

Shijie Zhang
University of Essex

In the last 2 decades, Chinese dairy industry has witnessed significant growth due to a number of reasons including the economic development in China; increase consumers' health consciousness; sophisticated and more educated consumers and the encouragement of the government. In order to assure the national dairy industry develop and improve Chinese nation's body diathesis, China Prime Minister Wen Jiabao said he has a dream, let every Chinese, Children first can drink 500g milk per day. From the central to the local government, many policies were made to assist the dairy industry.

However, the fast development of industry and the lacking monitoring system from the government have arisen a series of problems. The key problems that threatened the growth of the industry in general and companies in particular was the melamine incident case in 2008; and "Pre-maturity baby" incident in 2010 etc.

In 2008, The milk farmers, which are one of the suppliers of the dairy company used melamine to boost the apparent protein content of diluted milk in order to succeed the raw milk quality inspection of the company. This incident has led three babies to die and left more than 6,000 children ill. This incident was confirmed by Financial Times (2009) reported that at least six infants died and 300,000 felt ill by the chemical industrial chemical melamine, used by the suppliers (farmer) to cloak the dilution. After inspecting, the China central government and the monitoring of foreign Customs discovered the chemical melamine had also been existing in other dairy products, such as the liquid milk, milk sweets, ice cream etc. Singapore has stop the White rabbit sweet sale nationally. Japan has inspected the national importing firm for the Chinese goods. and most of China's leading dairies, including the Mengniu Dairy, Olympic sponsor Yili industrial and Bright group, have failed the melamine tests. (Financial times, 2009)

As the Financial Times stated that the scandal which arouses the worries about the Chinese product quality worldwide has also provoked a crisis of confidence and reduction of trust perceptions in food safety among Chinese consumers

The Nielsen Retail index figures, which revealed that the Milk Powder sales saw the heaviest fall in October dropping 22% from September followed by Liquid Milk (-19%) Yoghurt/Yoghurt Drinks (-16%) and infant Milk Formula (IMF) (-8%),

represents an evidence for the diminishing consumer confidence towards these products. Concerning with the risk of contamination and lack of quality control, some of the consumers switched to the high-valued foreign brands but doubtfully, most of them started to use the bean milk as the refills.

Despite the diminishing trust towards the national dairy brands operating in China, most consumers still need to buy the dairy products mainly due to economy reasons. Only those with high-income level could afford to switch to the foreign brands. In additions, based on the research paper from Xiu, & Klein, (2009) Qiao, et al, (2010), it asserted that Sale amount of dairy product is increasing since 2009. Furthermore, The exploratory interview on some dairy companies' manager shows that some small local dairy company's brand were affected less as compared with those big dairy corporation.

Given these previously mentioned issues, for Chinese consumers, purchasing national dairy products includes more involvement and consideration compared to Europeans. For Chinese national dairy companies, how to build consumer confidence for their brand and establish trust relationship with customers has become the most crucial issue. This would help them to fight against the competition coming from the foreign dairy companies, raise their overall profitability by increasing differentiation of their products and maintain the quality of their products.

Against this background, this research key objectives of this research is to examine how to build and increase perceived trust towards the national dairy product brands in China; What the consumer's reaction (cognition/affected based) towards the violation of trust in Chinese dairy brand will be in term of brand and consumer relationships .