



ST.MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES
DEPARTMENT OF MARKETING MANAGEMENT
POST GRADUATE STUDIES

**CHALLENGES AND PROSPECTS OF NEW PRODUCT
DEVELOPMENT- THE CASE OF NYALA INSURANCE S.C**

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**RESEARCH PROPOSAL FOR PARTIAL FULFILLMENT OF
THE REQUIREMENT FOR MASTERS DEGREE IN
MARKETING MANAGEMENT**

July, 2020

Addis Ababa- ETHIOPIA

**ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES**

**Title: CHALLENGES AND PROSPECTS OF NEW PRODUCT DEVELOPMENT-THE
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DECLARATION

I declare that this research paper in title “*Challenges & Prospects of New Product Development on Nyala Insurance S.C*” is my original work & prepared under the guidance of Dr. Asfaw Yilma. All the source of material used for this thesis proposal has been duly acknowledged. I further confirm that this thesis proposal as not been submitted either in part or in full to any other higher learning institutions for the purpose of awarding any degree.

HANA GEREMEW

SIGNATURE-----

DATE-----

ENDORSEMENT

This is to certify that *HANA GEREMEW* carried out her thesis on “*Challenges & Prospects of New Product Development the case of Nyala Insurance SC*” and submitted in partial fulfillment of the requirements for the award of the degree of Masters of Art in Marketing Management at St. Marry University with my approval as university advisor.

Signature: _____

Date: _____

AsfawYilma (PhD) – Advisor

ACKNOWLEDGEMENT

First and for most, I would like to thank the almighty God & his mother Kidane Meherete for giving me the courage & strength to complete this thesis work. Secondly, I would like to thank Dr. Asfaw Yilma who is my advisor for his limitless effort & contribution in doing this thesis work. Thirdly I would like to thank the management & all the staffs of Nyala Insurance S.C for their willingness to respond to all my questions, last but not least my deepest gratitude and appreciation goes to my family & friends for their understanding & encouragement.

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ACRONYMS

- NISCO-Nyala Insurance Share Company
- CAR-Contractors' All Risk
- CPM-Contractors' Plant and Machinery
- WICI-Weather Index Crop Insurance
- KPY-Know Your Policy
- CAS-Customer Advisory Service
- IAS-Insurance Awareness Session
- CFA-Call for Assistance
- NPD-New Product Development
- MTM-Top Management Team
- EIC-Ethiopian Insurance Corporation
- MBD-Marketing Business Development

ABSTRACT

The main purpose of this study is to assess the Challenges & Prospects of New Product Development the case of Nyala Insurance SC. This research is descriptive type research & uses census survey. Both primary and secondary methods of data collection are applied. The researcher tries to find out the possible opportunities that gained during NPD and identify the major challenges that faced by the company, more over to recommend them to tackle the challenges ahead of time and harvest or utilize the opportunity to the maximum. The consumer perception, nature of insurance products, cost of marketing, mis-trust in insurer- insured relationship, failure to adopt information technology, low trained & inexperienced marketing staff, pricing of insurance products, cost of insurance, lack of innovativeness, complex procedures in claims management, Lack of awareness, cost of product development, lack of professionals like actuarial, budget, product quality, accessibility & warranty, purchasing power & willingness to pay it, policy issues, and distribution issues are found to be the major challenges of new product development. Profit maximization, wining customers, increase market share, build brand, increase business continuity, good will & creating differentiated product are the main opportunities gained from new product development.

Based on the findings the researcher recommend to NISCO to give due attention to hire professionals who could possibly perform well in the insurance industry, needs to develop marketing strategy which encourages the development of new products by endorsing the appropriate budget for it & also must work on alleviating all the challenges that affect its new product development strategy.

Key Words: Challenges, Prospects, New Product Development.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

In Ethiopia, insurance is dated back to ancient years when people contributed money or labor to assist other members whenever they faced financial difficulties or needed assistance. 'Idir' and 'Eqqub' are among the organizations that have played significant role in traditional insurance service in Ethiopia.

The first modern insurance company in Ethiopia can be traced back to 1905 with the establishment of Bank of Abyssinia. The bank was acting as an agent for foreign insurance companies to underwrite fire and marine policies. In 1923, the first Austrian agent of La Baloise fire insurance company came to Ethiopia and paid the first loss on warehouse and shop in 1929 (Hailu Zeleke 2007. Insurance in Ethiopia: Historical Development, Present Status and Future Challenges. Addis Ababa: Master Printing Press).

In 1950, only foreign insurance companies'Imperial insurance company of Ethiopia was established. Thus, during 1950s and 1960s, 33 foreign and 1 domestic insurance companies were providing insurance services (EEA, 2011).

The rise in the number of domestic insurance companies and the expansion of foreign insurance agents motivated the Ethiopian government to issue the first insurance proclamation to regulate the insurance business in the country.

In 1970, the first insurance proclamation, proclamation number 281/1970 was issued that prohibited foreign companies to undertake insurance business in Ethiopia either directly or through agents. Article 56 of the proclamation raised the minimum paid up capital for all insurance types.

Following the 1974 revolution which followed the path of the command economy, all domestic insurance companies were nationalized through proclamation no. 26/1975. The Ethiopian Insurance Corporation (EIC) established in 1976 by then the government of Ethiopia monopolized the insurance business by taking over the assets and liabilities of private domestic insurance companies (HailuZeleke. Insurance in Ethiopia: Historical Development, Present Status and Future Challenges (Addis Ababa: Master Printing Press, 2007 p.41).

Finance is considered as the life blood of a business. It is one of the basics of all types of economic activities. Company's financial performance is estimated in three measurements which are company's productivity (processing inputs into outputs efficiently), profitability (the level of which company's earnings are larger than its expenses), and market premium (the level of which company's market price is exceeding its book value) (Walker, 2001).

A product is "anything that can be offered to a market for attention, acquisition, use or consumption that might satisfy a need or want" they further added that product is more than just tangible objects, but also include service product as (intangible) (kotler & Armstrong (2010). This includes services which are intangible, inseparable, perishable, heterogeneous & interactive by their nature.

New product Defines as "a product for which the company needs a new marketing, and in which the substantial changes are conveyed but excludes any changes that may require simple promotions".

New products design is crucial to the survival of most firms while, a new firm may experience little product change, firms must continually revise their products. In fast changing industries, new product introduction is a way of life & highly sophisticated approaches have been developed to introduce new products (Schorder, 1989:85).

To change the picture of new insurance product in insurance companies the challenges and opportunities of new product development should be identified and appropriate solution should be given by the stakeholders of the insurance. Insurance companies throughout the world are constantly looking for new areas to sell insurance. For instance, many are now insuring specific types of deaths (i.e. cancer- related, Parkinson's, etc.).

The economic importance of insurance in general is pronounced by Harold & Skipper (1997) in seven different ways. The first and most is its contribution for financial stability and insured's peace of mind, it makes individuals and business less volatile by bearing their risk. Secondly, Substitution of government securities by insurance allows efficient allocation of resources and reduces tax payers strain. Thirdly, innovative insurance products support the sustainable operation of trade and commerce. Fourthly, saving mobilized and channeled to investment by insurance contribute for the fast economic growth. The fifth importance is the attainment of national economic efficiency which can be brought by insurance with their role of risk pricing, transformation and pooling which in turn helps better informed decision of insured's. The sixth importance is the economic incentive provided by insurance

and reinsurance though knowledge transfers on the risk mitigation techniques. Last but not least insurance contributes for efficient capital allocation of a country.

The purpose of conducting this survey is to assess the challenges and prospects of new product development. Under my study I am highly interested /motivated to know challenges in line with opportunities that a company's has on new product development.

The primary objective for a company introducing a new product is to increase their after tax income. To achieve that objective, companies must charge the appropriate price for their product.

Nyala Insurance Share Company (NISCO) was founded in July 1995 following the liberalization of the insurance business to the private sector in 1994 with the Licensing and Supervision of Insurance Business Proclamation No. 85/1994. The company starts its operation on providing General, life and micro insurances with paid up capital of birr of Birr 7 million and currently its paid up capital raised to Birr 532 million. Over the years Nyala Insurance become one of the leading private insurance companies in Ethiopia. Nyala Insurance has qualified, young, motivated and committed staffs. The Company's Human Resource Policy is to follow "Grow Own Trees" strategy and recruit young and dynamic graduate Ethiopians mostly straight from higher learning institutions. The main purpose of this study is to analyze the challenges & opportunities of Nyala Insurance Companies new product development so as to increase the its market share & contribution to the national economy.

1.2 Statement of the Problem

A business firm introduces new products or services in to the market for two main reasons. Firstly, competition forces that the business firm to come up with new ideas so as to maintain its market share or improve it. Secondly, an existing product or service ages and requires timely innovations. (Stevenson, 1999: 150)

The competitive environment in which new products are marketed is undergoing fundamental changes. These changes are the key driving forces for the development of new product. Organizations are looking for a steady stream of successful & profitable new product.

New product innovations are responsible for employment, economic growth, technological progress & high standard of living. The challenge is to successfully manage the development of the new product from research & development to market launch. It requires the consumption of financial, human & time resources efficiently.

This research will fill the gaps of the company on new product development which will help them to analyze the opportunities & constraints of new product development.

1.3 Research Question

- ✓ Does the company have a structured strategy for new product development?
- ✓ What are the challenges of new product development?
- ✓ What are the opportunities obtained from new product development?
- ✓ Does the company allocate sufficient budget for NPD?
- ✓ Is the Management of NISCO highly committed to NPD?

1.4 Objective of the Study

1.4.1 General Objective

The general objective of this study is to assess” The Challenges & Prospects of New Product Development”

1.4.2 Specific Objective

- ✓ To examine the existence of structured strategy for new product development
- ✓ To assess the challenges of new product development.
- ✓ To assess MTM commitment towards NPD
- ✓ To assess the opportunities of the company from developing new products

1.5 Scope of the Study

Due to time & other constraints this study can't assess the new product development strategy of the company out of Addis Ababa. It is limited to the head office where the product development is conducted centrally.

1.6 Significance of the Study

New product development has been an important managerial issue for many firms as the number of new products marketed has grown & product lifecycle has shortened. As a result this study will help Nyala Insurance S.C to identify their gap in their new product development process and make

corrections in them and help the company discover new ways to develop their product. It serves as an input for future research in this area.

1.7 Organization of the Study

This paper is organized in five chapters. The first chapter is about Introduction, statement of the problem, research question, and objective of the study, scope of the study, significance of the study & organization of the study. The second chapter is about reviews of literature on the concepts of new product development its challenges & opportunities. The third chapter is about research methodology of the study .Chapter four is about data presentation, analysis & interpretation and finally chapter five is about major finding, conclusion and recommendation of the study.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1 Theoretical Review

2.1.1 Term Definition

2.1.1.1 New Products

New product development is the development of original products, product improvements, product modifications, and new brands through the firm's own research and development efforts (Kotler 2006: 274).

a) Reasons for New Product Development

There are three main reasons for introducing new products and services:

- 1. Changing Customer Needs.** As time moves on, customers change their requirements, and new generations of consumers appear bringing with them different ideas and needs.
- 2. Technological Changes:** Changes in communications technology mean that many services (such as travel agencies) have been severely hit by online services. At the same time, the Internet and other Communications systems (such as mobile telephones and texting) have opened up new opportunities for services which could not have existed even 10 years ago.
- 3. Long-term Business Strategies:** New products can often put the company into new competitive positions, perhaps even against new competitors.

b) New Product Development Stages

New product development is typically a huge part of any Organization. Most organizations realize that all products have a limited lifespan, and new products need to be developed to replace them and keep the company in business.

NPD follows a series of stages. These are as follows:

- 1. Analyzing Market for ascertaining customer needs and expectations:** conduct systematic market research to understand customer needs and expectations regarding the insurance products and services
- 2. Idea Generation:** new product ideas can be obtained from the following sources

- Market Research
- Customer Need Evaluation Studies
- Evaluation of Customers various risk exposures
- Competitors Plans
- IRDAI suggestions
- Meeting & Interacting with customers
- Experts Opinions
- Conducting Focus Groups and depth interviews etc.

3. Product Feasibility Studies: evaluate the idea whether it is possible for the firm to develop and market the new insurance product or not.

- What resource it requires
- Are the required resources available with the firm
- Is there demand for this type of insurance product in the market
- Can we satisfy the customer requirements
- Do we have the necessary skills and expertise etc

4. Underwriting Guidelines: fixing of standard rates to undertake the risk: Provision for charging extra premium depending on the risk factor. Imposition of special conditions to protect the organization against possible losses arising out of covering the risks of the policy holders. Clear guidelines on what grounds the insurance proposal can be rejected.

Consider the potential hazards like:

- Physical hazards
- Moral hazards
- Financial hazards
- Morale hazards

5. Product Planning & Designing: includes presenting the product concept to the consumers symbolically to get their reactions & feedback. Product planning presents consumers with elaborated version of product concept.

Measure the product dimensions by having consumers respond to questions like:

- Communicability and believability: are the benefits clear & believable to you.
- Need Level: do you feel the product solving a problem or filling a need for you.
- Gap Level: do other products currently meet this need & satisfy you.
- Perceived Value: is the price reasonable in relationship to value.

- Purchase Intention: would you definitely probably, probably not, definitely not buy the product.
- User Targets purchase occasions, purchase frequency: who would use this product, when and how often.

6. Setting the Price

- Selecting the pricing objective
- Determining demand
- Estimating Costs
- Analyzing competitors costs prices and offers
- Selecting a pricing method
- Selecting the final price

7. State filling: insurers must submit premium rates charge on the new insurance policy to the state rating authority and get approval before introducing the new product into the market.

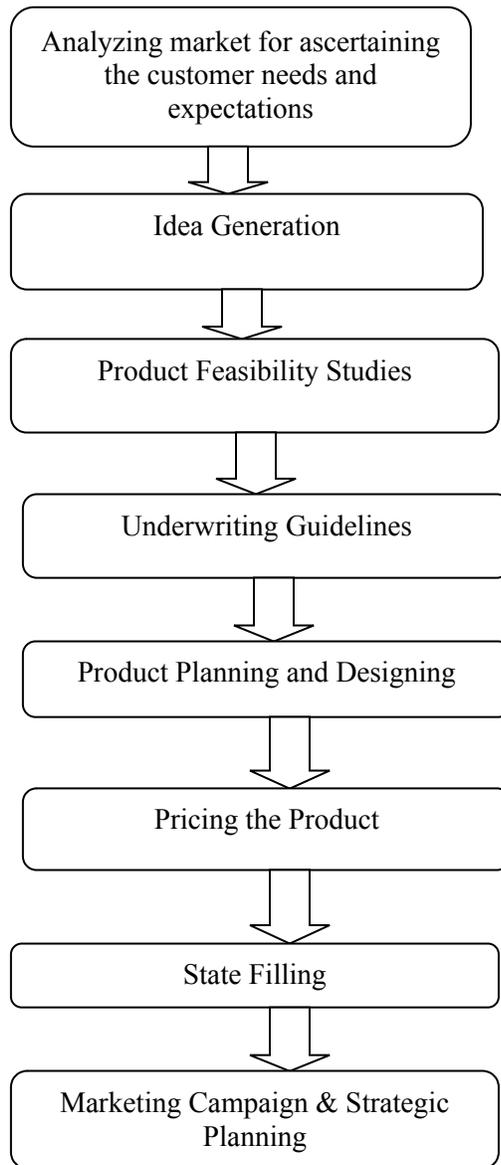
8. Marketing Campaign & Strategic Planning: The marketing campaign comprises of three parts:

a) First part of the marketing campaign describes the target market size, structure and behavior: planned market positioning, sales, market share and profit goals.

b) Second part outlines planned price, distribution strategy, and an estimated marketing budget.

c) Third part of marketing campaign and strategic planning describes long term sales and profit goals along with marketing mix strategy overtime.

Figure1. Insurance New Product Development Process



Steps of Insurance New Product Development A. Mahesh Sharma: Insurance Product Development Process, Claim Management

2.1.1.2 Challenges

Services marketing are the process of researching and promoting to a market with non-physical goods known as services (Hausman, 2003). Insurance marketing is basically just the marketing of insurance products. Insurance marketing emphasizes the importance of the customer preferences and priorities. Major objectives of insurance marketing are increasing customer awareness, successful distribution of insurance products, developing corporate image, improving customer service, improving customer base and its spread, and etc. Factors impeding the application of insurance marketing are insufficient experience of insurers while expanding insurance business, non-existence of long-term development strategies of insurance companies and the fact that insurers orient mostly to short term needs; and while trying to apply more actively insurance marketing means it is necessary to change the whole organizational management structure of an insurance company, the channels of insurance products sales, technologies of communication with clients (Kotler, 2003).

1. Ineffective Promotion

The promotional mix is a term used to describe the set of tools that a business can use to communicate effectively the benefits of its products or services to its customers. Market communication performs three basic roles in marketing to inform, to persuade, and to remind (Coviello, et al, 2000). Traditional promotion employs a variety of methods including advertising, sales promotion, public relation, and personal selling to attract the attention of existing and potential customers, and to inform them of the products, services, and special offers made available by the firm (Peattie, and Peattie, 1994).

2. Choice of Marketing Channels Distribution

In order to evaluate insurance services before its purchase and to assess their satisfaction with the service after it is bought; customers tend to rely on tangible cues, or physical evidence. The appearance of building, landscaping, interior furnishing, equipments, printed materials, and other visible cues all provide tangible evidence of a firm's service quality. This sort of physical evidence provides excellent opportunities for a service firm to send clear and consistent marketing messages regarding the firm's purpose the intended market segment, and the nature of the service (Bitner, 1992 and 1996). In case of insurance business, apart from office environment, materials such as brochures, policy documents, and periodic statements are the tangibles, which will influence the customers. Insurance agencies need to manage all these physical evidences carefully as they can have a profound impact on the impression of the customers. Although all

insurance agencies provide similar essential service, the differences that do exist are the physical evidence (Adel and El-Ansary, 2006).

3. Mistrust in Insurance Relationships

A unique feature of the distribution of insurance services is the fact that a customer buys a service which actually notice until a loss is suffered (Kotler and Armstrong, 2006). Hence, the policy holder initially consumes a service in the shape of extremely intangible risk coverage and then after some time has elapsed, when something occurs which is covered by the insurance policy, he or she may have the opportunity of consuming the 16 service in another shape, namely the claim settlement.

4. Distribution Channels

Distribution is a key determinant of success for all insurance companies. The financial services industries have successfully used remote distribution channels such as telephone or internet so as to reach more customers, avoid intermediaries, bring down overheads and increase profitability. Technology will not replace a distribution network though it will offer advantages like better customer service. Insurance brokerage firms are among the earliest users of information technology (Federal Reserve Board, 1998). Schilling and Hill (1998) note that the purpose of technology strategy is to identify, develop, and nurture those technologies that will be crucial for the firm's long run competitive position.

5. Competition

Competition for service firms is both direct & indirect. Direct competitors include other service businesses offering similar services. Service firms also face a form of indirect competition from customers who provides services from their own internal resources. To persuade customers to outsource their operations, service firms must demonstrate that their offering is both superior & cost effective

6. Availability of Trained Staff

Professionalism constitutes the main thrust of insurance practice. The unique nature of insurance industry should serve as the foundation for a distinctive marketing system in the insurance market (Marney, 2000). Understanding the customer better allows designing appropriate products. Being a service industry which involves a high level of people interaction, it is important to use this resource efficiently in order to satisfy customers. Training, development and strong relationships with intermediaries are the key areas to be kept under consideration. Training the employees, use of IT for efficiency, both at the staff and agent level, is one of the important areas in marketing of insurance services (Gnyawali and Madhavan, (2001) Zeithaml et al. (1990) indicate that the service-performance gap between what is expected and what is often delivered may be narrowed through increased and better employee training.

7. Pricing of Insurance Services

According to an early survey by Cummins et al. (1974), only about half of those who purchased insurance actually checked other companies for prices on the same or similar policies. In many cases the individual purchased insurance from an agent who was a friend, a relative, a neighbor, or a referral from some trusted source. Hence, insurance transactions are, more often than not, seen as an act of friendship rather than a strictly market-based decision (Schlesinger et al., 1993).

8. Cost of Insurance

The factor that determines the client's ability to purchase any Insurance product is the issue of cost. The other issue that is facing property insurance and liability today is the high cost of insurance for some segments of the insurance buying public and the response that this high cost has generated among those buyers and among certain other groups. This is against the backdrop that insurance agent must be made available to all who want and need it and that it must be affordable (Bernard and Raymond, 2008) that will increase the revenue to the industry in particular to the growth of the insurance brokers.

2.1.1.3 Opportunity

Is a situation in which it is possible for you to do something that is needed or a good chance for advancement.

2.1.2 Concept Briefing

1) Definition & Importance of Insurance

Insurance can be defined from individual and economic point of view. From individual point of view insurance is economic device where by the individuals substitute small certain cost (the premium) for a large uncertain financial loss (the contingency insured against) that would exist if it were not for the insurance. From the society point of view, insurance is an economic device for reducing and eliminating risk through the process of combining a sufficient number of homogenous exposures in to a group to make the losses predictable for the group as a whole.(Emmett & Vuauohan, 2008).The insurance firms as a financial intermediaries play a significant role within a nation's financial system by mobilizing funds from the surplus economic unit and channeling it to the deficit investment unit of the economy.

2) Overview of Insurance Products in Ethiopia

Insurance classified as Life insurance business and non-life (general insurance) business: Life insurance can be classified into the following main ones: 1) whole life 2) term insurance 3) endowment life insurance 4) Annuities. Non-life can be classified into 1) property insurance 2) liability insurance 3) surety insurance

1. Life Assurance

a) Whole Life: this type of product provides coverage against death of lifetime the sum of the policy to the beneficiary of the life assured.

b) Endowment Life Assurance: this is comprises both term life and saving element which comprises non-profit endowment is called term and with profit-Endowment. Endowment insurance has a large savings element in that it guaranteed if the insured survives the term to pay the benefits at the end of the selected term of years and at the same time making the benefits available for his dependents if the assured died.

c) Term Life: this type of life insurance product provides insurance coverage against death within the specified period of time, the sum amount specified in the policy to the beneficiary, and nothing being paid in case of survival.

d) An annuity: an annuity is a contract whereby the assured, receives a guaranteed income, usually for the remainder of his life after retirement from his job. The main purpose of life annuity is to provide a lifetime income that cannot be outlived to an individual.

2. General Insurance

i. Fire Insurance: this policy is designed to indemnify to the insured's own buildings and their contents (household goods and personal effects) within these buildings against loss or damage due to fire, lightning, thieves, escape of water from tanks or pipes, oil leakages from fixed heating systems,

storm, flood, riot, or malicious acts, explosion, impact by aircraft or vehicles or animals, falling trees, subsidence and earth quake Downey (1991).

ii. Motor Vehicle Insurance: this policy has developed into an important form of contract arising from its compulsory nature and increasing public demand for coverage .it provides indemnity against loss of, or damage to or arising out of or in connection with the use of motor vehicle including third party risks.

iii. Marin and Aviation Insurance: this type of insurance the difference is transport on sea and on air, similar risks are faced both for aviation transport and faced by marine transport. Therefore insurance product is developed to provide coverage for marine and aviation hull, container and cargo against loss or damage due to the risks such as loss of ships, collision, and fire due to internal and external perils specified in the specific policy.

iv. Engineering Insurance: under engineering insurance includes property or business income protection against physical damage by all risks of loss except for those specifically excluded, cover for contractors' plant and equipment of cover are contractors all risk (CAR), Erection all risk (EAR) and machinery break down (MB) and Boilers& pressure plant. Engineering policies can also covers industrial all risks such as a multiline package policy which can include fire, marine and liability.

v. Liability Insurance: provides coverage for bodily injury or property damage arising out of the insured's ownership, maintenance, or use of the insured himself. There are different types of liability insurance classifies depends on the nature of the business such as product liability provides coverage any loss of third party or purchaser of the product due to the inherent risk of the product. Professional liability insurance product can be covered any loss arises due the professional negligence. Public liability insurance coverage to any public damage or injury arises due the insured own property defect.

vi. Surety Policy (bond) Insurance: bond is not an indemnity insurance it is contract of guarantee. A main object of contract of guarantee is to enable a person to obtain an employment, or a loan, or some goods or services on credit. Contract of guarantee is to perform the promise, or discharge the liability, of third person in case of default. Bond insurances are mainly given to cover frailer of contractual agreement made between two or more parties. In surety there are three parties the 'surety or guarantor' is the insurer and the 'creditor' is the contractor to whom the guarantee is given and the 'principal debtor' is the principal who will be entitled to be compensated in case of the default of the performance of the project.

2.2 Empirical Review

There have not been empirical studies that address the “Challenges and Prospects of new product development on insurance company” However, I have got some related studies which are explained below.

Table 1. Empirical Review

<p>Author: TURAYISHIMYE THIERRY AYISHASHE</p> <p>Title: Market Penetration challenges by insurance Companies in Kenya</p> <p>Year: Summer,2015</p>	<p>The main objective of the study was to establish the market penetration challenges for insurance companies in Kenya. The study was guided by the following objectives: to find out the internal organizational challenges that affect market penetration by insurance companies, to establish the external challenges that affect market penetration by insurance companies and to establish if attitude and buying behavior of the target customers contribute to market challenges by insurance companies.</p> <p>The study concludes that indeed there exist certain internal challenges within insurance companies in Kenya that affect market penetration of the products to the consumers. More specific the product offering, market approach, and fund managers experience, internal business processes, fund size, customer care practice, client communication all influence market penetration. The study also concludes that there are also external organization factors that influence market penetration of insurance in Kenya. Some of the factors include government policy, industry dynamics, market forces, competition, power of buyers and suppliers, and threat of new entrants, all influence market penetration of insurance in Kenya. Consumer attitude and buying behavior also contribute to market penetration challenges faced by insurance companies</p>
<p>Author: KidestAdmasu</p>	<p>This study is intended in search for the challenges and</p>

<p>Year : January, 2018</p> <p>Title : Challenges and Prospects of Life Insurance in Ethiopia</p>	<p>prospects of life insurance in Ethiopia. This study Concluded that Income, inflation and interest rate are found to be the economic challenges; awareness, education, urbanization, religion are demographic challenges. Weak strategic focus, weak awareness creation strategy , lack of professional in the field ,inability to develop unique product ,and absence of local actuary are institutional challenges ,whereas absence of independent regulatory organ, government restrictions on investment, restriction on foreign insurers entry ,weak contribution of academic institutions in cultivating insurance professionals , unfair competition in the industry, absence of integrated information or database are external challenges that are contributing for the weak performance of life insurance. Regarding the opportunities, emerging information technology, enforcement of insurance companies to customize their process using information technology, initiatives of the government in human development in the stream of insurance, the effort of Ethiopia to be a member of WTO, the increasing trend of middle income group, the increase in population and the untapped market of life insurance are the opportunities for the development of life insurance.</p>
<p>Title:Ethiopian Insurance sector and its Contribution to Economic Growth</p> <p>Author:</p> <p>Kahase G/Michael Atsebaha</p> <p>Year: January, 2018</p>	<p>The study observed that there is long run relationship between insurance development and economic growth in Ethiopia. The regression result indicated that insurance premium and insurance claim has significant and negative relationship with economic growth in the long run and short run dynamics. However insurance profit has positive significant and insurance investment has positive but insignificant relation with economic growth. The result of granger causality test indicates that there is unidirectional relationship from economic growth to insurance premium, insurance claim and insurance profit. It also shows bidirectional relationship</p>

	<p>between economic growth and insurance profit. However insurance investment has no causal relation with any variable in short run</p>
--	---

Source: From the Internet & different Journals (2020)

From the above researches internal challenges within insurance companies in Kenya that affect market penetration of the products & there are also external organizations factors that influence market penetration of insurance in Kenya. Consumer attitude and buying behavior also contribute to market penetration challenges faced by insurance companies.

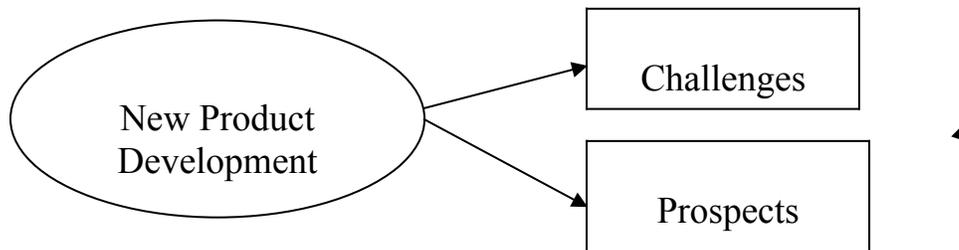
In the researches economic challenges, demographic challenges, Institutional challenges, external challenges are listed as factors contributing for the weak performance of life insurance in Ethiopia. Regarding the opportunities, emerging information technology, enforcement of insurance companies to customize their process using information technology, initiatives of the government in human development in the stream of insurance, the effort of Ethiopia to be a member of WTO, the increasing trend of middle income group, the increase in population and the untapped market of life insurance are the opportunities for the development of life insurance in Ethiopia.

The researchers also observed that there is long run relationship between insurance development and economic growth in Ethiopia. The regression result indicated that insurance premium and insurance claim has significant and negative relationship with economic growth in the long run and short run dynamics. However insurance profit has positive significant and insurance investment has positive but insignificant relation with economic growth.

2.3 Conceptual Framework

This research tries to assess the challenges & Prospects of new product development the case of Nyala Insurance SC. The dependent variable on this research is new product development & the independent variables are its challenges & opportunities. The study tries to find out the company's gap on the new product development process.

Figure 2- Conceptual Framework



Source: Researchers own work, 2020

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research Area.

Nyala Insurance S.C. has 42 Branch Service Centers and 5 Satellite Offices in Addis Ababa and Regional States. The researcher focused in Addis Ababa head office, because product development is managed centrally in the head office under MBD in collaboration with underwriting and product development department, which enabled the researcher to take a representative sample. This study tries to identify the Challenges & Prospects of New Product Development on Nyala Insurance SC.

3.2 Research Design

The researcher uses descriptive research method to assess” The Challenges & Prospects of New Product Development on Nyala Insurance S.C”. The target population of this research will be 95 employees who work in head office where product development is managed centrally. The selected employees are from concerned departments like marketing and product development, underwriting officers, senior marketing officers and others who worked in related areas.

3.3 Data Type

The study uses two of types of data .These are primary data and secondary data.

a)Primary Data

The primary data for this study is gathered through survey, interview and questionnaires in order to collect more reliable information’s during the data collection process. In general primary source of data is collected from mangers and senior officials of the company.

b) Secondary Data

The secondary data for this research is collected from documents such as published reports, manuals, and guidelines of Nyala Insurance S.C.

3.4 Data Source

- 1) **Questionnaires:** that contains relevance variables which contain both open ended and closed ended questions developed by the researcher.
- 2) **Interviewing:** Conduct interview with different concerned managerial employees
- 3) **Reference Materials:** which enable the researcher to gather information like books, documents different written material related to the research topic and also uses internet.

3.5 Sample Size Determination

The study uses census survey, the researcher take 95 professional employees who worked in different positions and knowledgeable about NPD.

In order to select the appropriate representative of the total population and to make the research findings more relevant and accurate, the sample design would be structured.

Therefore the researcher takes all 95 professional employees from the total population

Table 2.Population and sample size-NISCO

Population				Sample size			
MTM	Division & Branch Managers/	Senior operation staffs	Others (clerical employees)	MTM (100%)	Division & Branch Managers (100%)	Senior operation staffs (100%)	
7	65	23	35	7	65	23	

Source:-company structure

3.6 Sampling Method

This study is based on census survey which is performed by taking all the population as a sample.

3.7 Data Collection Methods and Instruments

The primary data was collected from interview with different department heads of the company & questionnaires. The secondary data was collected from the reference materials.

3.8 Data Processing and Presentation

The data is collected by means of questionnaires and interview. The researcher uses statistical analysis for the data which is obtained from questionnaires and narrative analysis for the data which is obtained from interview.

3.9 Method of Data Analysis

The quantitative data are analyzed using descriptive analysis that means by describing the obtained data, as per the objective of the research and qualitative data the researcher got from the primary and secondary sources.

3.10 Ethical Consideration

This research paper is conducted by the researcher knowledge and taking in to account all attributes of the research to be free from plagiarism. The researcher understands that if the research is found to be a copy of past research, it would be followed penalty as per the university rules and procedures.

Respondents will be granted privilege of not writing their names and other identities to hide them from unwanted approach to be maintained by other groups later on. Furthermore, they were assured on the part of treatment their responses in strict confidentiality. No respondent was forced to fill the questionnaire unwillingly and without the actual purpose of the research being clear to him/her.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS & INTERPRATION

4.1 Data Presentation

This chapter deals with analysis and interpretation of data in two parts. The first part deals with the characteristics of respondents in terms of educational level, work experience and respondents working unit. The second part deals with as the main purpose of this study which aimed and was to investigate the Challenges & Prospects of New Product Development” on Nyala Insurance S.C.

The researcher tried to gather information from primary source by preparing two types of questioners (close ended and open ended) and distributing to the respondents, and conducting interviews.

4.2 Data Analysis & Interpretation

In this section attempts have been made to assess the Challenges & Opportunities of New Product Development on Nyala Insurance S.C by using primary data gathered through interview and questionnaires. Out of 95 questionnaires distributed 90 (95%) was filled and returned. Therefore, the analysis and presentation of the study are based on the collected questionnaires and all the tables used for presentation are compiled from the questionnaires and decimals rounded to one significant digit for simplicity and description purpose.

Reliability and Validity

Reliability is the extent to which a scale produces consistent result if repeated measurements are made on the characteristics. In-order to improve the reliability of the scale the researcher takes great care to make the language and logic of the questions to be meaningful for the respondents. The researcher made effort to avoid ambiguous items by using simple language. Care is also taken not to include double-barred questions. Internal consistency reliability is a measure of consistency between different items of the same appropriate data source and data collection mechanisms contribute for the reliability of the research.

The participation of all experienced insurance professionals makes the result reliable. Validity is whether one can draw meaningful and useful inference from the scores on the instrument (SPSS). The different approaches (qualitative and

quantitative) enable the researcher to triangulate the result and hence contributed for the validity of the research result.

Table3- Respondents Gender

Gender	Frequency	Percentage
Male	60	66.7
Female	30	33.3

Source: Own survey, 2020

Table 3 shows respondents' gender. 66.7% of them are male and the rest 33.3% are female. This indicates that NISCO has high percentage of male employees than female employees.

Table 4 -Respondents Educational Level

Educational Background	Frequency	Percentage
Diploma	0	0
First Degree	65	72.2
Second Degree	25	27.8
Third Degree	0	0

Source: Own survey, 2020

Table 4 shows respondents' educational background.72.2% of them is first degree holders and the remaining 27.8% are second degree holders. This shows that respondents have a better understanding in what the researchers wants to study and it increased the reliability of the response.

Table 5 - Respondents Service Year

Respondents Service year	Frequency	Percentage
Less than one year	0	0
1-5 years	12	13.3
6-10 years	22	24.4
11-15 years	17	18.9
16-20 years	18	20
Above 20 years	21	23.3

Source: Own survey, 2020

Table 5 shows respondents' service year in NISCO. 13.3% of the respondents are less than 5 years, 24.4% of the respondents are having a work experience of above 6-10 years, 18.9% of them have 11-15

years work experience, 20% of them have 16- 20 years work experience, and 23.3% are above 20 years of work experience. 84.3% of the respondents are working in the organization above 6 years.

The above table assures that the respondents have reach experience in the company and familiar with company policies and procedures and have great contribution for NPD.

Table 6 - Respondents by Working Unit

Working Unit	No of respondents			
	Total No of samples	Questionnaire Distributed	Questionnaire Collected	%
MTM	7	7	5	71.4
Division and Branch Operation managers	65	65	63	97
Senior operation staffs	23	23	22	96
Total	95	95	90	95

Source: Own survey, 2020

Table 6 above portrays the sample population as well as respondents who filled the questionnaires with respective work unit. 90% of the distributed questionnaire was collected. Accordingly, 71.4% of the respondents were from MTM, 97% from Division and branch operations managers, and 96% from senior operation staffs who served in different positions. It helps to avail genuine and valuable information to the researcher.

This shows that the questionnaire is filled by the concerned, experienced, trained and knowledgeable staff and it makes the responses accurate and reliable.

Table 7 Type of products that NISCO markets

Types of Product	Yes		No		Mean	SD
	Fr	%	Fr	%		
General Insurance	90	100			1.0000	0.00000
Life Insurance	90	100			1.0000	0.00000
Medical Insurance	90	100			1.0000	.18051
Micro insurance /Agriculture,	87	96.	3	3.3	1.0333	.23034

Livestock		7				
Saving and Investment	5	5.6	85	94.4	1.9444	0.00000
GPA-Group Accident	90	100			1.0000	.23034

Source: Own survey, 2020

Table 7 above shows that 100% of the respondents said that the company provides General and non-General /life insurance, 96.7% the company provides Micro insurance/agricultural and livestock insurance/ and 94.4% of the respondents said that the company not yet provide insurance cover for saving and investment.

All most all of the respondents (99%) replied that the company provides general and non general-life insurance successfully, but saving and investment not yet implemented in NISCO.

Table 8. Challenges of marketing new insurance products in NISCO

Challenges of marketing new insurance products in NISCO	Yes		No		Mean	SD
	Fr	%	Fr	%		
Nature of insurance products	85	94.4	5	5.6	1.0556	.00000
Consumer perception	88	97.8	2	2.2	1.0222	.14823
Availability of marketing channels	34	37.8	56	62.2	1.6222	.48755
Cost of Marketing	84	93.3	6	6.7	1.0667	.25084

Source: Own survey, 2020

Table 8 above also depicts that, factors greatly influence marketing strategy on insurance products in NISCO. As per the data collected from respondents, 97.8% of the respondents said “consumer perception” highly influenced the marketing strategy, 94.4% of the respondents believe that “the nature of insurance products” influence marketing strategy, 93.3% of the respondents also replied that “cost of marketing” influence the marketing strategy and the least influence on marketing strategy is “availability of marketing channels” 37.8%.

The majority of the respondents agreed that consumer perception, nature of insurance products and cost of marketing (97.8%, 94.4% and 93.3% respectively) are factors highly influenced marketing strategy of the company and 14.5% respondents would not agree about the influence of the above mentioned factors respectively. However, the influence of availability of marketing channel 37.8% should not be ignored, need to be considered.

Table 9.Data collected from respondents on challenges & Opportunities of NPD

Measurement	SDA		DA		N		A		SA		Mean	SD
	Fr	%	Fr	%	Fr	%	Fr	%	Fr	%		
My company has an organized new product development strategy	27	30.0	43	47.8	20	22.2					4.0778	.72248
I don't mind about whether my company's introduce new product or not.			7	7.8	17	18.9	43	47.8	23	25.6	1.8667	.98528
I think my company will be competent if introduce new product			10	11.1					80	88.9	2.2222	.63206
I think there is un tapped market in the industry and introduce new product is advantageous					3	3.3			87	96.7	2.0333	.18051
I believe that my company is one step ahead of others related to product development	10	11.1	60	66.7	20	22.2			12	13.3	3.8889	.56973
My company has unique products which is not found in others	48	53.3	20	22.2	10	11.1			12	13.3	4.1556	1.08007
Does the company uses appropriate insurance software to support their effort for new product development in line to avail better service	14	15.6	10	11.1	16	17.8			50	55.6	2.8667	1.13375
The emerging information Technology is one opportunity to introduce innovative insurance product					5	5.6	21	23.3	64	71.1	2.5222	.85101
We identify the opportunity of introducing new products					10	11.1			80	88.9	2.1111	.31603
We know ahead of time about challenges of new product development					20	22.2	43	47.8	27	30.0	1.7444	.80114
We are designing a mechanism to overcome the challenge which the company encountered during product developments			4	4.4			29	32.2	57	63.3	1.7667	.67124

Source: Own survey, 2020

SDA=Strongly Disagree, DA=Disagree; N=Neutral, A= Agree, SA=Strongly Agree, SD=Standard Deviation, Fr=Frequency

Table 9 above depicts responses for different research questions. As we have seen responses from the above table the researcher inferred the following.

30% of the respondents strongly disagreed with that of the practice of an organized way of new product development strategy in the company and 47.8% disagreed with it whereas the rest 22.2% stay neutral. 47.8% of the respondents agreed with that introducing new product are not their primary concern and 25.6% strongly agree with it, 18.9% of them stay neutral & 7.8% of them disagree with it.

88.9% of the respondents agreed that the company can be competent by introducing new product and the rest of the respondents 11.1% believed that introducing new products doesn't make the company more competent. 96.7% of the respondents also strongly agreed that there is un-tapped market in the industry and introducing new product create competitive advantage, where as the remaining 3.3 % stay neutral.

66.7% of the respondents believed that the company is not one step ahead of others related to product development, 22.2% stay neutral, 11.1% strongly disagree & 13.3% strongly agree with it. 53.3% of the respondents strongly disagreed that NISCO has no unique products, 22.2% disagreed that the existence of micro and livestock agricultural insurances makes NISCO unique, 11.1% stay neutral and 13.3% strongly agree with it.

55.6% of the respondents agreed that the company deploy appropriate insurance software to support their effort for new product development in line to avail better service, 17.8% stay neutral, 11.1% disagree & 15.6% strongly disagree with it. 71.1% of the respondents strongly agreed that emerging information technology is an opportunity to introduce innovative insurance product, 23.3% agree and the remaining 5.6 % stay neutral.

88.9% of the respondents said that the company identifies the opportunity that it gains from introducing new products and the remaining 11.1% stay neutral, 47.8% of the respondents are agreed that the company know challenges of NPD ahead of time, 30.0% strongly agree whereas 22.2% stay neutral and 63.3% of the response strongly agreed that the company is designing mechanisms to overcome the challenge during product developments, 32.2% of them agree with it and the rest 4.4% disagree.

To what extent do the following challenges affected marketing of new insurance products in your company?

Table 10. Challenges affecting marketing of new insurance products

Measurement	SDA		DA		N		A		SA		Mean	SD
	Fr	%	Fr	%	Fr	%	Fr	%	Fr	%		
Mistrust in insurance relationship between insurance and the customer	20	22.2	48	53.3	14	15.6	8	8.9			3.8889	.85387
Failure to adopt information Technology	7	7.8	30	33.3	21	23.3	5	5.6	27	30.0	3.0778	1.08335
Low trained and inexperienced marketing staff	68	75.6			2	2.2			20	22.2	4.2889	1.26531
Pricing of the insurance policies			25	27.8	47	52.2	8	8.9	10	11.1	2.9889	.86757
Cost of insurance products	48	53.3	17	18.9	25	27.8					4.2556	.41807
Lack of innovativeness in insurance product development	20	22.2	70	77.8							4.2222	.35351
Complex procedures in claims management	13	14.4	77	85.6							4.1444	.37477

Source: Own survey,2020

SDA=Strongly Disagree, DA=Disagree; N=Neutral, A= Agree, SA=Strongly Agree ,SD=Standard Deviation, Fr=Frequency

53.3% of the respondents disagreed that mistrust in insurer-insured relationship has a great challenge on marketing new products, 22.2% strongly disagreed, 15.6% of respondents stay neutral and 8.9% of them agree with it. 33.3% of the respondents disagree with the idea that failure to adopt information technology highly affected marketing of new products, 7.8% of them disagree with it, 23.3% of them stay neutral, 5.6% agree with it & 30.0% strongly agree with it.

75.6% of the response shows that low trained and inexperienced marketing staff highly affected the company marketing strategy to market new products, 22.2% moderately affect it & the rest 2.2% stay

neutral.27.8 % of the respondents disagree with the idea that pricing of the insurance policies highly affected (setting high price) to market new products, 52.2% of the respondents stay neutral, 8.9% agree with it & the rest 11.1% strongly agree with it.

53.3%of the respondents strongly disagreed that cost of insurance products highly affected to market new products, 18.9% of them disagreed with it & 27.8% stay neutral.77.8% of the respondents disagree with the idea that lack of innovativeness in insurance product development highly affected to market new products and the remaining 22.2% strongly disagree with it.

85.6% of the respondents disagreed with the idea that complex procedures in claims management highly affected to market new products and attract customers and the remaining 14.4% of them strongly disagree with it.

Table 11. Data collected from closed ended questions on Challenges & Opportunities of NPD

Measurement	Yes		No		Mean	SD
	Fr	%	Fr	%		
Does the company search for new product ideas periodically?	75	83.3	15	16.7	1.1667	.49969
Does the company have a formal marketing strategy which encourages the development of new products?	40	44.4	50	55.6	1.5556	.40224
Does the company use marketing opportunities for product development strategies to satisfy customer needs?	72	80.0	18	20.0	1.2000	.49831
Does the company identify the opportunities emanated from introducing new products?	39	43.3	51	56.7	1.5667	.37477
Does your company know in advance which will face the challenges of introducing new products?	75	83.3	15	16.7	1.1667	.41807
Does your company think/ believe that will take competitive advantage from introducing new products?	70	77.8	20	22.2	1.2222	.41038
Do you know your role on product development?	19	21.1	71	78.9	1.7889	.41807
Does your company participate all stake holders for new product development?	20	22.2	70	77.8	1.7778	.35351
Do you think that there is untapped market potential in the market?	77	85.6	13	14.4	1.1444	.28618
Does introducing new product in the industry is	82	91.1	8	8.9	1.0889	.41807

feasible?						
Does your company prepare marketing strategy for new products before introducing it?	70	77.8	20	22.2	1.2222	0.00000

Source: Own survey, 2020

83.3% of the respondents confirmed that the company search for new product ideas periodically where as the remaining 16.7% strongly disagreed and 2.2% has not responded to this specific question.55.6 % of the respondents agreed that the company have no a formal marketing strategy which encourages the development of new products and the remaining 44.4% agreed about the existence of formal marketing strategy.

80% of the respondents said that NISCO used marketing opportunities for product development strategies to satisfy customer needs and the remaining 20% disagreed, 56.7% of the response also shows that the company does not identify the opportunities emanated from introducing new products and the remaining 43.3% has agreed about identifying opportunities related with product development.

83.3% of the respondents agreed that NISCO knows in advance that face challenges of introducing new products where as the remaining 16.7% disagreed, 77.8% of the respondents believe that NISCO take competitive advantage from introducing new products and 22.2% disagreed, 78.9% of the respondents said that, they do not know their role on product development and the remaining 21.1% of the respondents know their role in the process of product developments.

77.8% of the response shows that they do not participates all stake holders for new product development ideas and the remaining 22.2% agreed that the participation of all stake holders, 85.6% of the response asserted that there are untapped market potential in the market for new products and the remaining 14.4% disagreed, 91.1% of the response shows that introducing new product in the industry is feasible and the remaining 8.9% of the respondents do not agree with the feasibility of NPD.

77.8% of the respondents replied that NISCO prepare marketing strategy for new products before introducing it and the remaining 12.2% disagreed.

According to the respondents almost introducing new product in the industry is feasible, NISCO prepare marketing strategy for new products before introducing it, there is untapped market potential in the market, The Company participates all stake holders for new product development, The Company also take competitive advantage from introducing new products by identifying the challenges of introducing new products in advance.

The company used marketing opportunities for product development strategies to satisfy customer needs and search for new product ideas periodically, but most employees do not know their role on product development, They do not identify the opportunities emanated from introducing new products, and have no a formal marketing strategy which encourages the development of new products.

Table12. Data Collected from Open Ended Questions on Challenges & Opportunities of NPD

Questions	Responses from open ended questions	Number of respondent	Not responded	% respondent	% not respond
Could you please say something about the process of generating new product ideas	<ul style="list-style-type: none"> ➤ Generated from MBD department ➤ Discussed with underwriting department ➤ General or life insurance divisions, planning and change management departments, ICT. 	87	3	96.7	3.3
Who is responsible for new product ideas and product developments?	<ul style="list-style-type: none"> ➤ MBD department MTM are responsible for generating product ideas and implement product development together with the underwriting department. 	90		100	

<p>Does the company endorsed budget for new product development every year? If your answer for Q.No. 3 is yes does the budget is used for the intended purpose.</p>	<ul style="list-style-type: none"> ➤ Yes the company endorsed budget for product development not as such enough. ➤ Due to lack of professional in the area new insurance development would be challenging, ➤ Due to high costs the company could not give more emphasis for new product development. ➤ Endorsed budget is not used for the intended purpose because of the captioned reasons 	87	3	96.7	3.3
<p>Does the company have a means/ methods of collecting feedback from potential customers to wards new product? If your answer is yes what the feedback looks like</p>	<ul style="list-style-type: none"> ➤ We have customer support services division manager, to follow up the customer satisfaction and report to the CEO office, ➤ This method of feedback collection is made for already marketed products and it is as sort of after sales service. ➤ The division is distributing 	88	2	97.7	2.3

	<p>questionnaire for potential customers once in a year</p> <p>➤ Findings of the survey are presented on annual workshop of the company all concerned departments participated and passed a resolution.</p>				
<p>What do you think your company has best rank in the industry about introducing new products?</p>	<p>➤ Insurance companies in Ethiopia market similar products except few ones.</p> <p>➤ Micro, agricultural and livestock products in NISCO and funeral insurance for united insurance.</p>	50	40	55.6	44.4
<p>How can you describe the challenges and opportunities of introducing new products(about marketability, customer feedback, pricing and product differentiation)</p>	<p>➤ Introducing new products by itself has a challenge, since the product is new product accessibility, marketing, tastes and preference of targeted customers, pricing and other attributes of the marketing function will be a challenge.</p> <p>➤ On the other hand introducing new product</p>	87	3	96.7	3.3

	<p>brings an opportunity for the company. Especially the product is focused on primary need of the target market it brings a golden opportunity to the company.</p> <ul style="list-style-type: none"> ➤ The company secured high market share, maximize profit, build images, create a big picture to the mind of customers etc. 				
<p>Do you anticipate or know ahead of time that challenges your company encountered during new product development. If your answer for Q. No, 7 is yes please mention the major one</p>	<ul style="list-style-type: none"> ➤ It is impossible to anticipate all problems /challenges encountered ahead of time due to uncertainty, ➤ The major problem will be anticipated, like marketing issues, promotion issues, taste and preference of customers, buying behavior of customers, insurance awareness, etc. 	77	13	85.6	14.4
<p>To what extent the management of NISCO are committed for new product development</p>	<ul style="list-style-type: none"> ➤ MTM of NISCO is highly committed to introduce new products ➤ Due to lack of 				

	professionals like actuarial and insurances awareness of target population introducing new product will not reach at a desired level.	88	2	97.8	2.2
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Source: Own survey, 2020

96.7% of the respondents replied to the researcher got information related to process of generating new product ideas. Product ideas generation started from MBD department discussed with underwriting department, General and/ or life insurance divisions, planning and change management departments and ICT and the remaining 3.3% of the respondents refrain to respond on this particular question.

100% of the response mentioned that the responsibility of new product ideas and product development is MBD department, MTM are responsible for granting go ahead approval of the generated product ideas and implement product development together with the underwriting department. 96.7% of the respondents said that the company endorsed budget for new product development every year and the remaining 3.3% not responded but the budget is not used for the intended purpose by mentioning the following evidences:

- Yes, the company endorsed budget for product development but not sufficient.
- Due to lack of professionals in the area new insurance product development would be challenging and the budget is not used for the intended purpose,
- Due to high cost the company could not give more emphasis for new product development.

Almost all of (97.7%) the respondents agreed that NISCO has methods of collecting feedback from potential customers to wards new product and the remaining 2.3% left silent with the under listed points.

- The company has Customer Support Services Division Manager, to follow up the customer satisfaction and report to the CEO Office. This method of feedback collection is made for already marketed products and it is as sort of after sales service. The division is distributing questionnaire for potential customers once in a year, findings of the survey are presented on annual workshop of the company and all concerned departments participated and passed a resolution.

55.6 % of the respondents respond to the researcher that has not knowledge about the NISCO,s ranks in the industry whereas the remaining 44.4% agreed about the rank of NISCO related to introducing new products and they mentioned Micro, Agricultural and Livestock products are NISCO’s unique products like that of funeral insurance for united insurance.

97.8% of the respondents agreed that the management of NISCO is committed for new product development and the remaining 2.2 % not responded.

85.6% of the respondents replied to the researcher they are anticipate or know ahead of time that challenges that the company encountered during new product development where as the remaining 14.4% not responded.

96.7% of the respondents agreed the challenges and opportunities of introducing new products about marketability, customer feedback, pricing and product differentiation but the remaining 3.3% do not respond to it.

Therefore, the detailed response of the respondents on open ended questions is narrated on table 12 above.

Table13. Data collected from interview questions

Interview questions	Responses from interview questions	No. of Respondents	%
Is there a formal procedure for new product development?	➤ Yes we do have the procedure,	10	19
	➤ I am not sure about the existence of written procedure,	12	22
	➤ It is unwritten law of the company	20	37
	➤ The company do not have a clear written procedure	12	22
What are the criteria’s you consider before deciding to develop a new product?	➤ It depends on the type of the product need to develop ,	23	43
	➤ Marketability, accessibility cost and effectiveness,		
	➤ since the product is intangible quality is not compromised		
	➤ Price, accessibility, sustainability and market share / considering served and un served /, taste and	20	37

	<p>preference of potential customer, target group, and market segmentation is considered.</p>		
	<p>➤ Product reliability, quality, accessibility and risk analysis take in to account before deciding to produce new product</p>	10	19
	<p>➤ The general public, purchasing habit and willingness to pay.</p>	1	1,8
Does your company have a formal marketing strategy which encourages the development of new products?	<p>➤ Other companies who produce similar products taken as a model and assess / its practice if any.</p>	49	91
	<p>➤ Yes, our company develop corporate strategic plan for five years</p>		
	<p>➤ Yes, one of the major pillars of the company strategic plan is MBD. MBD's strategic plan focus on the number of new products produced in the strategic period , how many new branches opened, the sales volume on the target plan of the strategic period by cascading every budget year.</p>		
	<p>➤ Yes it is one of the major objectives of MBD departments</p> <p>➤ Yes, it is one of the strategy to get competitive advantages</p> <p>➤ Yes sometimes MBD department form a team from different departments to work on it,, but not successful.</p>	5	10
What opportunities do	<p>➤ Increase business continuity, good</p>	21	39

your company gained from developing new product?	will, and create differentiated products		
	➤ Profit maximization, winning customers-increase market share, build brand.	20	37
	➤ Increase revenue by increasing product line, solve social problem, increase market share and take competitive advantage	13	24
To what extent the strategic goal of your company is linked with new product development?	➤ It is a question of survival and the company marketing strategy is directly emanated from company corporate strategy.	10	19
	➤ The company is highly concerned with introducing new product	2	4
	➤ All insurance companies have similar product except micro insurance which is introduced by NISCO	20	37
	➤ I am not confident enough companies work on introducing new products , due to less awareness of the society for insurance products	7	13
	➤ New product development is not the prime objective of insurance companies due to product development costs, challenges, etc they prefer to imitate from others.	10	14
	➤ Theoretically companies give more emphasis on that but there is no single product introduced per year	5	9

How would you describe the source of new product demand?	➤ societal problem, technology, living standard of the target population etc	20	37
	➤ The environment, the living standard insurance awareness, industrialization	12	22
	➤ The society, increasing need and demands of consumers, government policies,/ like TP Policy, No premium no cover policy/	21	4
	➤ The work and living habit of the peoples	1	1.8
What challenges does your company face when developing new product	➤ Lack of awareness.	35	65
	➤ Cost of product development		
	➤ Lack of professionals like actuarial,		
	➤ High time, effort and budget		
	➤ Product quality, accessibility and warranty		
	➤ Product quality, accessibility and warranty	2	4
	➤ Purchasing power and willingness to pay it	10	19
	➤ Policy issues regulatory body- bottle necked	7	13
➤ Distribution issues			
To what extent the mgt of NISCO are committed for new product development	➤ Has a possibility of failure	7	13
	➤ Not that much / not significant	14	26
	➤ Allocate minimal budget	21	39
	➤ Limit its commitment due to lack of professionals	4	7
	➤ Due to ease imitation of products shows low commitment		
➤ High production costs limit its			

	commitment	8	15
In your opinion, what is the main purpose of introducing new product in your company?	➤ Maximize profit, build image	29	54
	➤ Increase market share, win customers	15	28
	➤ Discharge social obligation	10	19

Source: Own survey, 2020

As stated in the above table, the researcher conducted interview with selected 54 higher officials (MTM, Division Managers which is 4, 50 respectively) of NISCO forwarding the following questions. The researcher tried to summarize with subsequent questions in percentage.

QNo.1. Is there a formal procedure for new product development?

19% of the respondents replied that, yes we do have the procedure, 22% of the respondents said that I am not sure about the existence of written procedure, 7% of the interviewer responds to the researcher that, the company follows unwritten law and procedure for NPD, 22% of the respondents believe that the company have no a clear written procedure.

Most of the respondents (75%) agreed that the company has no written formal procedures for new product development.

QNo.2. What are the criteria you consider before deciding to develop a new product?

43% of the respondents replied that, it depends on the type of the product need to develop, but there is a working principle that all concerned departments / MTM/ consider the marketability, accessibility, cost and effectiveness; since the product is intangible quality is not compromised. 37% of the interviewer responds to the researcher, Price, accessibility, sustainability and market share / considering served and un-served market /, taste or preference of potential customer, target group, and market segmentation is considered.19% respondents said that, Product reliability, quality, accessibility and risk analysis take in to account before deciding to produce new products. 4% of the response shows that the general public purchasing habit and power of the expected market group take in to account.4 % of the respondent replied that other companies who produce similar products taken as a model and assess / review its practice.

All most all of the respondents agreed that Price, accessibility, sustainability and market share / considering served and un- served market /, taste or preference of potential customer, target group, and

market segmentation is considered, the marketability, accessibility, cost and effectiveness, since the product is intangible quality is not compromised, Product reliability, quality, accessibility and risk analysis take in to account before deciding to produce new products. General public purchasing habit and power of the expected market group take in to account.

QNo.3. Does your company have a formal marketing strategy which encourages the development of new products?

87% Yes, our company develop corporate strategic plan for five years. One of the major pillars of the strategic plan is MBD. MBD's strategic plan focus on 4 P's in line with the number of new products produced in the strategic period, how many new branches opened, the sales volume on the target plan of the strategic period by cascading every budget year. 10% of the respondents said, yes it is one of the major objectives of MBD departments, it is one of the strategy to get competitive advantages and MBD department form a team from different departments to work on it, but not successful.

Almost all of the respondents (97%) strongly agreed that the company develop corporate strategic plan for five years. One of the major pillars of the strategic plan is MBD and its strategic plan focus on 4 P's in line with the number of new products produced in the strategic period, such as number of new branches opened, the sales volume on the target plan of the strategic period by cascading every budget year so as to take competitive advantages,

QNo.4.What opportunities do your company gained from developing new product?

37% of the respondents mentioned the under listed a lot of advantages like profit maximization, winning customers, increase market share, build brand.40% the very purpose of introducing new product is to maximize profit, increase business continuity, good will, and create differentiates products. 31% respond to the researcher that making the company productive, increase revenue, solve social problem, increase market share and take competitive advantage.

Almost all (100%) of the interviewer responds to the researcher the company identified opportunities gained from new product development as profit maximization, winning customers-increase market share, build brand, business continuity, good will, and create differentiates products, solve social problem, increase market share and take competitive advantage.

QNo.5. To what extent the strategic goal of your company is linked with new product development?

19% replied that, It is a question of survival and the company marketing strategy is directly emanated from company corporate strategy. 4% said that the company is highly concerned with introducing new product.13% respond that all insurance companies have similar product except

micro insurance which is only introduced by NISCO. 13% respondents has not confident enough that companies work on introducing new products , due to less awareness of the society for insurance products .19% respondents believe that new product development is not the prime objective of insurance companies, due to product development costs, challenges, etc they prefer to imitate from others. 9% replied that theoretically companies give more emphasis on NPD but there is no company introduced single product to consumer per year

Therefore, 95% of the respondents replied to the researcher that the strategic goal of the company is linked with new product development; the company marketing strategy is directly emanated from company corporate strategy. But most respondents are not confident enough that companies work on introducing new products.

Due to less awareness of the society for insurance products, since product development is not the prime objective of insurance companies because of product development costs, challenges, etc they prefer to imitate from others.

QNo.6. Who are the participants or functional groups in new product development decision making?

26% of the respondents replied that MBD initiates NPD and after thorough discussion with the department staff it will submit to MTM for approval.74% replied that MBD different departments like, CEO Office, MTM, functional sections like branch operations, Underwriting departments, Finance and Investment department, Claim department are directly participated in decision making for NPD

More than 85% of the respondents agreed that there is a team work under MBD direction/responsibility and go through all managerial levels for various discussion and approval from office of the CEO.

QNo.7. How would you describe the source of new product demand?

98% regarding the source of product demand more than 90% stated that The environment, the living standard insurance awareness, industrialization, The society, increasing need and demands of consumers, government policies like TP Policy, No premium no cover policy, The work and living habit of the peoples, societal problem, technology, living standard of the target population is the source of NPD .

QNo.8. What challenges does your company face when developing new product?

Almost all (90%) of the interviewer responds to the researcher that various challenges faced during product development some of the major ones they mentioned are Lack of awareness, Cost of product development, Lack of professionals like actuarial, Purchasing power and willingness to

pay it, Policy issues regulatory body-bottle necked, has a possibility of failure, High time, effort and budget, Product quality, accessibility and warranty.

QNo.9. To what extent the management of NISCO are committed for new product development?

Most respondents (96%) agreed that the management of NISCO limited commitment due to lack of professionals like actuarial, ease imitation of products,most companies used to improve the existing product rather than introducing new one. Allocate minimal budget, the company believed that introducing new products may result failures,

QNo.10. In your opinion, what is the main purpose of introducing new product in your company?

Almost all of the respondents agreed that the main purpose of introducing new products is to maximize profit, build image, increase market share, win customers, discharge social obligation

CHAPTER FIVE

MAJOR FINDINGS CONCLUSION AND RECOMMENDATION

5.1 Major Findings

The researcher carefully tabulated the response for each questions and interviews. From the responses on each questionnaire inferred the following major findings:

- The consumer perception, nature of insurance products, cost of marketing, mistrust in insurer-insured relationship, failure to adopt information technology, low trained and inexperienced marketing staff, pricing of the insurance policies (setting high price), cost of insurance products, lack of innovativeness in insurance product development and complex procedures in claims management, Lack of awareness, Cost of product development, Lack of professionals like actuarial, high time, effort and budget, product quality, accessibility and warranty, purchasing power and willingness to pay , policy issues regulatory body bottle necked, distribution issues, a possibility of failure are the major challenges of new product development. The practice of an organized way of new product development strategy in the company is poor and introducing new product is not their primary concern.
- The company has a lot of opportunities/advantages of product development like profit maximization, winning customers, increase market share, build brand. The very purpose of introducing new product is to maximize profit, increase business continuity, good will, and create differentiated products. The company productivity increase by increasing product line, solve social problem, increase market share and take competitive advantage.
- The company can be competent by introducing new product and there is un-tapped market in the industry, introducing new product create competitive advantage. The company also one step ahead of others due to product development, NISCO has no unique products, rather pioneer for micro and livestock agricultural insurances. Rank of NISCO in the industry related for introducing new products and they mentioned Micro, Agricultural and Livestock products are NISCO's unique products and funeral insurance for united insurance.
- The company deploys appropriate insurance software to support their effort for new product development in line to avail better service. The emerging information Technology is an opportunity to introduce innovative insurance product.

- Relatively the company knows challenges of new product development ahead of time and the company is designing mechanisms to overcome the challenge during product developments. NISCO know in advance which will face the challenges of introducing new products. NISCO take competitive advantage from introducing new products and also the company participate all stake holders for new product development, there is untapped market potential in the market for new products, introducing new product in the industry is feasible, NISCO prepare marketing strategy for new products before introducing it.
- The company search for new product ideas periodically. Relatively the company has no formal marketing strategy which encourages the development of new products. Moderately the company has not identified the opportunities emanated from introducing new products. Product ideas generation started from MBD department, discussed with underwriting department, General and/ or life insurance divisions, planning and change management departments and ICT.
- The responsible department for new product ideas and product developments are MBD department, MTM are responsible for granting go ahead approval of the generated product ideas and implement product development together with the underwriting department. The company develop corporate strategic plan for five years. One of the major pillars of the strategic plan is MBD issues. MBD's strategic plan focus on 4 P's in line with the number of new products produced in the strategic period, how many new branches opened, the sales volume on the target plan of the strategic period by cascading every budget year. It is one of the strategy used to get competitive advantages, sometimes MBD department form a team from different departments to work on it, but not successful
- The company endorsed budget for new product development every year but the budget is not used for the intended purpose the respondents evidenced the following: the company endorsed budget for product development but not sufficient, due to lack of professional in the area new insurance product development would be challenging and the budget is not used for the intended purpose, due to high cost the company could not give more emphasis for new product development.
- NISCO has methods of collecting feedback from potential customers to wards new product. The companies have office of customer support services as status of division manager, to follow up the customer satisfaction and report to the CEO office. This method of feedback collection is made for already marketed products and it is as sort of after sales service. The division is distributing

questionnaire for potential customers once in a year, Findings of the survey are presented on annual workshop of the company and all concerned departments participated and passed a resolution.

- The company has the procedure for new product development, but idea generated from MBD department, if the department convince to the concerned department about its feasibility, get approved to change to product. There is a doubt about existence of written procedure; rather it is unwritten law of the company and MBD take initiative and responsibility together with product development department taking un clear written procedure as working instructions.
- The criteria for new product development depends on the type of the product need to develop, but by default all concerned departments / MTM/ consider the marketability, accessibility, cost and effectiveness, since the product is intangible, quality could not be compromised. Price, accessibility, sustainability and market share / considering served and un- served market /, taste or preference of potential customer, target group, and market segmentation is considered. Product reliability, quality, accessibility and risk analysis take in to account before deciding to produce new products.
- The source of new product demand emanated from different corners to alleviate Societal problem, technology, living standard of the target population, the environment, insurance awareness, industrialization, the society, increasing need and demands of consumers, government policies, like TP Policy, “No premium no cover policy”, the work and living habit of the peoples source of new product demand.
- The management of NISCO has limited commitment due to lack of professionals like actuarial, ease imitation of products, most companies used to improve the existing product rather than introducing new one. Allocate minimal budget, The Company believed that introducing new products may result failures, the main purpose of introducing new product to maximize profit, build image, increase market share, win customers, discharge social obligation.

5.2 Conclusion

The consumer perception, nature of insurance products and cost of marketing, failure to adopt information technology, low trained and inexperienced marketing staff, pricing of the insurance policies (setting high price), Cost of insurance products, lack of innovativeness in insurance product development, and Complex procedures in claims management, Lack of awareness, Cost of product development, Lack of professionals like actuarial, high time, effort and budget, Product quality, accessibility and warranty, Purchasing power and willingness to pay it, Policy issues (regulatory body-bottle necked), Distribution issues, and a possibility of failure Mistrust in insurer-insured relationship are the major challenges. The practice of an organized way of new product development strategy in the company is poor and introducing new product is not their primary concern. There is un-tapped market in the industry and introducing new product creates competitive advantage for the company.

The company has a lot of opportunities /advantages of new product development like profit maximization, winning customers, increase market share, build brand, increase business continuity, good will, and creating differentiated products, increasing product line, solve social problem, increase market share and take competitive advantage. The management of NISCO has limited commitment due to lack of professionals like actuarial, ease imitation of products, most companies used to improve the existing product rather than introducing new one.

5.3 Recommendation

New insurance product development plays a very important role on the society to alleviate societal problems to assure the well being of the society and create peace of mind. Based on the findings the researcher recommends NISCO to give due attention on the following points:

1. It was founded that consumer perception, nature of insurance products, cost of marketing, Mistrust in insurer-insured relationship, Failure to adopt information technology, Low trained and inexperienced marketing staff, Pricing of the insurance policies (setting high price), Cost of insurance products, Lack of innovativeness in insurance product development and Complex procedures in claims management, Lack of awareness, Cost of product development, Lack of professionals like actuarial, high time, effort and budget, Product quality, accessibility and warranty, Purchasing power and willingness to pay it, Policy issues, Distribution issues, a possibility of failure are the major challenges of new product development.

The company needs to create awareness towards insurance products, minimize Cost of product development together with Pricing of the insurance policies, enhance number/skill of professionals like actuarial, Product quality, accessibility and warranty, taking in to account the customers Purchasing power and willingness to pay.

2. The company can be competent by introducing new product and there is un-tapped market in the industry, introducing new product create competitive advantage. NISCO has no unique products, rather pioneer for micro and livestock agricultural insurances.

The company has to give due attention for NPD to use un-tapped market potential as market in the industry to take competitive advantage.

3. The company has a lot of opportunities/advantages of product development like profit maximization, winning customers, increase market share, build brand. The very purpose of introducing new product is to maximize profit, increase business continuity, good will, and create differentiated products.

The Company needs to study the needs & wants of the target market & should devise a marketing strategy which encourages the development of new insurance products so as to obtain

opportunities from the market like profit maximization, winning customers good will, increase market share, build brand.

4. The Company deploys appropriate insurance software to support their effort for new product development in line to avail better service. It is a good reputation and practice for the company and needs to keep it up,.

5. The Company has complex claims management procedure and this can result dissatisfaction on potential customers,

The company needs to improve and avoid Complex procedures in claims management to enhance customer's satisfaction and marketability of the product,

6. The company endorsed budget for new product development every year but the budget is not used for the intended purpose. Due to high cost the company could not give more emphasis for new product development.

The Company needs to approve the appropriate budget for new product development & must ensure the endorsed budget is used for the intended purpose.

7. The management of NISCO has limited commitment due to lack of professionals like actuarial, ease imitation of products, most companies used to improve the existing product rather than introducing new one. Allocate minimal budget, The Company believed that introducing new products may result failures. Commitment of management of NISCO should be excel to increase professionals like actuarial, allocate sufficient budget so that introducing new product is to maximize profit, build image, increase market share, win customers, discharge social obligation.

8. The Company has the procedure for new product development, but not written procedure rather it is unwritten law of the company taking un clear written procedure as working instructions.

The researcher advised to have written working procedure for NPD.

Therefore, as per the research findings developing new product have a great opportunity for the company but the challenges has not as such great impact to refrain from NPD,

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ST MARY UNIVERSITY

Department of Marketing Management

Questionnaire on “Challenges and Prospects of New Product Development on the case of Nyala Insurance S. C”.

Dear Respondents;

Greetings for the day,

This questionnaire is used for purely academic purpose. Respondent’s genuine and free answers shall go along in making this study more objective. All information given by you will be kept confidential and will be used for the caption purpose. Your cooperation is highly appreciated; please give your assessment of this questionnaire.

I. Background of the respondents

1. Gender: Male Female

1. Highest level of Educational Qualification

Diploma

1st Degree completed

2nd Degree Completed

3rd Degree completed

3. Service year in your organization

Less than one year

1 to 5 years

6 to 10 years

11 to 15 years

16 to 20 Years

Over 20 Years

4. Which of insurance products listed below does your insurance company market

Insurance products	Yes	No
General insurance		
Life insurance		
Medical insurance		

Micro insurance/Agriculture and livestock/		
Saving and Investment		

5. Which of the following factors greatly influence marketing strategy on insurance products in your company?

- 1 1. Nature of the Insurance products []
- 2 2. Consumer perception []
- 3 3. Availability of marketing channels []
- 4 4. Cost of marketing []

II. Please tick only one answer for questions according to your response.

1= Agree /A/

2= Strongly Agree /SA/

3= Neutral /N/

4= Disagree /D/

5= Strongly Disagree /SD/

S/ No	Description	1	2	3	4	5
1	My company has an organized new product development strategy					
3	I don't mind about whether my company's introduce new product or not.					
4	I think my company will be competent if introduce new product					
5	I think there is un tapped market in the industry and introduce new product is advantageous					
6	I believe that my company is one step ahead of others related to product development					
7	My company has unique products which is not found in others					
8	Does the company uses appropriate insurance software to support their effort for new product development in line to avail better service					
9	The emerging information Technology is one opportunity to introduce innovative insurance product					
10	Most of my company product is similar with others					
11	We identify the opportunity of introducing new products					
12	We know ahead of time about challenges of new product development					
13	We are designing to overcome the challenge which the company encountered during product developments					

2. To what extent do the following challenges affected marketing of new insurance products in your company? Use a scale of 1-5 where 1= Agree to 5= strongly disagree

Description	1	2	3	4	5
Mistrust in insurance relationship between insurance and the customer					
Failure to adopt information Technology strategy					
Low trained and inexperience marketing staff					
Pricing of the insurance policies					
Cost of insurance products					
Lack of innovativeness in insurance product development					
Complex procedures in claims management					

1. Please tick[√] mark on the appropriate box and write your reason correspondingly on the give space

1. Does the company search for new product ideas periodically?

Yes

No

If your answer is yes, how often-----

2. Does the company has a formal marketing strategy which encourages the development of new products?

Yes No

Does the company use marketing opportunities for product development strategies to satisfy customer needs?

Yes No

3. Does the company identify the opportunities emanated from introducing new products?

Yes No

4. Does your company know in advance which will face the challenges of introducing new products?

Yes No

If your answer for the question is yes, strategies designed to prevent is

5. Does your company think/ believe that will take competitive advantage from introducing new products?

Yes No

If your answer is yes for the question, would you please mention some of them-----

6. Does your company prepare marketing strategy for new products before introducing it?

Yes No

7. Do you know your role on product development?

Yes No

If your answer is yes , could you mention the major one
please-----

8. Does your company participate at all stake holders for new product development?

Yes No

If your answer is yes could you describe
how-----

9. Do you think that there is untapped market potential in the market?

Yes No

10. Does introducing new product in the industry is feasible?

Yes No

If your answer is no,

why-----

2. Please give genuine and to the point answers for the following questions

1. Could you please say something about the process of generating new product ideas

2. Who is responsible for new product ideas and product developments?

3. Does the company endorsed budget for new product development every year? If your answer for Q.No. 3 is yes does the budget is used for the intended purpose

4. Does the company have a means/ methods of collecting feedback from potential customers to wards new product? If your answer is yes what the feedback looks like

5. What do you think your company rank in the industry about introducing new products?

6. How can you describe the challenges and opportunities of introducing new products(about marketability, customer feedback, pricing and product differentiation)

7. Do you anticipate or know ahead of time that challenges your company encountered during new product

development.-----

8. If your answer for Q. No, 7 is yes please mention the major one

9, To what extent the management of NISCO are committed for new product development-----

Additional comments

If you have additional comments / points you need to raise please

Thank you your time and prompt response

School of graduate studies
Master of Marketing Management
Structured Interview Questions

This interview questions are designed to collect information with respect to challenges and opportunities of new product development in Nyala Insurance S.C. The information shall be used as a primary data in my thesis research which I am conducting as a partial fulfillment of my study at St. Marry University for completing my MA program. Your input is required for academic purpose and will be kept confidentially.

Therefore, your genuine, honest and prompt response is a valuable input for the quality and successful completion of the study. Thank you, for your kind cooperation, in advance.

List of Interview questions

1. Is there a formal procedure for new product development?
2. Could you tell me the type of marketing strategy that your company follow
3. What are the criteria you consider before deciding to develop a new product?
4. Does your company have a formal marketing strategy which encourages the development of new products?
5. What opportunities do your company gained from developing new product?
6. To what extent the strategic goal of your company is linked with new product development?
7. Who are the participants or functional groups in new product development decision making?
8. How would you describe the source of new product demand?
9. What challenges does your company face when developing new product?
10. In your opinion, what is the main purpose of introducing new product in your company?
11. Any Additional comment?

Thanks again for your kind cooperation. Good job!

