita income in the rural area and lack of awareness towards the necessities of insurance, the insurance companies are not able to fully attract rural population.

The non life insurance business in Nepal is lucrative as the industry sales are increasing annually. However the industry has not been able to expand to its potential due to political turmoil and internal conflict. On assessment of the industry sales a compilation of financial statement as published by the insurance companies, the following is the industry sales scenario.

<table>
<thead>
<tr>
<th>Financial Year Description</th>
<th>Industry Sales in Rs ‘000</th>
</tr>
</thead>
<tbody>
<tr>
<td>2060/061</td>
<td>2,055,390</td>
</tr>
<tr>
<td>2061/062</td>
<td>2,533,915</td>
</tr>
<tr>
<td>2062/063</td>
<td>3,581,334</td>
</tr>
</tbody>
</table>
The overall growth rate of the industry is at 23%. Despite of overall attractive growth of the insurance industry, the revenue of United Insurance Company, Nepal Limited is not in par with the industry growth average. As per the records of the Insurance Board, 18 companies have been registered and have already commenced their operation while 3 are still in the pipeline. This is a clear indication that the future of the insurance will further be aggravated as the non-life insurance companies will be belligerent amongst themselves to capture the limited market share. The gross premium for 9 major companies for the financial year 2061/062 is as tabulated below:

<table>
<thead>
<tr>
<th>S. No</th>
<th>Name of the Company</th>
<th>Gross Premium</th>
<th>Ranking based on Gross Premium</th>
<th>Net Profit After Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Everest Insurance</td>
<td>207,039</td>
<td>I</td>
<td>10,121</td>
</tr>
<tr>
<td>2.</td>
<td>NB Insurance</td>
<td>180,488</td>
<td>V</td>
<td>19,444</td>
</tr>
<tr>
<td>3.</td>
<td>Himalayan General Insurance</td>
<td>202,678</td>
<td>II</td>
<td>11,011</td>
</tr>
<tr>
<td>4.</td>
<td>Premier Insurance</td>
<td>191,438</td>
<td>III</td>
<td>14,005</td>
</tr>
<tr>
<td>5.</td>
<td>United Insurance</td>
<td>114,015</td>
<td>VII</td>
<td>9,547</td>
</tr>
<tr>
<td>6.</td>
<td>Sagarmatha Insurance</td>
<td>183,550</td>
<td>IV</td>
<td>16,949</td>
</tr>
<tr>
<td>7.</td>
<td>Prudential Insurance</td>
<td>70,781</td>
<td>IX</td>
<td>3,572</td>
</tr>
<tr>
<td>8.</td>
<td>Shikhar Insurance</td>
<td>132,901</td>
<td>VI</td>
<td>2,194</td>
</tr>
<tr>
<td>9.</td>
<td>Lumbini Insurance</td>
<td>76,448</td>
<td>VIII</td>
<td>445</td>
</tr>
<tr>
<td>10.</td>
<td>Other Competitors</td>
<td>1,174,577</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>2,533,915</td>
<td></td>
<td>87,288</td>
</tr>
</tbody>
</table>

By comparing the competitive positions in the above table we can see that United Insurance Company is affected by the entry of new competitors in the market. In this aspect various pertinent questions do surface: What are the factors leading to gradual decrease in the profitability of the UICL? How can the business of UICL be revived and increased? Etc.

The current Nepalese insurance market operates in a traditional procedure. There haven’t been significant strategies formulated by the industry stakeholders to expand the market by introducing new products. The insurance industry is mainly dependent upon the mandatory risk coverage specified by the financial institutions on the loan amount disbursed by them. The demand for the insurance products in Nepal is a derived demand as the general public is reluctant to take insurance coverage on their own. Insurance coverage is perceived to be an additional cost to be fragmented from the limited earning potential of the household.

The non-life insurance market is still in the growth stage with no new products being introduced. The industry as a whole is dependent upon derived demand due to disbursal of the loans by financial institutions on which insurance coverage is mandatory.

The main objective of the study will be to examine the effect of product innovation on the performance of the non-life insurance companies. The study addresses itself to explore some aspects of the questioned raised above.

The insurance industry has not been able to expand due to the lack of product innovation.

Product innovations in the insurance market

Before we can lay the theoretical base for the analysis of the historical development of the Nepalese
Literature Review

The insurance industry has a vast potential not only because incomes are increasing and assets are expanding but also because the volatility in the system is increasing. In a sense, we are living in a more risky world. Trade is becoming increasingly global. Technologies are changing and getting replaced at a faster rate. In this more uncertain world, for which enough evidence is available in the recent period, insurance will have an important role to play in reducing the risk burden, individuals and businesses have to bear. In the emerging scenario, the insurance industry must pay attention to (a) product innovation, (b) appropriate pricing, and (c) speedy settlement of claims. The approach to insurance must be in tune with the changing times.

Relevant Factors for Insurance Development

There are several potential sources of market failure in the insurance business. Most of the theoretical research on insurance is focused on the problems of adverse selection and moral hazard in the insurance market. Rothschild and Stiglitz (1976) show that when the buyers are heterogeneous in their accident probabilities, which is private information for the buyer, asymmetric information between the insurer and the policyholder inhibits the design of an efficient contract. Yet the empirical evidence for asymmetric information in insurance markets is decidedly mixed. Several recent empirical studies have failed to find evidence of asymmetric information in property-casualty, life, and health insurance markets. These studies include; Cardon and Hendel (2001), who look at the U.S. health insurance market; and Chiappori and Salanie (2000), who focus on the French automobile insurance market. In contrast, Cutler (2002) reviews a substantial literature that finds evidence in support of asymmetric information in health insurance markets; and Cohen (2001) offers some evidence for adverse selection in U.S. automobile insurance markets. These conflicting results raise the question of whether product innovation is a practically important feature of insurance markets.

Manufacturing companies and service providers alike need to become more innovative, but first of all they need to understand what innovation is, as well as how to manage and nurture it. Research has shown innovation management requires performance in five areas - just like a pentathlon.

Increasing international competition is forcing many insurance companies to look for ways to become more innovative. However, improving the performance of a company in this area is a real challenge. For example, UK companies are often criticized for having good ideas but not bringing them successfully to market. Whereas in Germany, there has been extensive public debate on whether high labour costs are reducing competitiveness, and innovation is seen as the most effective way to counter this. However, a major new study has found that managers in both countries are facing remarkably similar issues.

Many organizations perceive innovation as being synonymous with inventions and breakthroughs. The danger is that R&D is then seen as the only department directly responsible for innovation with the focus solely on product innovation. However, companies need to drive all forms of innovation. New products play a major role in revenue generation and market leaders use measures such as revenues from new products as key performance indicators. Studies show that, on average, 26% of revenue at insurance companies is earned from products less than three years old. However, many companies are slow at replacing old products.

In attempting to accelerate product innovation there is a trap into which many companies fall. Faster new product development requires companies to become adept at setting priorities and improving the development process from one project to the next. Simply pushing more projects into R&D does not increase output - usually the opposite occurs. Experts of insurance product development express the view that innovation needs constant and long-term attention from managers and in this sense the metaphor was appropriate. However, the implication that
innovation management is high performance in a single discipline is wrong. Innovation management requires good performance in five different areas –

- Innovation strategy.
- Creativity and ideas management.
- Portfolio management.
- Project management.
- Human resource management.

However, for insurers to determine if your product actually reduces risk and to take this value into account when setting premiums and offering terms, insurers will need clear information about:

- The purpose of your product:
- the effect of your product – building an evidence base:
- your product at the marketplace
- any relevant recognized standards, legislative requirements (in force or pending, European or domestic) or market ‘best practice’ that your product meets any approval or accreditation by any licensing or regulatory body

There is a dearth of literature on the subject of product innovation in insurance companies as framed above. The general tendency is for intra-industry studies of deep insurance markets, such as those of Europe or the United States, that focus on profitability or economic efficiency, concepts that flow directly from the microeconomic theory of the firm. The search for variables and factors that capture insurance market effectiveness is altogether absent from these studies, because they are tailored to the research agenda of highly developed insurance markets in which profit maximization and competition are far more pertinent than improving the ground work for a market that presumably should already be working.

**Justification of Parking Insurance as potential product**

Urban Nepal is currently witnessing the increase in number of vehicles. This has been the joint effort of growing upper-middle class and middle class families and increasing number of financing facilities by many financial institutions. This increase has placed special challenge in current road and parking capacity. Road and parking facilities has witnessed only a minimum level of upgrading in comparison to the increase number of vehicles. This has become the severe problem for authorities, vehicle owner and general public. Authorities are not been able to expand the road and provide other possible solutions. Vehicle owners are unable to feel safe about their vehicle while parking. General public suffers from the limited walking space and accidental threat has also been increased.

Parking insurance by its name is aimed at providing caution to the vehicle holders while parking their vehicle. If any damage on the vehicle takes place while parking the vehicle on the parking areas, then this product will come into effect. Owners can, without any fear, park their vehicle in the prescribed parking areas.

There has been the growing trend of vehicles being lost from the parking areas. The vehicles have been increased in such a rate that the parking areas are being overcrowded. It has been easier for the people to steal the vehicle from the parking area itself. This is basically true for motorbikes. It takes no time for the people to open the lock of any motorbike they desire and run away with that. The result is that people would complain the case in police and have to bear mental tension for much time. If the bike is found also, the cost of repairing that would be tremendous. By bearing the risk of the owner, parking insurance would serve its purpose.

Complains regarding the loss of vehicle equipments are in an increasing trend. Once it is lost, it is lost for ever. Owner has to get a new set of that equipment or else compromise without that. Parking insurance would serve its purpose in this regard also. Any equipment lost or any damage happened during the parking period then owner can claim the same in insurance company. It has been the growing tension
among the vehicle owner except motorbike that their stereo has been lost from the parking area. While getting out the stereo, sometime the mirror has also found broken. Unless and until it has been insured against parking insurance, there is no way out for the owner other than to purchase the same by paying full amount. Installing new equipments would also not make the owner fearless while parking their vehicle.

Population and Sample
The survey was meant for understanding insurance awareness level of general public and willingness for parking insurance as new product in non life insurance market. Therefore, vehicle owners in Kathmandu valley were considered as population. The number of vehicle owner could not be specified from the available data. For conducting our research, sample size of 50 was considered sufficient.

Variables and Measures Used
For the sake of simplicity of the entire research process only one independent variable viz., products/process being offered by the non life insurance companies in Nepal has been considered for analysis purpose. Similarly, profitability and market share achieved by those non life insurance companies in the earlier years has been taken as the dependent variable. In between these two dependent and independent variables, company image and strategies are considered as moderating and intervening variables.

Data Collection Methods
Data collection was undertaken by administration of the questionnaire especially designed for the purpose of the research as captioned and analysis of the data thus collected. In addition annual reports for the different financial years were studied and analyzed.

A questionnaire was administered for data collecting purpose. Brief literature survey was conducted by collecting the results of the studies conducted in the past in similar area.

Data Analysis Technique
Data gathered from different sources as defined in the preceding section was analyzed by using SPSS 15.0 software for testing the hypothesis as formulated above.

Non life Insurance Products in Nepalese Markets
There is absolutely no product innovation in the Nepalese non life insurance industry. Our study on the product differentiation amongst the industry players depicts that almost all the industry players are providing the following products at more or less similar price:

- Fire Insurance
- Household Effects Insurance
- Marine Cargo Insurance
- Personal Accident Insurance
- Cash in Transit and Cash in Safe Insurance
- Burglary & House-Breaking Insurance
- Fidelity Guarantee Insurance
- Bankers Indemnity Insurance
- Contractor’s All Risk, TPL, Machinery Breakdown and Electronics Equipments against accidental loss, short circuit

Analysis
1. Frequency Analysis
a. Sex
Among the 50 respondents who filled the questionnaire. 72% were males while 28% were females.
b. Age
60% of the respondents are of the age group of above 25 but below 35.
c. Profession
42% were self employed while 36% were working in the service industry. The result shows that self employed respondents were well aware of the needs and the benefits of the
d. **Awareness on Insurance Products**
   The results of the questionnaire circulated depicted that the awareness level of the people on the fire and the motor insurance coverage was the highest with 82% and 96% awareness while the level of awareness of the people on marine insurance coverage was the minimal with a negligible percentage of 28%.

e. **Insured at least one**
   Among the general public, the level of acquaintance with the insurance product was satisfactory, with 60% of the respondent having used at least one insurance product available in the market.

f. **Insured-Motor**
   Of the respondents, 60% have procured the motor insurance coverage.

g. **Insured-Fire**
   Of the respondents, only 22% have procured the fire insurance coverage.

h. **Insured-Marine**
   Of the respondents, a mere of 10% have procured the marine insurance coverage.

i. **Top of Mind Company**
   Of the 50 respondents used for sample analysis, we noted that the three companies offering non life insurance products viz. Prudential Insurance Company, Shikhar Insurance Company and United Insurance Company (Nepal) Limited were the probable competing industry stakeholders as each of the aforesaid companies were in the top of the mind of 10% of the respondents.

j. **Awareness on Non-life Insurance Company**
   78% of the respondents were aware of Shikhar Insurance Company while the awareness of United Insurance Company (Nepal) Limited ranked second with 76% and Prudential Insurance Company was ranked the third with 56% level of awareness amongst the industry stakeholders. Awareness on Everest Insurance Company and National Insurance Company was minimal amongst the respondents.

k. **Insured in which Company**
   Irrespective of the non life insurance products, the insurance product offered by Everest Insurance Company and United Insurance Company (Nepal) Limited was the most preferred as 14% each of the respondents agreed that they are in possession of the products offered by these companies.

l. **Service rating**
   The quality of service being offered by the non life insurance companies was noted poor by 22% of the respondents. This has obviously denoted that the industry players have to upgrade the standard of the service being provided by them before going for product diversification.

m. **Reason for not insuring**
   55% respondents who have never used any insurance product argued that they are not aware of insurance products available in the market while 40% denied their confidence over the insurance companies.

n. **Proper deal- ready to insure**
   Despite each of the results, 80% of the respondents agreed that provided proper deal, the respondents are ready to insure.

o. **Client is/was of United Insurance**
   Of the selected respondents only 40% were brand loyal customers while 60% were customers of the rivals.

p. **Service rating- United Insurance**
   Of the United Insurance customers, 45% argued that they are not quite happy with the quality
of service offered by it as they ranked the service delivery as being poor.

q. Awareness—Parking Insurance

Most of the respondents were not acquainted with the insurance product viz., parking insurance. Only 30% of the respondents opined that they are aware of parking insurance service coverage. This might be because of the fact that such insurance products are yet not introduced in the Nepalese market.

r. Parking Frequency

The frequency of parking in Kathmandu valley is relatively significant as 32% of the respondents parked their vehicle in parking lots once in every two days. Further, 36% of the above respondents parked their vehicle for a period of 10 to 15 hours every month.

s. Parking Risk

80% of the above respondents agreed that there is significant parking risk in Kathmandu.

t. Acceptance of parking insurance

A handsome number of the respondents expressed their willingness to procure products like parking insurance if such products are introduced in the Nepalese market. Such respondents constituted 90%.

u. Promotion mechanism

The respondents were of the view that promotion mechanism adopted by individual marketing and TV commercials will be the most efficient mechanism to introduce the parking insurance product in the market. 70% of the respondents were of the view that individual marketing mechanism will be efficient while 68% were also in favor of TV commercial mechanism as a promotional campaign.

II. Hypothesis Testing

Based on theoretical framework, following hypotheses are generated and tested.

Hypothesis 1

H0: Mean score for people evaluating the overall service of Insurance Company in general is less than or equal to 3 in the scale of 5.

H1: Mean score for people evaluating the overall service of Insurance Company in general is greater than 3 in the scale of 5.

Test Conducted

One sample t-test

Output for Hypothesis 1:

<table>
<thead>
<tr>
<th>Service Rating</th>
<th>N</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>50</td>
<td>2.04</td>
</tr>
</tbody>
</table>

Conclusion

Here, mean score for people evaluating the overall service of Insurance Company is 2.04. It seems that people do not possess good perception regarding insurance companies of Nepal. To be specific, service of current insurance companies can be termed as poor. Furthermore, level of significance for the evaluation of overall service is greater than 0.05. So, we do not reject the null hypothesis. People evaluating the overall service of insurance company is less than or equal to 3. This result is towards the lower limit of perception of people towards insurance companies. There is a need to upgrade service element of insurance companies and move towards professionalism. In the absence of professionalism, sooner or later, after the rapid entry of insurance companies from outside with more professional approach would outplay the current players. Service improvement and professionalism is becoming a necessity rather than a choice.

Hypothesis 2

H0: There is no association between being aware of parking insurance and actually choosing the product.
**H1:** There is association between being aware of parking insurance and actually choosing the product.

**One-Sample Statistics**

<table>
<thead>
<tr>
<th>Test Value</th>
<th>t</th>
<th>Sig.(2-tailed)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service Rating</td>
<td>7.928</td>
<td>.024</td>
</tr>
</tbody>
</table>

**Conclusion:**

The test result shows that people are not that aware about parking insurance. If information and benefit of parking insurance is properly disseminated, people are ready to accept parking insurance. Only 30% of the respondents are aware of parking insurance but 90% of the respondents are ready to accept this if given a proper deal. Furthermore level of significance for the same association is less than 0.05. So, we reject null hypothesis. There is strong association between the awareness and acceptance factor of parking insurance. Increasing awareness towards parking insurance is a must. The more aware people are the more ready they will be to test this product. Proper promotional strategies should be formulated and implemented in order to generate greater benefit from this product. The research shows that the product has a positive indication of performance in the market. Individual marketing and TV commercials should be taken as a source of promotion of the product.

**Test Conducted:**

Non parametric - chi square test. *(For SPSS output refer to Annex 3.b)*

**Output for Hypothesis 2:**

**Awareness parking insurance**

<table>
<thead>
<tr>
<th>Observed</th>
<th>Expected</th>
<th>Residual</th>
</tr>
</thead>
<tbody>
<tr>
<td>N</td>
<td>N</td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>15</td>
<td>25</td>
</tr>
<tr>
<td>No</td>
<td>35</td>
<td>25</td>
</tr>
<tr>
<td>Total</td>
<td>50</td>
<td></td>
</tr>
</tbody>
</table>

**Test Statistics**

| Chi-Square(a) | 32.000 |
| Df | 1 |
| Asymp. Sig. | .000 |

0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 25.

**Hypothesis 3**

**H0:** There is no difference in frequency of parking and choosing the parking insurance.

**H1:** There is difference in frequency of parking and choosing the parking insurance.

**Test Conducted:**

Independent Sample t test. *(For SPSS output refer to Annex 3.c)*

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Group Statistics

<table>
<thead>
<tr>
<th>Acceptance of parking insurance</th>
<th>N</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parking Frequency</td>
<td>Yes</td>
<td>45</td>
</tr>
<tr>
<td>No</td>
<td></td>
<td>5</td>
</tr>
</tbody>
</table>

Independent Samples Test

<table>
<thead>
<tr>
<th>Levene's Test for Equality of Variances</th>
<th>t-test for Equality of Means</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>F</td>
</tr>
<tr>
<td>Parking Frequency</td>
<td></td>
</tr>
<tr>
<td>Equal variances assumed</td>
<td>4.664</td>
</tr>
<tr>
<td>Equal variances not assumed</td>
<td>-6.07</td>
</tr>
</tbody>
</table>

Conclusion:

Here, 45 respondents have admitted that if given a proper deal they will be taking the parking insurance. This part aims at analyzing the relationship between frequencies of parking and if provided choosing parking insurance to safeguard the vehicles while parking. Test result shows that level of significance is greater than 0.05. So, we do not reject the null hypothesis. There exists no difference in parking frequency and actually choosing parking insurance. People are ready to tie up their parking habit with parking insurance. Further, it can also be said that people do not find parking as safe procedure. They also feel risky to park their vehicle. People cannot feel safe about their vehicle once they leave it in the parking lot. If parking insurance is introduced with service enhancement, people are ready to accept this product of insurance to safeguard their vehicles. This part of analysis shows that, the scope for parking insurance is greater in the Nepalese market.

Hypothesis 4

H0: There is no difference in considering overall service factor of insurance companies and actually choosing parking insurance.

H1: There is difference in considering overall service factor and actually choosing parking insurance.

Test Conducted:

Independent sample T-test.

Group Statistics

<table>
<thead>
<tr>
<th>Acceptance of parking insurance</th>
<th>N</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service Rating-Insurance</td>
<td>Yes</td>
<td>45</td>
</tr>
<tr>
<td>No</td>
<td></td>
<td>5</td>
</tr>
</tbody>
</table>

Independent Samples Test

<table>
<thead>
<tr>
<th>Levene's Test for Equality of Variances</th>
<th>t-test for Equality of Means</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>F</td>
</tr>
<tr>
<td>Parking Frequency</td>
<td></td>
</tr>
<tr>
<td>Equal variances assumed</td>
<td>.772</td>
</tr>
<tr>
<td>Equal variances not assumed</td>
<td>.130</td>
</tr>
</tbody>
</table>
Conclusion:

From the test, we can see that level of significance is greater than 0.05. In this case, we do not reject the null hypothesis. It can be concluded from this analysis that overall service is a key driver for the people to either choose or not to choose parking insurance. In the above analysis, 40% of the respondents claim that they don’t have the confident in the overall service of Nepalese insurance company. Further, 55% reveal that they are not aware of insurance. In this regard, promoting the company as well as parking insurance is the key to succeed in this market. People attach the acceptance of parking insurance with the service element of insurance company. If united insurance can upgrade its service and introduce parking insurance then their performance would show positive impact. Parking insurance in itself possesses greater scope. Company introducing this with service improvement can gain first mover advantage.

Hypothesis 5

H0: Mean score for people evaluating the overall service of United Insurance is less than or equal to 3 out of 5.

H1: Mean score for people evaluating the overall service of United Insurance is greater than 3 out of 5.

Test Conducted

One sample t-test

<table>
<thead>
<tr>
<th>N</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>20</td>
<td>1.90</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Test Value = 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>t</td>
</tr>
<tr>
<td>Service Rating</td>
</tr>
</tbody>
</table>

Conclusion

The mean score for evaluating the overall service of Insurance Company is 1.90. It seems that people do not possess good perception regarding United Insurance Company. To be specific, service of united insurance company can be termed as poor or even worst. Furthermore, level of significance for the evaluation of overall service is greater than 0.05. So, we do not reject the null hypothesis. People evaluating the overall service of United Insurance Company is less than or equal to 3. This result is towards the lower limit of perception people have towards United Insurance. There is a need to upgrade service element of united insurance move towards professionalism. People do not like the current service provided by united insurance. Reasons may be many but it is the duty of management to look after the performance of united with both the eyes and ears open. In this era of growing competition, choices are many in front of the consumer. Management should quickly identify and eliminate the loopholes and promote the good image of the company in the market. The introduction of parking insurance can be imitated quickly and market can be taken away by the competitors even quicker if current service is not improved. Introduction of parking insurance can be a gateway to success for the competitors.

Hypothesis 6

H0: There is no difference in generating awareness through (newspaper and magazines, hoarding boards, TV Commercials, Radio Commercials, Individual Marketing) and actually becoming aware of parking insurance.

H1: There is difference in generating awareness through (newspaper and magazines, hoarding boards, TV Commercials, Radio Commercials, Individual Marketing) and actually becoming aware of parking insurance.
**Test Conducted:**

Independent Sample T test. *(For SPSS output refer to Annex 3.d)*

**Conclusion:**

This part of analysis aims to generate the awareness factors of parking insurance and how significant they are for creating awareness of parking insurance among the people. It has already been identified that TV commercials and individual marketing will be the major source of awareness for parking insurance through frequency analysis. Going through the result of independent sample t-test, it is found that level of significance for TV commercials as well as individual marketing is less than 0.05. So, we reject null hypothesis. It could be concluded that, these two medium are of utmost importance or is currently bearing a greater importance in making parking insurance aware to the people. Furthermore, level of significance for hoarding boards, paper advertisements, Radio Commercials, is greater than 0.05. We do not reject the null hypothesis for these factors. Currently, it is found that these factors would not contribute for creating awareness of parking insurance individual marketing and/or TV commercials. It is recommended for united insurance to promote parking insurance in television as commercials and individual marketing strategies should be formulated and implemented to increase the performance impact of this product.

<table>
<thead>
<tr>
<th>Sources of Awareness</th>
<th>Levene’s Test for Equality of Variances</th>
<th>t-test for Equality of Means</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>F</td>
<td>Sig.</td>
</tr>
<tr>
<td>TV Commercials</td>
<td>Equal variances assumed</td>
<td>13.664</td>
</tr>
<tr>
<td></td>
<td>Equal variances not assumed</td>
<td></td>
</tr>
<tr>
<td>Individual Marketing</td>
<td>Equal variances assumed</td>
<td>36.634</td>
</tr>
<tr>
<td></td>
<td>Equal variances not assumed</td>
<td></td>
</tr>
<tr>
<td>Hoarding Boards</td>
<td>Equal variances assumed</td>
<td>1.058</td>
</tr>
<tr>
<td></td>
<td>Equal variances not assumed</td>
<td></td>
</tr>
<tr>
<td>Print/paper advertising</td>
<td>Equal variances assumed</td>
<td>1.316</td>
</tr>
<tr>
<td></td>
<td>Equal variances not assumed</td>
<td></td>
</tr>
<tr>
<td>Radio Commercial</td>
<td>Equal variances assumed</td>
<td>.444</td>
</tr>
<tr>
<td></td>
<td>Equal variances not assumed</td>
<td></td>
</tr>
</tbody>
</table>

**Current Financial Status and Product Development History**

Financial Status Analysis of UIICL

The sales and net income achieved by the Company is presented in the table below:

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007 (Unaudited)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Premium Income</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fire</td>
<td>20,168</td>
<td>24,294</td>
<td>33,419</td>
<td>25,998</td>
<td>30,180</td>
</tr>
<tr>
<td>Marine</td>
<td>6,499</td>
<td>9,754</td>
<td>11,717</td>
<td>12,664</td>
<td>10,390</td>
</tr>
<tr>
<td>Motor</td>
<td>49,386</td>
<td>44,527</td>
<td>47,835</td>
<td>60,730</td>
<td>79,637</td>
</tr>
<tr>
<td>Products</td>
<td>2003</td>
<td>2004</td>
<td>2005</td>
<td>2006</td>
<td>2007</td>
</tr>
<tr>
<td>------------------------------------------</td>
<td>-------</td>
<td>-------</td>
<td>-------</td>
<td>-------</td>
<td>-------</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>-</td>
<td>10,913</td>
<td>17,285</td>
<td>30,625</td>
<td>21,263</td>
</tr>
<tr>
<td>Engineering</td>
<td>-</td>
<td>1,352</td>
<td>3,759</td>
<td>3,369</td>
<td>5,230</td>
</tr>
<tr>
<td>Total Premium Earned</td>
<td>76,053</td>
<td>90,840</td>
<td>114,015</td>
<td>133,386</td>
<td>146,700</td>
</tr>
<tr>
<td>Reinsurance Ceded</td>
<td>52,573</td>
<td>55,083</td>
<td>84,741</td>
<td>85,730</td>
<td></td>
</tr>
<tr>
<td>Retention</td>
<td>23,480</td>
<td>35,757</td>
<td>29,274</td>
<td>47,656</td>
<td></td>
</tr>
<tr>
<td>Management Expenses</td>
<td>16,448</td>
<td>16,547</td>
<td>17,569</td>
<td>19,405</td>
<td></td>
</tr>
<tr>
<td>Profit after tax</td>
<td>3,385</td>
<td>7,009</td>
<td>9,547</td>
<td>8,675</td>
<td>9,502</td>
</tr>
<tr>
<td>Net Profit Ratio</td>
<td>14.41%</td>
<td>19.60%</td>
<td>32.61%</td>
<td>18.20%</td>
<td></td>
</tr>
</tbody>
</table>

**Product Development History**

On assessment of the product development history of UICL, the following was observed:

The above table presents the profitability status of the Company from 2003 to 2007. The profitability ratio is increasing year on year despite turbulence faced in the lines of business. Of the years under consideration FY 2005 was a historical year for the Company based on the profitability aspect where the Net Profit Ratio was as high as 32.61% which is an increase of 13.01% over the immediately preceding year. The huge profitability ratio was contributed by increase in the premium collection for each line of business on which policies were underwritten.

A key point is to be noted over here that UICL has not been able to innovate the product in the financial years 2006 and 2007. Limited product innovation is observed in the immediately preceding years 2004 and 2005 in the miscellaneous line of business like Burglary and House Breaking, Fidelity Guarantee Insurance, International Travelers Medical claim and Group Cum Family Hospitalization Insurance.

**Recommendations**

Like in any other industry, product innovation together with process innovation is a must in order for companies to achieve sustainable profitability. Companies may able to expand market share and increase profit in the short term but a long term profit cannot be achieved without product/process innovation in non life insurance industry as well. As disclosed by the study, product innovation in non-life insurance industry must be market and economy specific. Nepalese insurance companies should
innovate new product that suit to the economy and context. It seems that micro insurance products and product that cater the need of farmers and poor people have big potential in Nepal.

As the survey result shows that insurance awareness level of general public has very low, insurance companies have to invest and work toward increasing the insurance awareness level of the general public so that people will be more aware of the benefit of insurance services. As a result overall insurance industry will be expanded contributing to national economy by creating more services and jobs.

Similarly insurance companies must also advocate for policy reform so that insurance companies and Government can collaborate to develop and launch insurance services that will cater the need of farmers, micro borrower and rural people benefiting the insurance companies, Government and rural population.

In the mean time insurance companies must not loose sight in the urban market. They must continue to cater the growing and new product demands of urban population. As showed by the survey result parking insurance could be a successful new product in the Nepalese market that possesses great deal of scope. The acceptance rate of parking insurance is as more as 90% from the research conducted. Financing facilities and installment payment schemes has also contributed to the increase number of vehicles. Further, awareness regarding motor insurance is high among the respondents than any other category and data shows that contribution of motor insurance in the revenue column is the highest (on the basis of quantity and increasing trend). More vehicles imply more threat of loss or damage of the same. In this regard, parking insurance will emerge as a potential risk reducer on the mind of the consumer. This is the reason for more acceptance of parking insurance as a new product of insurance. it can be an opportunity for any of the insurance company operating in Nepal. United Insurance, in order to introduce this product and gain first mover advantage, need to concentrate on many other aspects before doing the same. If it brings the product without performing necessary homework, this is as good as showing potential gateway for generating more profit for the competitors.

The research has found out that, service quality of insurance company as a whole is very pathetic. People do not have confidence in Nepalese insurance companies. Further, the scenario is even worse for united insurance. People are least satisfied with the performance of United Insurance. There is a need to enhance overall service quality of United Insurance before introducing parking insurance. The probable enhancement identified during the course of the study can be listed down as follows:

- hiring more qualified and competent manpower
- internal infrastructure redesign
- prompt service
- quick claim settlement
- customer focus service
- spacious parking area

After improving the above listed areas, introduction of parking insurance is feasible for United Insurance; else it will be the gateway for competitors.

Even great products need promotion. United Insurance should acknowledge this fact and work on promoting the company as well as its products including parking insurance. For promoting parking insurance people prefer individual marketing. United insurance should train its marketing staff to generate business via parking insurance. Besides individual marketing, people also prefer TV commercials for the promotion of parking insurance. In order to make this effort logical, it is recommended for united insurance that TV commercials should be broadcasted in the first stage to create awareness among the probable clients and followed by individual marketing to generate actual acceptance of the product.

80% of our respondents reveal that parking is
a risky business. Increasing number of vehicle
and the fact revealed by the respondents further
elaborate and justify the emergence and existence
of parking insurance. The only need is to properly
design the insurance package and sustain the
first mover advantage for a longer period of
time.

United Insurance should convince the people about
the company and its devotion towards the consumer.
All movement and motive of united insurance should
be directed towards meeting and exceeding
customer expectation and through this gaining the
brand loyalty. This effort is possible only through
service enhancement and regaining the lost image
back from the consumer. This effort would help
united insurance to increase its profitability through
current product line and also through new product
in the form of parking insurance.

United Insurance should take this time as an
opportunity to upgrade itself in whatever way
possible before the competitor does. If not
survival of the united insurance would carry a
big question mark. Further, emergence of new
insurance companies with fresh capital, knowledge
and expertise (both internal and external) would
soon taken away the market share of current
insurance companies including that of united
insurance.

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22201. Internet:

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Washington DC 20004. Internet:
Practices of Customer Relationship Management (CRM) in Supermarkets of Kathmandu

* Pankaj Pradhananga, ** Sanad Shrestha,  
*** Md. Shehzad Arshad, **** Jagdish Maskey

Introduction
The shopping in supermarkets is a recent phenomenon in Nepal. It took over a decade for the supermarkets based in Kathmandu to attract and build significant customer base. It was pretty challenging and time taking effort to shift the shopping practices from small grocery shops or traditional convenience stores to the supermarkets in Kathmandu.

Bhathkeshi, Bluebird, Gemini and Saleways are the leading names as the successful supermarket in Kathmandu. With the changes in lifestyle and international exposure, shopping in supermarket has become a part of normal lifestyle for many in Kathmandu.

Needless to say, retailing world is getting brutally competitive. Nepalese Supermarket is no exception. Despite of harsh reality of cut throat competition in supermarket business, the illusion persists that there should be some magical tools that can help the supermarkets to do better business by overcoming the problems of fickle minded customers, price-slaughtering competitors and mood swings in economy.

Customer loyalty is viewed as vital element for good health and growth of a company. It is strongly believed that one can increase customer loyalty through customer relationship management. Companies are beginning to learn what customer loyalty is all about, which customers are best to target for loyalty, and how to improve it. The future of customer loyalty lies in adding to the value proposition by creating positive and memorable customer experience.

To stay ahead in the race, Supermarkets in Kathmandu are practicing some forms of relationship management. The proposed research was an attempt to understand the level of awareness in the Supermarket about CRM, its possible application and the benefits if effectively implemented.

The Research Problem
‘Today’s shoppers want the total customer experience: superior solutions to their needs, respect, an emotional connection, fair prices, and convenience. Offering four out of five pillars isn’t enough; a retailer must offer all of them’ - "Berry Leonard (April 2001) – Harvard Business Review"

Demanding customer and ever growing number of Supermarket have been instrumental for increased competition among the Supermarkets where various activities are being adopted to get bigger share of the pie.

Be it by offering 50% + 40% discount, attractive discount coupons or creating hype, the supermarkets in India are not leaving any stones unturned to exploit the business opportunities. It has been

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**** Proprietor, Gemini Supermarket, Bouddha
observed that CRM has become common practice in the supermarkets in Metropolitan cities of India.

Since, Nepal is relatively a smaller country it would not be wise for the supermarket’s in Kathmandu to go mega big in short span of time knowing the limitations and possible adverse environment it operates in.

Various questions arise in this respect: Are Supermarkets aware of CRM and its proper application? Do they know what benefits it brings if applied effectively?

The research indeed tries to explore related aspects of the questions raised above.

**Objective of the research**

The research indeed tries to explore related aspects of the questions raised above. The basic objective of the research is to examine the critical factors that are associated with the nature and dynamics of CRM practices.

To be more specific, the research aims to:

- Identify the level of awareness about CRM in the Supermarkets.
- Find out the ways of implementing CRM
- Perceived benefit that supermarkets believe CRM would bring in

- Recommend the supermarket based on the analysis & its findings

**Research Methodology**

We short listed the leading supermarket located in different parts of Kathmandu.

Because of the absence of prior research on CRM in the areas of retail business in Nepal and a very limited number of Supermarkets, we opted to go for case study methodology with exploratory design.

We developed a set of questionnaire for indept interview with the Supervisor/managers of the Supermarkets. Then we visited the supermarket on different occasions and tried to observe the basic practices from the CRM perspective. We did speak to its Supervisor/managers and got the open ended questionnaire filled up in details.

**What is CRM?**

A fundamental principle of CRM is that all customers are not the same. It should therefore be realized that CRM is based on the idea of treating different customers differently.

An effective CRM system is a way for the organization to develop a customer focus that has impact that allows the organization to hear the customer’s voice.

---

**POTENTIAL COSTS AND BENEFITS OF CRM SYSTEMS**

<table>
<thead>
<tr>
<th>Benefits</th>
<th>Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer focus</td>
<td>Infrastructure</td>
</tr>
<tr>
<td>Customers reئتting</td>
<td>Inceaments</td>
</tr>
<tr>
<td>Share of customer wallet</td>
<td></td>
</tr>
<tr>
<td>Long-term profitability</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Organization</th>
<th>Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lifetime relationship</td>
<td>Continuity</td>
</tr>
<tr>
<td>Value of the</td>
<td>Contact rough points</td>
</tr>
<tr>
<td></td>
<td>Personalized service</td>
</tr>
<tr>
<td></td>
<td>Enhanced satisfaction</td>
</tr>
<tr>
<td></td>
<td>Safety</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Customer</th>
<th>Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Privacy</td>
</tr>
<tr>
<td></td>
<td>Opportunity</td>
</tr>
</tbody>
</table>

Source: Zikmund, McLeod, Gilbert (2004), Customer Relationship Management
As per Zikmund, McLeod & Gilbert, Customer focus means that the organization is ready to view the purchasing process from the customer’s point of view, to empathize with the customer’s feelings, and to treat the customer’s information with great care.

If organization can learn enough about individual customers, then the customer should be more satisfied, trusting and willing to talk positively to others about the organization’s wonderful approach — the systems should enable the organization to retain regular customers as it acquires new ones.

The organization wants to please customers to the point that they want the organization to sell them something else. CRM systems attempt to make individual customers more profitable by recognizing the initial sale and recommending related items or services to enhance the customer’s experience. Thus cross-selling and up-selling can be fundamental outcomes of effective CRM systems.

As Prof (Dr) S Chandrasekhar, FORE School of Management, New Delhi puts forward that apart from the usual CRM benefits, super market particularly has another important application of CRM, which is known as market basket analysis. The basic objective of such an analysis is to identify patterns in large number of purchase transactions made across customers. It answers questions such as what products/bundle of products are purchased together. One can go a step further and ask questions such as if a customer buys a specific product / group of product today what is the likelihood of his buying some other product within a specified time interval.

**ASPECTS OF RELATIONSHIP PROGRAMS:**

<table>
<thead>
<tr>
<th>Relational Facet</th>
<th>Organizational Implications</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Incentives</td>
<td>Frequent flyer/reader/buyer/ visitor…. Rewards, discounts, product upgrades, awards, prizes.</td>
</tr>
<tr>
<td></td>
<td>Related products or providers expand the net</td>
</tr>
<tr>
<td></td>
<td>Increased customer loyalty to price, incentives</td>
</tr>
<tr>
<td>Social bonding</td>
<td>Friendly companionship, trust.. connections</td>
</tr>
<tr>
<td></td>
<td>Personal insights, reorganization, mutual affection, Interpersonal interactions expand the link</td>
</tr>
<tr>
<td></td>
<td>Increased customer loyalty to the organization.</td>
</tr>
<tr>
<td>Structural interactions</td>
<td>Systematic mass personalization … Management mass</td>
</tr>
<tr>
<td></td>
<td>personalization, cultivation, simulation,</td>
</tr>
<tr>
<td></td>
<td>Artificial intelligence continues the connections</td>
</tr>
<tr>
<td></td>
<td>Increased customer loyalty to the experiences</td>
</tr>
</tbody>
</table>

Zikmund, McLeod, Gilbert (2004), *Customer Relationship Management*

CRM applications is believed to constitute a powerful suite of high-end tools that help to effectively streamline business sales, marketing and customer relationship functions. Using just one user-friendly solution one can securely store data, automate key business functions, coordinate sales and marketing, improve employee performance, cut costs, and focus on maximizing customer satisfaction.
Many companies are under impression that they are focused on the customer but have product-focused business procedures. The below checklist as developed by

*Linda McHugh, Baseline Consulting Group* helps to figure out whether the company is applying CRM

- Information about every product owned by a customer is available from a single report, query or database.
- Products are developed and managed as part of portfolios that target specific customer segments.
- The company supports an ongoing customer satisfaction program.
- The customer satisfaction survey not only asks for a rating on some aspect of a product or service, but also asks the customer to rate how important that aspect is to him/her.
- All customer information is stored and maintained in a single, integrated repository.
- The sales force is organized and compensated by customer segment.
- A chief customer officer (CCO) or similarly titled executive level position is accountable for customer strategy, programs, policies and procedures.
- Employees are rewarded for identifying problems that affect the customer; and rewarded even more if they recommend and implement a solution.
- Call center representatives are empowered to make adjustments and offer premiums to customers experiencing problems.

If checked five or more, the company is more customer-centric than product-centric hence believed to be practicing CRM.

**Case Descriptions**

**Namaste Supermarket**

**Vital facts:**

- Started operations in Jawalakhel, Lalitpur in 1997. It has got two outlets i.e. hotel Narayani complex and Maharajgunj.
- Total number of staffs: over 90
- Selling Grocery, home appliances, dress materials, cosmetics, bakery products.
- 5,700 frequent buyers / Loyalty cards issued

**Awareness about CRM:**

- The supermarket strongly believes in relationship management
- Familiar with the terminology CRM but not about what activities are included as CRM.
- Starting from watchman, and help desk, staffs greet and assist customers, particularly to the regular/familiar customers.
- No dedicated CRM software in practice.

**Application of CRM:**

- Have software that keeps records of all the sales and keeps track or their purchase habit.
- No dedicated CRM software in practice for data mining.
- Customer Loyalty Card that offers discount (3 to 5%).
- Customer profile is recorded in forms as well as fed into computer.
- Regular customers are sent seasonal and festival greeting cards or surprise gifts.
- Selected customers are reminded of the new arrivals. But the activity is practiced by supervisor or manager that too to the high value customers only (by phone, email)
- Free home delivery service on bulk purchase.
- Telephonic enquiry is entertained through the store. No dedicated phone line available for enquiry.
- Supervisors are present on each floor attend for the customers’ enquiries.

Benefits of CRM (From company’s perspective):
- Customer retention: Repeat purchase by regular customers is the main business.
- Satisfied customers act as reference points helping in positive Word of Mouth (WOM) and increasing the new customer acquisition.
- Customer profile, particularly of high volume purchasers are noted personally by supervisor, manager or salespeople who are given special attention. Keeps the defection rate lower.
- Cross-selling and Up-selling is practiced with regular customers from salespeople level itself.

Bhatbhateni Supermarket

Vital facts:
- Started operations in Bhatbhateni in 1991.
- Total number of staffs: over 175
- Operating in own building selling Grocery, home appliances, dress materials, cosmetics, and jewelry.
- Ample parking area.
- Perceived as the leading supermarket with fair price and wide range of goods under the same roof.

Awareness about CRM:
- The supermarket value relationship management but not at all familiar with the terminology CRM.
- No dedicated CRM software in practice.

No Loyalty card / Frequent Buyer scheme.

Application of CRM:
- Entertain the customer inquiry over telephone but No dedicated phone line available.
- Free Home delivery services to high value customers (subject to Supervisor’s approval).

Benefit (From company’s perspective):
- Based on our observation, in-depth interview, we did not find any significant benefit that the supermarket thinks CRM brings in. Moreover they had confidence that the fair price it offers and its big brand value would continue attracting the customer.

Saleways Supermarket

Vital facts:
- Started operations in Jawalakhel, Lalitpur in 2005.
- Total number of staffs: 95
- Total 4 floors catering Grocery, home appliances, dress materials and cosmetics.
- 11,000 frequent buyers / Loyalty cards issued
- Price leadership, through its motto ‘Lowest Price Always’

Awareness about CRM:
- The supermarket strongly believes in relationship management though not familiar with the terminology CRM.
- Customer help desk is placed right at the entrance gate with Supervisor level staff on duty.
- No dedicated CRM software in practice.

Application of CRM:
- Loyalty card that offers 2 to 4% discount on purchase.
- Data of customer is fed in its software with
name, address, contact number, Birthday and Anniversary.

- Each transaction made by customer is recorded showing their purchase behaviors and patterns.
- Surprise gifts to the top 100 customers on the special occasions like festivals/Birthday/New year.
- Team of Supervisors on the floor for prompt handling of complaints/suggestions.
- Entertain the customer inquiry over telephone but No dedicated phone line available.
- Free Home delivery services to high value customers (subject to Supervisor’s approval).

Benefits of CRM (From company’s perspective):

- Happy customer with the rate of over 65% repeat ones.
- Referral business on rise.
- Instrumental in analyzing the trend/pattern of purchase behavior
- ROL (Re-Order Level) analysis
- Cross selling (Selling soda/soft drink when customer buys the liquors)
- Up selling (showing higher price wines, whisky when one comes to buy moderately priced stuff/also applicable in baby products).

Gemini Supermarket

Vital facts:

- Started operations at Boudha in 1991. Now it has got a branch in Jawalakhel.

- Total number of staffs: 110
- First Supermarket in Nepal for introducing Bar coding and POS terminals.
- Mission statement ‘Towards better Lifestyle’ strives to save customer’s time and ensure value for money.

Awareness about CRM:

- It is aware of CRM as an effective tool. And it is going to apply dedicated CRM software from the end of March 2008.
- Believes that customer loyalty is greatly dependent on the positive shopping experience of customer.

Application of CRM:

- No dedicated CRM software in practice.
- Entertain the customer inquiry over telephone with dedicated phone line.
- Free Home delivery services to bulk buyers.
- Encourage customers to give feedback.
- Surprise gift to the bulk buyers.

Benefits of CRM (From company’s perspective):

- Loyal customer base with increasing word of mouth.
- Helps to retain existing customer base.
## SUMMARY OF KEY RESPONSES

<table>
<thead>
<tr>
<th></th>
<th>Namaste</th>
<th>Saleways</th>
<th>Bhatbateni</th>
<th>Gemini</th>
<th>Overall</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Awareness</strong></td>
<td>Strongly believes on relationship management</td>
<td>Strongly Believes on relationship management</td>
<td>Believes in striving hard for customer satisfaction</td>
<td>Believes in relationship management</td>
<td>Varied level of awareness witnessed among the 4 stores. From almost non-existence of CRM to moderate level with lots of room for improvement at level of awareness in the days to come.</td>
</tr>
<tr>
<td></td>
<td>Heard of CRM but not fully aware / no software in practice</td>
<td>Aware of CRM / No software in practice</td>
<td>Not Aware of CRM / No software in practice</td>
<td>Aware of CRM / Planning to launch CRM software soon / But no dedicated software yet</td>
<td></td>
</tr>
<tr>
<td><strong>Application</strong></td>
<td>Software to keep record of sales / purchase habits</td>
<td>Software keepings customer database / purchase history</td>
<td>No Customer Database</td>
<td>Lacks customer Database</td>
<td>A few are found applying CRM to some extent but the customer database with data mining tools still not in existence.</td>
</tr>
<tr>
<td></td>
<td>Customer Loyalty card</td>
<td>Customer Loyalty Card</td>
<td>No Loyalty or discount card</td>
<td>No Loyalty or discount card</td>
<td>Loyalty card as applied by 2 supermarkets with the data of customers purchase habits and trend.</td>
</tr>
<tr>
<td></td>
<td>Regular customers are sent with card / gifts on festivals</td>
<td>Surprise gift to high value customers</td>
<td>Occasional gifts to high value customer</td>
<td>Surprise gift to the customer on special occasions.</td>
<td>Supermarkets are found mostly depending upon relationship management through personalized services. Supervisors play vital role in deciding who to cater with special attention or not.</td>
</tr>
<tr>
<td></td>
<td>Free home delivery for high value customers</td>
<td>Help Desk with Supervisor / Complaint handling</td>
<td>Free home delivery for high value customers</td>
<td>Free home delivery for bulk buyers</td>
<td>No effective system for complaint handling in place.</td>
</tr>
<tr>
<td>Benefit</td>
<td>Namaste</td>
<td>Saleways</td>
<td>Bhatbhateni</td>
<td>Gemini</td>
<td>Overall</td>
</tr>
<tr>
<td>---------------------------------------------</td>
<td>--------------------------------------</td>
<td>-----------------------------------------------</td>
<td>-------------</td>
<td>---------------------------------------------</td>
<td>-------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Customer profiling</td>
<td>Customer profiling</td>
<td>Knowing the customer and their purchase habit</td>
<td>NA</td>
<td>Loyal customer base with increased word of mouth</td>
<td>Supermarkets which are applying some forms of CRM, feels that it brings in benefit in different forms be it satisfied or repeat clients or positive word of mouth.</td>
</tr>
<tr>
<td>Instrumental in customer satisfaction / retention</td>
<td>Instrumental in customer satisfaction / retention</td>
<td>Happy / repeat customer with positive WOM</td>
<td>Instrumental for cross / Up selling</td>
<td>Loyal customer base with increased word of mouth</td>
<td>Knowing the customers also helps in serving them better with financial benefit through Cross selling and Up selling.</td>
</tr>
<tr>
<td>Helpful for cross selling / up selling</td>
<td>Helpful for cross selling / up selling</td>
<td>Instrumental for cross / Up selling</td>
<td>Help for Re-Order level analysis</td>
<td>Bhatbhateni is not found much concerned in understanding and applying CRM.</td>
<td>Whereas the ones who do not know much about CRM does not care much about the benefit that CRM brings in.</td>
</tr>
<tr>
<td>Overall findings</td>
<td>Namaste is aware of the importance of CRM hence trying to take the benefit out of its present tools like Loyalty card and customer data base. However the dedicated CRM software is not yet introduced for effective data mining</td>
<td>Saleways with the tools like loyalty / discount cards enjoying great benefit of CRM. Be it a help desk at the main entrance or complaint handling, Saleways strives to maximize Shopping pleasure for its customers</td>
<td>Bhatbhateni is not found much concerned in understanding and applying CRM. It looks content about its exponential growth with its present image of fair priced supermarket.</td>
<td>Being one of the early birds, Gemini has not yet introduced basic CRM tools. Loyalty / discount cards are not yet launched. Gemini is applying some basic CRM through personalized attention and complaint handling.</td>
<td>Though a new terminology for Nepalese Supermarkets, CRM has already started catching the attention. Few are found applying some forms of CRM as a tool to enhance their sales keeping the clients satisfied / loyal. Gemini is going to operate with a dedicated CRM tool in the near future. Bhatbhateni is not much concerned about CRM as an important tool. Salesways and Namaste are the ones who are applying CRM at the most and seem satisfied with the kind of return / value it has brought back. These two are yet to go for a dedicated CRM software in place.</td>
</tr>
</tbody>
</table>
Findings & Discussion

Our study revealed interesting findings about the awareness and practices of CRM in the Supermarkets of Kathmandu. The level of awareness varies among the samples where we carried out the study. From almost non-existence to moderately practiced level with lots of room for improvement.

Supermarkets in Kathmandu are found to have increasing level of awareness about CRM and its benefit. Though fairly new terminology for Nepalese Supermarkets, CRM has already started catching the attention.

All are found very concerned to optimize the overall shopping experience of its customer ensuring lasting loyalty and greater life time value of the customer. Supermarkets are found mostly depending upon relationship management through personalized services, surprise gifts and offering loyalty/discount cards but a dedicated software for CRM is still out of scene.

It was found that none of the supermarket has a dedicated and trained team for complaint handling which is crucial for healthy CRM.

Gemini Supermarket is going to implement proper CRM software near future. But Bhatbhateni does not look much concerned with CRM as an important tool.

Salesways and Namaste are the ones who are applying CRM at the most and seem satisfied with the return / value it has brought back. These two are yet to go for dedicated CRM software in place.

While analyzing the findings of our study, we found the Supermarket that is applying some forms of CRM practices are doing good, but Bhatbhateni is enjoying exponential growth without applying CRM! This has raised an important question about the cold response to CRM.

Do shoppers in Kathmandu really care about CRM? or Are they grown up enough to appreciate CRM? Perhaps they just care about the price and want to shop at the place which has higher perceived image irrespective of personalized services that others claim to offer. This could be a topic for further research.

Conclusion and Recommendation

Supermarkets in Kathmandu are found to be in the infancy stage in terms of CRM practices. It has a long way to go to exploit full potential of CRM with the help of the right type of software and system in place.

One must understand the fact that CRM is not a magical tool that ensures guaranteed success when other variables like price, quality / selection of goods/services, overall ambience of the store and motivation level of the staff are not positively balanced.

CRM brings the best result when it is applied in proper harmony with other areas of basic operations. Nepalese Supermarkets should not only apply the international model of CRM as it comes rather they should innovate further and understand well what the customer really value. A constant communication with the customer is vital which would not only make the customer feel important at the same time it provides most valuable inputs/feedbacks to improvise the services.

Needless to say if properly applied, CRM does cement the relationship with customer and builds lasting loyalty resulting in win-win situation for all.

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6. Whatis.com
   http://whatis.techtarget.com/definition
Customer Satisfaction of Buddha Air

* Pankaj R. Mishra, ** Mangesh Thapa,
*** Dr. Ravi Rauniyar

Abstract

Purpose
There was no mechanism to measure customer satisfaction at Buddha air. Management lacked the tools to focus on customer satisfaction in order to sustain and increase passenger growth. Therefore this research was formulated. The objectives of the study were as follows:

- To find the attributes of customer satisfaction for airline service users.
- To evaluate Buddha Air clients’ satisfaction level on identified attributes.

Findings
Results obtained from Focus Group Discussions and surveys showed most perceived value of customers as follows (Ranked from Top to Bottom):

1. Prior Information about delays
2. Prompt Luggage handling on arrival
3. On time flight
4. Maintenance of Safety standards
5. Prompt check in at desk
6. Cost of tickets
7. Information from cabin crew during flight
8. In flights service (snacks, newspaper, drinks)
9. Seat arrangements
10. Availability of tickets
11. Boarding & disembarkment procedure
12. Mileage bonus

Research Limitations

- The questionnaires for customer preference/value and performance evaluation were specifically designed for Buddha Air, which does not rule out the possibility of prejudice.
- Biased results could have been minimized if the same questionnaires were administered to other airlines hence conducting comparative study.
- Results might have been affected by respondents due to various factors like survey timing and surveyed sectors.
- Due to the dearth in the research time the sample size selected was small. Increase in sample size of respondents may have made the results vary.

Practical implications
Survey Results of customer satisfaction on Buddha Air show that improvement is needed on all attributes viz. Time Performance, Timely Information of Flight Delays, Luggage Handling and Prompt Check-In Service. Addressing the customer satisfaction attributes will definitely be a good opportunity for Buddha Air to retain passengers and to increase its market shares.

As these are the core value of airlines, there should be room for improvement to serve customers better. For some attributes like ‘Maintenance of safety standards’ - Buddha Air should educate the public what it means and what the company is doing about it.

For competitive advantage, there should be comparative survey on competitor’s clients

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**Introduction**

With the introduction of Domestic aviation services in Nepal, traveling within the country has been fast, easy and comfortable. In recent years, increase in passengers traveling by air, has lead to the increase in number of domestic airlines in operation. Thus leading to competition within the aviation industry.

Sustainability within the industry lies on the satisfaction of services provided to its clients by the airlines. However, there has been limited study on customers’ satisfaction of aviation services in Nepal.

Customer satisfaction for market growth and to produce competitive edge in novel industry has attracted significant research. Many studies have investigated customer satisfaction and have come out with various results. Many studies suggest that airline consumers want comfort and better services vis a vis or more than the value of their money.

Buddha Air has been successful in maneuvering Nepalese sky for more than a decade. However, continuous efforts by Buddha Air are needed to amalgamate the need of its customers to dominate Nepalese sky and to sustain current growth. This study was designed to find different attributes of customer satisfaction for airline services users. Further, the study also conducted customer satisfaction evaluation for Buddha Air.

**Institutional Setup of Buddha Air**

Buddha Air is the first and only airline in Nepal to operate brand new, straight out-of-factory aircrafts. It started operating since 11th October 1997 and currently possesses seven fully operational aircrafts maneuvering Nepalese Sky in ten destinations. Safety, reliability, comfort and quality service are the main emphasis of the company.

Buddha Air has now emerged as the market leader in the domestic airlines industry, registering a continuous and impressive growth since it started business. Its present market position is a result of carefully crafted and skillfully executed business strategies. The business strategies that focused on market development, technological superiority, fleet expansion, quality and innovation in services, and customer orientation have resulted in the expansion of its share in domestic market.

With this success, however, Buddha Air now faces following challenges:

- **Maintain its market position**
- **Expand at a reasonable pace.**

Though Buddha Air has yet to formulate a consolidated plan to align itself strategically in the emerging industry environment, its actions are guided by a number of strategic intents. Buddha Air’s strategic response to the challenges and the opportunities that are available in the air transport market include a set of ambitious business growth targets and strategies.

**Methodology**

**Selection of airlines**

Buddha Air was chosen since it is the market leader in domestic airlines industry. So it would be best airlines to conduct the customer satisfaction survey to get best research outcome.

**Survey design and method**

In view of the objectives to be addressed in the study, both quantitative and qualitative research approaches were applied:

**Qualitative method**

Focus group discussion (FGD) was conducted to design the individual questionnaire. Total of 11 people were involved in FGD. Some of the people in the FGD were the frequent flyers of Buddha Air while the others were frequent flyers of other airlines. The research instrument used for interviewing this group was semi-structured questionnaires for interviews.

This information was used to design survey questionnaires. FGD identified what they think about the customer satisfaction in airlines services. Then questionnaires were discussed with Buddha air management who added items they deemed important.
Quantitative method

First Step:
18 items/attributes were designed in a questionnaire to find out the attributes that the customers value the most. This questionnaire was administered randomly during different sector flights of Buddha Air. This would provide research group the ranking on the importance of attributes as perceived by the passengers for airlines industry. For measurement, a Likert scale ranging from 1 to 10 was used where 1 represents less important and 10 represents Very important.

Second Step:
Another 12 items’ questionnaire was developed to test the performance level of customer satisfaction on different attributes. These items were taken from the first questionnaire to find out the rating on these values on Buddha Air Customer satisfaction level. For measurement, a Likert scale ranging from -3 to +3 was used where -3 represents very Unsatisfactory and +3 represents Very satisfactory.

Training of Survey Assistants
A total of 7 Cabin Attendants of Buddha Air were selected for data collection. They were given the task of distributing the questionnaires to the passengers on regular Buddha Air sector flights. All of them were briefed about questionnaires. After completion of the filling up of questionnaires and upon arrival at Kathmandu airport, they had to collect and hand them over to the research team member.

Ethical considerations
All participants involved in the study were fully informed about the objectives of the study. They were also assured confidentiality of interviews. The respondents were told that they could skip any questions they did not wish to answer. Each respondent was given questionnaire individually and in a private setting. Participants were not identified by name or by any other identifying information.

Flow chart of study method:

1. A focus group discussion: Reveal direction of satisfying attributes that customer value in
2. Design of Questionnaire for need identification “what Customer Value in Services”
3. Design of Questionnaires for performance measurement
4. Amalgamation
5. Question Design Complete
   a. Satisfying attributes
   b. Performance Measurements
6. Administration of Survey, Data Collection
7. Data processing, Analysis, Discussion Interpretation, Report Writing with Suggestion and Recommendation

Data management and analysis
All completed questionnaires and the semi-structured interviews were manually coded and entered into a database using Data Analysis Plus 5.0 (with Excel Workbooks) software program. Data entry validity checks were performed for all the questionnaires and semi-structured interviews. After cleaning, data was analyzed using above program.

The FGDs notes were transcribed in the field in English. The data collected from the FGDs were compiled into a grid table format. This grid table comprised of a set of values they perceived about customer satisfaction and associated themes to facilitate analyzing the information. The findings from the FGDs were used to complement questionnaire design.

The focus group discussion was conducted among the individuals who were frequent flyers of Buddha Air and its competitors. Face-to-face as well as phone interviews were conducted to gather passengers’ primary importance they sought in domestic air travel. In some cases, the research group had to provide triggering questions to ease the interview.

Out of 100 survey questionnaires distributed to the passengers, 76 completed questionnaires were considered for analysis purpose. Questionnaires that were incomplete and not making sense were discarded.

**Results**

**Focus Group Discussion:**

- All respondent primarily valued punctual flight time.
- Most of the respondents were concerned about getting prior information for flight delays and same numbers were also concerned for prompt luggage handling.
- Most of the respondents were also concerned about snacks for flights longer than half hour.
- Respondents preferred choice of seating arrangements.
- Respondents were also concerned about cost of tickets and its timely availability.

**What are Customer Perceived Value in airline services?**

The respondents of the perceived value questionnaire indicated that three additional attributes- Availability of Tickets, Mileage Bonus and Boarding Disembarkment questionnaires have also been included in the survey questionnaire because Buddha Air considers these attributes important.

The major survey findings are presented below in tabular form:

<table>
<thead>
<tr>
<th>Description</th>
<th>Prior information delay</th>
<th>Prompt Check-in</th>
<th>On Time Flight</th>
<th>Safety maintained</th>
<th>Prompt Check-in Desk</th>
<th>Cost of your ticket</th>
<th>Refreshment</th>
<th>seat preference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean Overall</td>
<td>9.04</td>
<td>9.03</td>
<td>9.01</td>
<td>9.00</td>
<td>8.21</td>
<td>7.73</td>
<td>7.65</td>
<td>7.61</td>
</tr>
<tr>
<td>Mean (Native Passenger)</td>
<td>9.00</td>
<td>8.93</td>
<td>9.03</td>
<td>8.79</td>
<td>7.95</td>
<td>7.77</td>
<td>7.69</td>
<td>8.11</td>
</tr>
<tr>
<td>Mean (Foreign Passenger)</td>
<td>9.15</td>
<td>9.38</td>
<td>8.85</td>
<td>9.92</td>
<td>9.31</td>
<td>7.31</td>
<td>7.31</td>
<td>5.54</td>
</tr>
<tr>
<td>Mean (Male Passenger)</td>
<td>8.91</td>
<td>9.09</td>
<td>8.98</td>
<td>8.76</td>
<td>8.09</td>
<td>7.69</td>
<td>7.64</td>
<td>7.59</td>
</tr>
<tr>
<td>Mean (Female Passenger)</td>
<td>9.35</td>
<td>8.96</td>
<td>9.08</td>
<td>9.46</td>
<td>8.50</td>
<td>7.92</td>
<td>7.73</td>
<td>7.77</td>
</tr>
</tbody>
</table>

A priority ranking has been maintained in the table which portrays that the attribute people value the most is *Getting Prior Information in case of Flight Delay*. Respondents’ second priority for importance is *Prompt Luggage Handling on Arrival*. Need versus the performance level for attributes that has been tested during survey shows that
BuddhaAir’s passengers are much more concerned about attributes related with on time flight. Attributes such as availability of tickets, boarding & disembarkment procedure and mileage bonus have not received top rankings.

On performance measurement results, the top five attributes that customers value the most have scored relatively low this is of major concern to Buddha Air.

**Recommendations**

Results suggest that Buddha Air should create a consistent measurement system that would allow for quick and cost effective updates on a regular basis. This will allow Buddha Air to identify its level of performance and priority areas for improvements.

Results also indicate that Buddha Air should create a mechanism for administering identical survey on same attributes so that it can identify performance level of other domestic airlines. This will allow it to strengthen its core competencies and to edge over competitive advantage.

To serve better in future, following are suggested:

1. **Prior Information (in case of flight delay):**
   The result shows that performance of this attribute has low rating. Research suggests Buddha Air to establish mechanism to answer this attributes.

2. **Baggage Handling Service:**
   The result shows that Buddha Air should focus on prompt baggage handling especially in Biratnagar, Bharatpur and Nepalgunj sectors.

3. **On-time Performance:**
   The results indicate that this attribute needs urgent attention as customers value it the most.

4. **Check In Service:**
   The result shows that Check-In-Service needs attention to satisfy the customer.

5. **Safety Standard Maintained:**
   Result indicates that Buddha Air should be aware of their passengers’ concern regarding the maintenance of safety standards. Passengers highly value this attribute but have less information on it to make judgments.

6. **Ticket Price:**
   Customers buy airline services; buying tickets allow them access to bundle of service features and some of these features influence a customer’s choice of airline much more than others. Though respondents place relatively low value on this attribute, Buddha Air should address this issue to increase market share.

7. **In-flight Information:**
   Results suggest that passengers need information during flight as well. Though performance level is satisfactory, Buddha Air should come up with regular means to provide in flight information.

8. **Seating arrangement**
   Buddha Air currently does not have seating arrangement for its sector flight. Though it is not an important factor, results suggest for better seating arrangement.

9. **Refreshment Service:**
   Results suggest that in-flight service need to improve.

**Conclusion**

To have good Customer Satisfaction measurement system Buddha Air should constantly measure its performance. This research will give guidelines to Buddha Air to monitor customer satisfaction level on various attributes. This should also include the comparison with other airlines in domestic sector. Buddha Air should make necessary amendments as and when necessary to find out about its performance.

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